

**EXHIBIT 4 – OPERATING EXPENSES**  
**2024 Cost of Service**

Tillsonburg Hydro Inc.  
EB-2023-0053

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## 1.0. OPERATING EXPENSES

The operating costs presented in this Exhibit encompass the expenditures necessary for THI to maintain and operate its distribution system assets at targeted performance levels. These costs are essential to meet customer expectations, ensure public and employee safety, and provide quality service delivery. Additionally, THI’s proposed operating costs are crucial for compliance with the Distribution System Code, environmental regulations, and government directives.

### 1.1. OVERVIEW

#### 1.1.1. OM&A Test Year Levels

For the 2024 Test Year, THI has projected its operating costs to be \$3,272,229. This projection is the outcome of THI's rigorous business planning and work prioritization process, which aimed to identify and implement the most appropriate and cost-effective solutions to meet the utility's operational requirements. The 2024 projection represents an increase of \$757,147 over 2013 Board Approved costs. The compound annual growth rate (CAGR) over the past 12 years is a modest 2.42% increase per year. Details are introduced in Table 4.1 below. Explanations and details are presented in the next section and throughout this exhibit. THI submits that the realized growth in its spending was prudent and reasonable, as it related principally to the need to recruit, train, and retain qualified staff to support safety, reliability, and effective management.

**Table 1. – 2024 OM&A vs 2013 Board Approved OM&A**

	2013 Board Approved	2024 Forecast	Variance
Operations	\$882,270	\$525,582	-\$356,688
Maintenance	\$275,312	\$209,849	-\$65,463
<b>Total O&amp;M</b>	<b>\$1,157,582</b>	<b>\$735,431</b>	<b>-\$422,151</b>
Billing and Collecting	\$613,505	\$813,409	\$199,904
Community Relations	\$900	\$0	-\$900
Administrative and General	\$743,095	\$1,723,389	\$980,294
<b>Total</b>	<b>\$2,515,082</b>	<b>\$3,272,229</b>	<b>\$757,147</b>
<b>Average Annual % Change</b>			2.74%
<b>CAGR</b>			2.42%

## 1.1.2. Development of OM&A Budget

### Budgeting Process

The Finance and Regulatory Affairs Manager (FRAM) is responsible for gathering all information and collation of the operating and capital budget. The FRAM works with the Manager of Operations and Design to review the YTD actuals and develops a forecast for the current year. Based on that forecast the FRAM and Managers of Hydro Operations and Design then develop the operating budget for the next fiscal year taking into consideration inflation and any one time increases.

For the capital budget the FRAM, Manager of Operations and Design along with the Engineering Technologist review year the current year YTD actuals and based on the actuals develop a forecast for the current year. Next, they review the Distribution System Plan and the Asset Management Plan to develop the capital budget for the next year taking into consideration jobs that were deferred/cancel, carried forward jobs and any unbudgeted jobs that had to be completed in the current year.

Once the budgets are developed, they are then reviewed with the General Manager analyzing the year-over-year changes and the changes compared to the forecast for the previous year. The FRAM would update the budgets for any changes. Once the review is completed the GM and FRAM then prepare a budget report for THI board of directors explaining any key assumptions and drivers for year over year changes. This information is presented at the board meeting where the FRAM and Manager of Operations and Design are also in attendance. If the board requests any additional information or requests any changes to the budgets the GM and FRAM gather the additional information requested or update the budgets accordingly. A revised budget or additional information is presented to the board at the next monthly board meeting for the board to approve the budget.

### Reporting Process

THI prepares monthly financial statements. The Finance and Regulatory Affairs Manager is responsible for the preparation and analysis of the financial statements explaining any significant variance. The financial statements and the analysis are then review with the General Manager. If GM determines that any changes are needed to the financial statements or request any additional information the FRAM update accordingly. The financial statements and variance analysis are then presented to the board of directors as part of the monthly board meeting. The FRAM attends the board meeting for the presentation of the financial statements and variance analysis.

THI notes that it does not capitalize indirect overhead costs.

## 1.1.3. Cost Drivers and Significant Changes in OM&A

Over the period from 2013 to 2024, THI has made significant improvements to its financial recording and processes. These improvements have resulted in two key changes. Firstly, THI has enhanced its ability to accurately record employee costs directly associated with capital projects, allocating those costs to the specific projects. Secondly, the utility has implemented a more robust methodology for allocating management costs between the operating and maintenance (O&M) and Administrative and General (A&G) segments.

Because of these improvements, material shifts in how costs are allocated occurred gradually between the O&M and A&G categories from 2013 to 2016. Smaller adjustments were also made in 2019 and 2021 to further refine the allocation of costs between these two segments. In summary, over the past 10 years, THI has improved its direct capital allocation practices, effectively recorded management costs in the appropriate OM&A categories, while maintaining relatively flat total OM&A costs and full-time equivalent (FTE) levels. These enhancements have enabled THI to achieve greater accuracy and transparency in its financial reporting, ultimately benefiting the utility's operations and stakeholders.

The table below shows the main drivers of change between the 2013 Actuals to 2024 test year OM&A levels.

**Table 2.– Cost Drivers from 2013 Board Approved to 2024 Test Year**

OM&A	Last Rebasings Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<b>Reporting Basis</b>												
<b>Opening Balance<sup>2</sup></b>	\$ 2,515,082	\$ 2,978,564	\$ 2,491,161	\$ 2,500,887	\$ 2,725,005	\$ 2,695,060	\$ 2,932,078	\$ 2,873,126	\$ 2,842,841	\$ 2,883,036	\$ 2,906,752	\$ 3,090,929
Underground Distribution Maintenance	-\$ 37,848	-\$ 2,088	\$ 1,485	\$ 7,224	\$ 2,418	-\$ 13,256	-\$ 2,883	\$ 1,545	-\$ 2,972	\$ 132	\$ 7,623	\$ 23,844
Overhead Distribution Maintenance	-\$ 38,578	-\$ 14,577	-\$ 9,953	\$ 14,579	-\$ 38,053	\$ 5,980	-\$ 23,097	\$ 52,242	\$ 12,615	-\$ 27,090	\$ 5,726	\$ 12,472
Distribution Station Equipment	\$ 12,888	-\$ 7,217	-\$ 5,981	-\$ 2,163	-\$ 6,931	\$ 7,141	-\$ 5,848	-\$ 7,067	\$ 3,804	\$ 4,061	-\$ 1,873	-\$ 4,355
Misc. Distribution Expense	-\$ 61,887	\$ 45,747	-\$ 110,668	\$ 36,054	\$ 54,597	\$ 101,772	-\$ 36,844	-\$ 109,412	\$ 22,918	\$ 62,052	-\$ 114,654	-\$ 19,646
Line Maintenance	-\$ 119,923	-\$ 36,915	\$ 28,888	\$ 32,619	-\$ 66,159	\$ 122,339	-\$ 37,774	\$ 55,679	-\$ 66,392	-\$ 6,929	\$ 22,624	\$ 9,572
Meter Maintenance + Reading	\$ 423,583	-\$ 380,960	-\$ 61,004	-\$ 65,524	\$ 34,620	-\$ 2,982	-\$ 60,803	\$ 42,993	-\$ 22,624	-\$ 14,571	\$ 13,266	\$ 11,052
Bad Debt	\$ 13,693	-\$ 20,200	\$ 8,162	\$ 16,093	\$ 9,966	-\$ 1,642	\$ 49,253	-\$ 61,983	\$ 11,414	\$ 8,176	\$ 68	\$ -
Collections	-\$ 1,000	-\$ 382	\$ 360	\$ 4,609	-\$ 1,144	-\$ 458	\$ 827	\$ 564	\$ 78,585	\$ 14,307	-\$ 748	\$ 2,511
Customer Billing	\$ 22,881	-\$ 37,308	\$ 20,099	-\$ 21,017	\$ 37,747	\$ 4,892	\$ 36,362	\$ 18,559	-\$ 145,162	\$ 50,267	-\$ 16,293	-\$ 1,185
Misc. Customer Expense	\$ 4,751	-\$ 5,383	-\$ 3,649	\$ 3,177	-\$ 12,692	\$ 5,566	-\$ 22,009	-\$ 26,046	\$ 22,813	-\$ 2,006	\$ 20,735	\$ 5,278
Community Relations	\$ -	\$ -	\$ -	\$ 530	-\$ 380	-\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	\$ -	\$ 4	\$ 3,492	-\$ 3,870	-\$ 606	\$ -	\$ 18,360	\$ -	\$ -	\$ -	\$ -	\$ 32,500
Regulatory Expenses and Fees	-\$ 11,000	\$ -	\$ -	\$ -	\$ -	\$ 16,562	-\$ 13,524	-\$ 1,020	-\$ 1,266	\$ 347	\$ 5,100	-\$ 1,200
Outside Services Employed	\$ 8,955	-\$ 622	\$ 11,117	\$ 176,081	-\$ 142,724	\$ 28,537	-\$ 14,778	\$ 12,792	\$ 9,985	-\$ 28,466	\$ 8,852	\$ 1,733
Salaries	\$ 136,108	\$ 79,047	\$ 126,351	\$ 39,829	\$ 97,066	-\$ 136,170	\$ 120,644	-\$ 6,097	\$ 87,651	-\$ 49,512	\$ 186,763	\$ 54,694
Miscellaneous	-\$ 23,675	\$ 74,923	-\$ 29,167	\$ 12,150	-\$ 5,416	\$ 99,192	-\$ 106,761	-\$ 5,326	\$ 5,856	\$ 29,721	\$ 44,074	\$ 18,730
Regulatory Expenses	\$ 134,536	-\$ 181,473	\$ 30,192	-\$ 26,252	\$ 7,746	-\$ 306	-\$ 4,096	\$ 2,294	\$ 22,967	-\$ 16,775	-\$ 833	\$ 35,300
<b>Closing Balance<sup>2</sup></b>	\$ 2,978,564	\$ 2,491,161	\$ 2,500,887	\$ 2,725,005	\$ 2,695,060	\$ 2,932,078	\$ 2,873,126	\$ 2,842,841	\$ 2,883,036	\$ 2,906,752	\$ 3,090,929	\$ 3,272,229

### **1.1.4. Overall Trends and Metrics**

An overall trend in costs, including OM&A per customer (and its components) for historical, bridge, and test years are detailed in section 4.2.1 and 4.2.4.

### **1.1.5. Inflation Rate Assumptions**

Canada's inflationary rate from 2013 to 2024 has experienced fluctuations, influenced by various economic factors such as changes in consumer demand, global economic conditions, government policies, and natural events like the COVID-19 pandemic. In June 2023, the OEB issued a letter regarding its 2024 inflationary parameters to be used by electricity distributors and noted a 4.8% inflationary rate. As noted in section 4.1.1, THI's CAGR is a modest 2.42%.

### **1.1.6. Business Environment Changes**

The main business environment changes affecting THI's operations since its last approval in 2013 are as follows:

- Customer counts have increased on average 2.1% from 6,978 in 2013 to 8,566 in 2023. There was significant residential growth between 2020-2022 with steady growth in other years.
- Implementation of Ontario Rebate for Electricity Consumers ("OREC") and transitioned to Ontario Electricity Rebate ("OER")
- Implementation of the Customer Choice Initiative allowing RPP customers to choose between Time-of-Use ("TOU"), Ultra-Low ("ULO") and Tiered pricing.
- Net Metering
- Introduction of Green Button which is a data standard that provides energy customers with more choice in how they access their electricity data. With a simple and secure process, customers will be able to securely download or connect (share) their energy usage data in an industry-standard format with registered third parties.
- eBilling which provides customers with billing information in an electronic format providing easy access and environmental benefits.

### **1.1.7. Conversion from Canadian GAAP to IFRS**

Subsequent to THI's previous cost of service application for the 2013 year, THI converted its financial reporting framework from Canadian GAAP ("CGAAP") to Modified International Financial Reporting Standards ("MIFRS") with a transition date of January 1, 2013. As detailed in Appendix 2-Y in Exhibit 2, there are no material differences in the 2024 revenue requirement between CGAAP and MIFRS. THI applied the deemed cost election permitted under MIFRS in its transition to MIFRS. The deemed cost election permits rate regulated entities to use the CGAAP carrying amount of items of PP&E and intangible assets as deemed cost at the transition date. There was no impact to retained earnings on opening balances of PP&E and intangible assets at the date of transition. Costs related to the transition to MIFRS are recorded in account 1508 and listed in Chapter 2 appendices – 2-YA.

## **1.2. OM&A SUMMARY AND COST DRIVER TABLES**

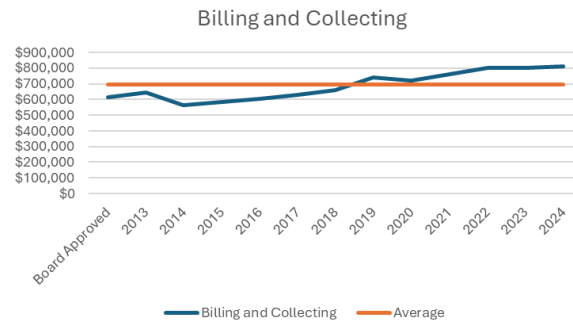
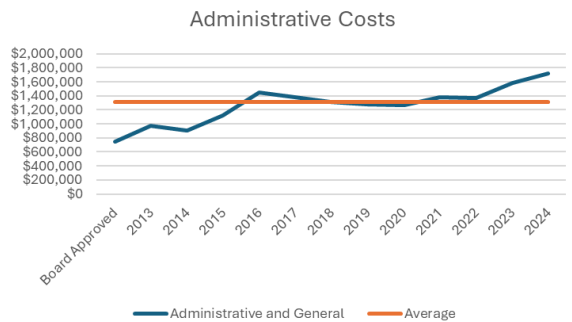
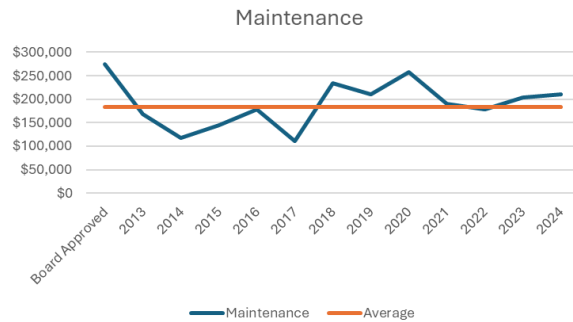
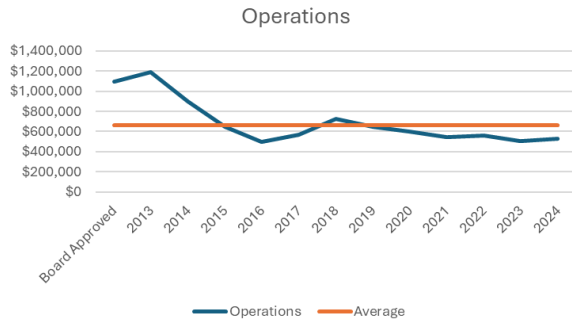
The changes in costs explained in sections 4.2.1 to 4.2.3 are considered to be within the distributor's control unless otherwise noted.

### 1.2.1. Recoverable OM&A Expenses

Table 4-2 shows an excerpt of Appendix 2-JA from the Chapter 2 filing requirements which breaks down the OM&A into major categories. THI is proposing recovery of \$3,272,229 for its 2024 Test Year OM&A costs.

**Table 3.– OEB Appendix 2-JA Summary of Recoverable OM&A Expenses**

	2013 Last Rebasings Year OEB Approved	2013 Last Rebasings Year Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	\$ 882,270	\$ 1,190,472	\$ 900,612	\$ 644,836	\$ 498,266	\$ 571,936	\$ 723,170	\$ 644,867	\$ 600,165	\$ 545,201	\$ 558,349	\$ 503,729	\$ 525,582
Maintenance	\$ 275,312	\$ 167,665	\$ 118,102	\$ 144,270	\$ 178,960	\$ 110,751	\$ 234,868	\$ 210,034	\$ 258,503	\$ 189,920	\$ 178,192	\$ 203,359	\$ 209,849
<b>SubTotal</b>	<b>\$ 1,157,582</b>	<b>\$ 1,358,137</b>	<b>\$ 1,018,715</b>	<b>\$ 789,106</b>	<b>\$ 677,226</b>	<b>\$ 682,687</b>	<b>\$ 958,039</b>	<b>\$ 854,901</b>	<b>\$ 858,668</b>	<b>\$ 735,121</b>	<b>\$ 736,540</b>	<b>\$ 707,088</b>	<b>\$ 735,431</b>
%Change (year over year)		17.3%	-25.0%	-22.5%	-14.2%	0.8%	40.3%	-10.8%	0.4%	-14.4%	0.2%	-4.0%	4.0%
%Change (Test Year vs Last Rebasings Year - Actual)													-45.8%
Billing and Collecting	\$ 613,505	\$ 643,690	\$ 565,204	\$ 586,908	\$ 604,067	\$ 630,301	\$ 658,554	\$ 740,168	\$ 720,741	\$ 762,553	\$ 802,621	\$ 800,229	\$ 813,409
Community Relations	\$ 900	\$ -	\$ -	\$ -	\$ 530	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative and General	\$ 743,095	\$ 976,737	\$ 972,856	\$ 903,151	\$ 1,120,686	\$ 1,439,801	\$ 1,315,486	\$ 1,278,057	\$ 1,261,292	\$ 1,385,362	\$ 1,367,591	\$ 1,583,612	\$ 1,723,389
<b>SubTotal</b>	<b>\$ 1,357,500</b>	<b>\$ 1,620,427</b>	<b>\$ 1,538,059</b>	<b>\$ 1,490,059</b>	<b>\$ 1,725,283</b>	<b>\$ 2,070,252</b>	<b>\$ 1,974,040</b>	<b>\$ 2,018,225</b>	<b>\$ 1,982,034</b>	<b>\$ 2,147,916</b>	<b>\$ 2,170,212</b>	<b>\$ 2,383,841</b>	<b>\$ 2,536,797</b>
%Change (year over year)		19.4%	-5.1%	-3.1%	15.8%	20.0%	-4.6%	2.2%	-1.8%	8.4%	1.0%	9.8%	6.4%
%Change (Test Year vs Last Rebasings Year - Actual)													56.6%
<b>Total</b>	<b>\$ 2,515,082</b>	<b>\$ 2,978,564</b>	<b>\$ 2,556,774</b>	<b>\$ 2,279,165</b>	<b>\$ 2,402,509</b>	<b>\$ 2,752,939</b>	<b>\$ 2,932,078</b>	<b>\$ 2,873,126</b>	<b>\$ 2,840,702</b>	<b>\$ 2,883,037</b>	<b>\$ 2,906,752</b>	<b>\$ 3,090,929</b>	<b>\$ 3,272,229</b>
%Change (year over year)		18.4%	-14.2%	-10.9%	5.4%	14.6%	6.5%	-2.0%	-1.1%	1.5%	0.8%	6.3%	5.9%



Considering the extended period since THI last OEB-approved distribution rates in 2013, providing year over year cost driver explanations by individual Uniform System of Accounts



(USoA) would not be particularly insightful. Instead, THI has opted to provide a high level explanation. This approach aims to highlight significant variances in the overall trend from the 2013 OEB-Approved figures to the 2024 Test Year, offering a more meaningful analysis of the utility's cost structure over the past decade. Where possible, THI has provided UsOA variance explanations for the years 2022-2024.

## **Overview**

THI has implemented several adjustments to its OM&A expenses to ensure accurate reporting, align with industry best practices, and optimize workforce and cost management strategies. These efforts are part of THI's ongoing commitment to operational excellence, cost management, transparency in financial reporting, and delivering exceptional service to customers while maintaining a strong financial position.

In 2021, THI corrected the allocation of supervisory costs to account 5305 and rectified an error in the allocation of billing and collecting expenses, providing a more accurate representation of associated costs. The following year, 2022, saw a transition from a Full-Time Equivalent (FTE) to a Part-Time Equivalent (PTE) methodology for supervisory staffing, aligning with industry best practices. Additionally, to address staffing shortages and maintain service levels, THI incurred \$35,724 in overtime costs. Actual total OT spend \$14,690 and increased third party support.

While THI's overall operation and maintenance activities and costs are closely tied to changes in capital expenditures, staffing levels have remained relatively constant. Employee deployment is adjusted between capital projects and operating/maintenance tasks based on the annual plan and budget. Despite this fluctuation, THI's OM&A expenses have hovered around the 10-year average.

One area that has seen an increase is Billing & Collecting activity, driven by customer growth and a recent shift in the dynamics of new customers. Historically, growth was primarily attributed to new homeowners, but in recent years, there has been a noticeable change with more properties being built for the purpose of renting to out-of-area tenants. This trend has created an increased workload due to a higher volume of move-in/move-out transactions and customer interactions.

In 2023, THI strategically managed a vacant position for a portion of the year to optimize the workforce and control costs. For the 2024 Test Year, the utility has budgeted for a fully staffed organization, ensuring adequate resources to support operations and meet customer expectations.

Administrative costs have also been impacted, with the management and executive portion experiencing constant personnel changes, while the remainder of administrative expenses adjusted to fluctuations in capital activity. THI has experienced an increase in the full-time equivalent (FTE) count for management and executive positions to fill vacant and part-time roles, leading to a corresponding movement of related direct costs, such as training and mileage expenses. In 2023, the number of directors was increased to better represent shareholder interests, resulting in an incremental rise in directors' compensation in 2024 to account for prior years' compensation not being indexed to inflation. Additionally, the utility has incurred a \$35,000 increase in cost-of-service expenses in 2024, along with higher insurance premiums and a \$32,500 rent increase in 2024 due to a new building lease.

These changes reflect THI's efforts to address staffing needs, enhance governance, secure appropriate facilities, and effectively manage operating costs while maintaining efficient operations and service delivery.

**UsOA Variance Explanations**

5005-Operation Supervision - 2022 Actual to 2023 Bridge Year: Increase of \$35,216

Operation supervision expenses increase from 2022 actuals due to operational staffing levels increasing back to standard levels. The expense was anticipated to ensure adequate supervision of operating activities.

5055-Underground - 2023 Test Year to 2024 Bridge Year: Decrease of \$15,827

PCB testing program & MS#2 & MS#5 restoration.

5085-Miscellaneous Distribution Expense - 2022 Actual to 2023 Bridge Year: Decrease of \$114,654

Movement of activity from operational to capital work and improvements in cost allocation.

5120-Maintenance of Poles, Towers and Fixtures - 2022 Actual to 2023 Bridge Year: Increase of \$12,340.

Cost related to increased maintenance activity due to the expanded pole testing program.

5135-Overhead Distribution Lines and Feeders - Right of Way - 2022 Actual to 2023 Bridge Year: Increase of \$23,025.

Cost related to tree trimming program.

**1.2.2. Recoverable OM&A Cost Drivers**

In accordance with the Filing Requirements, OEB Appendix 2-JB – OM&A Cost Drivers, Table 4-3 presented below outlines the key drivers of OM&A costs over the period of 2013 Board Approved to the 2024 Test Year.

**Table 4.– OEB Appendix 2-JB OM&A Cost Drivers**

OM&A	Last Rebasings Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<b>Reporting Basis</b>												
Opening Balance <sup>a</sup>	\$ 2,515,082	\$ 2,978,564	\$ 2,491,161	\$ 2,500,887	\$ 2,725,005	\$ 2,695,060	\$ 2,932,078	\$ 2,873,126	\$ 2,842,841	\$ 2,883,036	\$ 2,906,752	\$ 3,090,929
Underground Distribution Maintenance	\$ 37,848	\$ 2,088	\$ 1,485	\$ 7,224	\$ 2,418	\$ 13,256	\$ 2,883	\$ 1,545	\$ 2,972	\$ 132	\$ 7,623	\$ 23,844
Overhead Distribution Maintenance	\$ 38,578	\$ 14,577	\$ 9,953	\$ 14,579	\$ 38,053	\$ 5,980	\$ 23,097	\$ 52,242	\$ 12,615	\$ 27,090	\$ 5,726	\$ 12,472
Distribution Station Equipment	\$ 12,888	\$ 7,217	\$ 5,981	\$ 2,163	\$ 6,931	\$ 7,141	\$ 5,848	\$ 7,067	\$ 3,804	\$ 4,081	\$ 1,873	\$ 4,355
Misc. Distribution Expense	\$ 61,887	\$ 45,747	\$ 110,688	\$ 36,054	\$ 54,587	\$ 101,772	\$ 36,844	\$ 109,412	\$ 22,918	\$ 62,052	\$ 114,654	\$ 19,646
Line Maintenance	\$ 119,923	\$ 36,915	\$ 28,888	\$ 32,619	\$ 66,159	\$ 122,339	\$ 37,774	\$ 55,879	\$ 66,392	\$ 6,929	\$ 22,624	\$ 9,572
Meter Maintenance + Reading	\$ 423,583	\$ 380,960	\$ 61,004	\$ 65,524	\$ 34,620	\$ 2,982	\$ 60,803	\$ 42,993	\$ 22,624	\$ 14,571	\$ 13,266	\$ 11,062
Bad Debt	\$ 13,693	\$ 20,200	\$ 8,162	\$ 16,093	\$ 9,966	\$ 1,642	\$ 49,253	\$ 61,983	\$ 11,414	\$ 8,176	\$ 68	\$ -
Collections	\$ 1,000	\$ 382	\$ 360	\$ 4,609	\$ 1,144	\$ 458	\$ 827	\$ 564	\$ 78,585	\$ 14,307	\$ 748	\$ 2,511
Customer Billing	\$ 22,881	\$ 37,308	\$ 20,099	\$ 21,017	\$ 37,747	\$ 4,892	\$ 36,362	\$ 18,559	\$ 145,162	\$ 50,287	\$ 16,293	\$ 1,185
Misc. Customer Expense	\$ 4,751	\$ 5,383	\$ 3,649	\$ 3,177	\$ 12,692	\$ 5,568	\$ 22,009	\$ 26,046	\$ 22,813	\$ 2,906	\$ 20,735	\$ 5,278
Community Relations	\$ -	\$ -	\$ -	\$ 530	\$ 380	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	\$ -	\$ 4	\$ 3,492	\$ 3,870	\$ 606	\$ -	\$ 18,360	\$ -	\$ -	\$ -	\$ -	\$ 32,500
Regulatory Expenses and Fees	\$ 11,000	\$ -	\$ -	\$ -	\$ -	\$ 16,562	\$ 13,524	\$ 1,020	\$ 1,266	\$ 347	\$ 5,100	\$ 1,200
Outside Services Employed	\$ 8,955	\$ 622	\$ 11,117	\$ 176,081	\$ 142,724	\$ 28,537	\$ 14,778	\$ 12,792	\$ 9,985	\$ 28,466	\$ 8,852	\$ 1,733
Salaries	\$ 136,108	\$ 79,047	\$ 126,351	\$ 39,829	\$ 97,066	\$ 136,170	\$ 120,644	\$ 6,097	\$ 87,651	\$ 49,512	\$ 186,763	\$ 54,694
Miscellaneous	\$ 23,675	\$ 74,923	\$ 29,167	\$ 12,150	\$ 5,416	\$ 99,192	\$ 106,761	\$ 5,326	\$ 5,856	\$ 29,721	\$ 44,074	\$ 18,730
Regulatory Expenses	\$ 134,536	\$ 181,473	\$ 30,192	\$ 26,252	\$ 7,746	\$ 306	\$ 4,096	\$ 2,294	\$ 22,967	\$ 16,775	\$ 833	\$ 35,300
<b>Closing Balance<sup>a</sup></b>	\$ 2,978,564	\$ 2,491,161	\$ 2,500,887	\$ 2,725,005	\$ 2,695,060	\$ 2,932,078	\$ 2,873,126	\$ 2,842,841	\$ 2,883,036	\$ 2,906,752	\$ 3,090,929	\$ 3,272,229

### 1.2.3. OM&A Programs Table

In accordance with Chapter 2 filing requirements, THI has completed Appendix 2-JD, Table 4-4 below which shows a summary of the 2014 Board Approved to 2024 Test Year. The variance analysis on the far-left highlights variances greater than or equal to \$50,000. Section 4.2.1. provides an explanation for the overall variances from 2013 to 2024.

Historically, THI's operational budgets were structured around the USoA rather than being aligned with our operational programs. This approach posed challenges in effectively tracking and managing costs associated with specific programs and initiatives.

Recognizing the need for improved cost monitoring and accountability, THI initiated efforts in 2022 to enhance our tracking mechanisms. Building on this foundation, THI has developed a comprehensive plan to overhaul our budgeting process for the 2025 fiscal year. The revised approach will prioritize a program-centric budgeting methodology, with USoA being derived as a subsequent step from the programmatic allocations.

It is important to acknowledge that in previous years, there have been instances where costs were not accurately recorded to the appropriate planned or unplanned USoA categories. This issue has been identified, and THI began implementing measures to strengthen our internal controls and improve the accuracy of cost allocation across all USoA categories.

Our commitment to continuous improvement drives us to address these areas proactively. We are confident that the initiatives underway will enhance our financial management practices, enabling more precise cost tracking, informed decision-making, and effective resource allocation aligned with our strategic objectives.

In accordance with Chapter 2 filing requirements, THI has completed an Appendix 2-JD, OM&A programs by USoA. The Table provides a summary of the variances from 2013 Board to 2024 Test Year. All changes below were within the control of THI, unless otherwise stated. An explanation for the overall change can be found in section 4.2.1.

**Table 5.– OEB Appendix 2-JD OM&A Programs Table**

USoA Account	USoA Account Name	Last Rebasng Year (2013 OEB- Approved)	Last Rebasng Year (2013 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year	Variance (Test Year vs. 2022 Actuals)	Variance (Test Year vs. Last Rebasng Year (2013 OEB- Approved))	2013 BA vs 2013 Actuals	
		MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS			
	<b>Reporting Basis</b>															
5005	Operation Supervision and Engineering	177,503	189,685	35,043	52,368	126,620	163,893	181,161	85,125	67,042	102,257	99,037	31,996	-78,466	12,182	
5010	Load Dispatching	2,010	9,355	1,879	51	367	704	247	235	0	0	0	0	-2,010	7,345	
5016	Distribution Station Equipment - Operation Labour	0	0	2,638	1,169	2,378	206	0	125	0	900	0	0	0	0	
5017	Distribution Station Equipment - Operation Supplies and Expenses	26,130	31,672	21,151	17,517	23,132	19,120	12,715	16,406	20,827	21,800	18,345	-2,482	-7,785	5,542	
5020	Overhead Distribution Lines and Feeders - Operation Labour	0	0	10,029	9,845	6,511	2,084	1,378	3,034	1,070	7,400	10,000	8,930	10,000	0	
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	44,100	18,831	4,429	8,155	8,554	806	1,310	1,764	1,117	20,816	21,245	20,128	-22,855	-25,269	
5035	Overhead Distribution Transformers- Operation	18,700	12,574	11,252	4,367	6,552	1,484	1,441	81	611	2,581	8,719	8,107	-9,981	-6,126	
5040	Underground Distribution Lines and Feeders - Operation Labour	0	0	7,151	2,870	1,994	751	0	0	0	4,200	4,200	4,200	4,200	0	
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	11,775	4,027	4,525	4,810	1,587	269	0	0	0	2,384	10,201	10,201	-1,574	-7,748	
5055	Underground Distribution Transformers - Operation	34,600	4,499	3,471	9,885	728	407	2,972	0	132	1,371	17,198	17,066	-17,402	-30,101	
5065	Meter Expense	102,370	523,816	33,809	78,123	53,468	6,562	7,285	11,993	4,069	13,665	26,424	22,355	-75,946	421,446	
5070	Customer Premises - Operation Labour	0	0	8,290	4,914	31,042	17,525	51,937	63,984	39,316	23,200	29,591	-9,725	29,591	0	
5075	Customer Premises - Materials and Expenses	90,000	79,920	67,204	35,971	10,732	17,288	20,088	31,339	34,397	25,696	22,611	-11,786	-67,389	-10,080	
5085	Miscellaneous Distribution Expense	372,982	311,095	282,228	336,825	438,598	401,754	292,242	315,260	377,312	262,657	243,011	-134,301	-129,971	-61,887	
5095	Overhead Distribution Lines and Feeders - Rental Paid	2,100	4,996	5,166	5,065	10,906	12,014	27,288	15,856	12,457	15,000	15,000	2,543	12,900	2,896	
5105	Maintenance Supervision and Engineering	17,000	14,474	7,838	2,419	792	592	456	28,333	3,963	5,938	8,258	4,295	-8,742	-2,526	
5114	Maintenance of Distribution Station Equipment	5,250	3,897	5,196	1,065	165	680	1,052	0	31	0	0	-31	-5,250	-1,353	
5120	Maintenance of Poles, Towers and Fixtures	33,950	13,032	30,801	23,555	15,651	16,141	26,522	9,442	6,671	19,011	18,696	12,025	-15,254	-20,918	
5125	Maintenance of Overhead Conductors and Devices	27,300	13,209	10,661	12,302	32,249	23,908	53,314	39,049	32,178	23,502	22,896	-9,282	-4,404	-14,091	
5130	Maintenance of Overhead Services	21,000	13,390	16,331	17,701	22,506	33,437	23,886	31,283	22,098	20,966	21,857	-241	857	-7,610	
5135	Overhead Distribution Lines and Feeders - Right of Way	108,850	56,996	61,585	5,020	61,421	69,377	66,550	43,677	43,325	66,350	74,662	31,337	-34,188	-51,854	
5145	Maintenance of Underground Conduit	0	0	0	0	0	0	0	0	0	3,502	3,696	3,696	3,696	0	
5150	Maintenance of Underground Conductors and Devices	10,400	10,572	10,132	6,981	5,895	16,380	28,406	16,744	26,361	18,502	18,196	-8,165	7,796	172	
5155	Maintenance of Underground Services	12,970	9,550	22,570	23,726	15,092	26,798	15,173	11,693	12,303	20,502	19,196	6,893	6,226	-3,420	
5160	Maintenance of Line Transformers	35,500	17,177	11,775	17,962	79,298	7,981	35,815	4,361	30,724	18,502	22,392	-8,332	-13,108	-18,323	
5165	Maintenance of Street Lighting and Signal Systems	0	0	0	0	0	0	0	0	0	3,502	0	0	0	0	
5175	Maintenance of Meters	3,092	15,368	2,072	21	1,800	14,739	7,529	5,337	538	3,081	0	-538	-3,092	12,276	
5305	Supervision	0	0	0	0	0	0	0	99,300	70,471	63,189	68,390	-2,080	68,390	0	
5310	Meter Reading Expense	70,000	59,861	55,677	48,034	67,929	41,091	90,571	65,431	63,584	64,710	66,084	2,501	-3,916	-10,139	
5315	Customer Billing	436,305	459,186	420,960	458,707	463,600	499,962	518,521	373,359	423,626	407,334	406,148	-17,478	-30,157	22,881	
5320	Collecting	1,000	0	4,587	3,443	2,985	3,812	4,376	82,961	97,268	96,520	99,031	1,763	98,031	-1,000	
5335	Bad Debt Expense	27,000	40,693	44,748	54,713	53,071	102,324	40,342	51,756	59,932	60,000	60,000	68	33,000	13,693	
5340	Miscellaneous Customer Accounts Expenses	79,200	83,951	78,096	65,404	70,969	92,979	66,933	89,746	87,740	108,476	113,754	26,014	34,554	4,751	
5415	Energy Conservation	0	0	530	150	0	0	0	0	0	0	0	0	0	0	
5420	Community Safety Program	900	0	0	0	0	0	0	0	0	0	0	0	-900	-900	
5605	Executive Salaries and Expenses	0	68,586	210,445	181,838	191,521	179,437	177,906	148,022	197,964	236,748	88,726	236,748	0	0	
5610	Management Salaries and Expenses	0	17,920	932	0	159,802	127,729	121,924	175,853	227,695	242,493	66,640	242,493	17,920	17,920	
5615	General Administrative Salaries and Expenses	202,405	308,411	655,129	595,496	413,681	327,567	348,358	440,083	413,438	470,483	469,614	56,176	267,209	106,006	
5620	Office Supplies and Expenses	0	1,554	0	0	0	0	0	0	0	0	0	0	0	0	
5630	Outside Services Employed	131,670	140,625	327,201	184,477	213,014	198,236	211,028	221,013	192,548	201,400	203,133	10,585	71,463	8,955	
5655	Regulatory Expenses	71,000	205,536	28,003	35,749	35,443	31,347	33,641	56,608	39,833	39,000	74,300	34,467	3,300	134,536	
5660	General Advertising Expenses	7,000	0	0	16,562	3,038	2,018	753	1,100	6,200	5,000	3,900	-2,000	-7,000	0	
5665	Miscellaneous General Expenses	187,900	199,415	224,139	213,235	313,546	216,546	204,802	212,797	241,535	261,085	299,300	57,765	111,400	11,515	
5670	Rent	132,620	132,620	132,246	131,640	131,640	150,000	150,000	150,000	150,000	150,000	182,500	32,500	49,880	0	
5680	Electrical Safety Authority Fees	6,500	5,920	2,011	1,999	1,999	0	0	0	0	4,524	4,660	4,660	-1,840	-580	
5681	Special Purpose Charge Expense	4,000	0	0	0	0	0	0	0	0	0	0	0	-4,000	-4,000	
5695	OM&A Contra	0	-37,590	0	0	0	0	0	0	0	0	0	0	-37,590	0	
6205	Donations	0	3,881	3,381	8,881	7,762	0	6,418	4,278	5,261	5,261	5,640	379	5,640	3,881	
	<b>Total</b>	<b>2,515,082</b>	<b>2,978,564</b>	<b>2,725,005</b>	<b>2,695,060</b>	<b>2,932,078</b>	<b>2,873,126</b>	<b>2,842,841</b>	<b>2,883,036</b>	<b>2,906,752</b>	<b>3,090,929</b>	<b>3,272,229</b>	<b>365,476</b>	<b>757,147</b>	<b>463,482</b>	

## 1.2.4. OM&A Cost Per Customer and Per FTE

The table below shows an excerpt from Appendix 2-L of the Chapter 2 filing requirements.

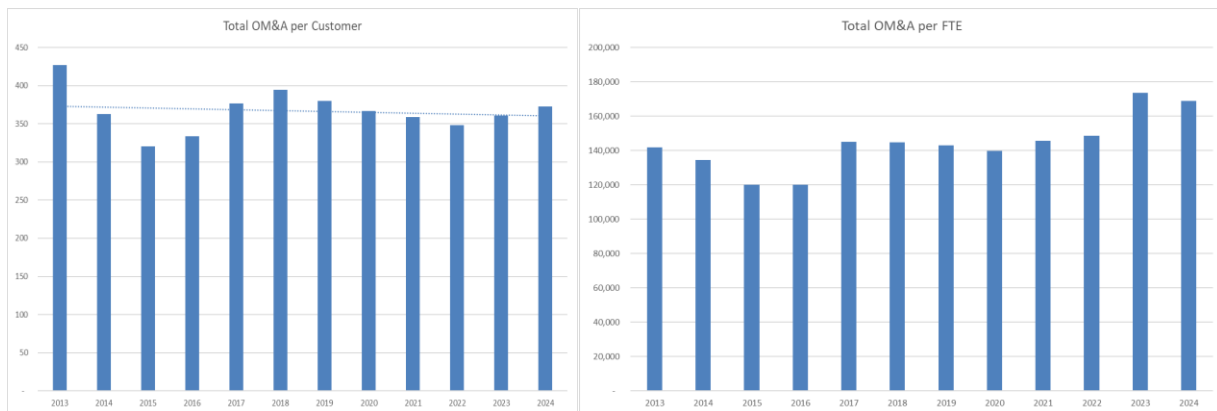
**Table 6.– OEB Appendix 2-L**

	Last Rebasings Year 2013 - OEB Approved	Last Rebasings Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<b>OM&amp;A Costs</b>													
O&M	\$ 1,157,582	\$ 1,358,137	\$ 1,018,715	\$ 789,106	\$ 789,106	\$ 677,226	\$ 958,039	\$ 854,901	\$ 858,668	\$ 735,121	\$ 736,540	\$ 707,088	\$ 735,431
Admin Expenses <sup>6</sup>	\$ 1,357,500	\$ 1,620,427	\$ 1,488,354	\$ 1,711,474	\$ 1,120,686	\$ 1,438,801	\$ 1,315,486	\$ 2,018,225	\$ 1,982,034	\$ 2,147,916	\$ 2,170,212	\$ 2,383,841	\$ 2,536,797
Total Recoverable OM&A from Appendix 2-JB <sup>5</sup>	\$ 2,515,082	\$ 2,978,564	\$ 2,487,069	\$ 2,500,580	\$ 1,909,792	\$ 2,117,028	\$ 2,273,524	\$ 2,873,126	\$ 2,840,702	\$ 2,883,037	\$ 2,906,752	\$ 3,090,929	\$ 3,272,229
Number of Customers <sup>2,4</sup>	6,994	6,978	7,055	7,113	7,202	7,316	7,431	7,568	7,749	8,037	8,355	8,566	8,783
Number of FTEs <sup>3,4</sup>	20	21	19	19	20	19	20	20	20	20	20	18	19
Customers/FTEs	353	332	371	374	360	385	367	377	381	406	427	481	453
<b>OM&amp;A cost per customer</b>													
O&M per customer	\$166	\$195	\$144	\$111	\$110	\$93	\$129	\$113	\$111	\$91	\$88	\$83	\$84
Admin per customer	\$194	\$232	\$208	\$241	\$156	\$197	\$177	\$267	\$256	\$267	\$260	\$278	\$289
Total OM&A per customer	\$360	\$427	\$353	\$352	\$265	\$289	\$306	\$380	\$367	\$359	\$348	\$361	\$373
<b>OM&amp;A cost per FTE</b>													
O&M per FTE	\$58,405	\$64,673	\$53,617	\$41,532	\$39,455	\$35,643	\$47,311	\$42,532	\$42,237	\$37,127	\$37,646	\$39,724	\$37,948
Admin per FTE	\$68,491	\$77,163	\$77,282	\$90,078	\$56,034	\$75,779	\$64,962	\$100,409	\$97,493	\$108,481	\$110,923	\$133,924	\$130,898
Total OM&A per FTE	\$126,896	\$141,836	\$130,898	\$131,609	\$95,490	\$111,423	\$112,273	\$142,942	\$139,730	\$145,608	\$148,569	\$173,648	\$168,846

THI has been successful in reducing its OM&A costs per customer over the years. In the 2013 year (Actuals), the OM&A per customer was \$427, but this has decreased to \$361 in the 2024 test year, representing a reduction of \$66 per customer. This reduction is attributed to the fact that the customer growth rate has outpaced the growth rate of OM&A costs.

Simply put, THI has been able to spread its OM&A costs over a larger customer base, resulting in lower costs per customer. This is a positive trend, as it indicates that the company has been able to achieve economies of scale and operating efficiencies as it has expanded its customer base.

It is important to note that from the 2022 historical year to the 2024 test year, the OM&A per customer has increased by a modest 7%.



## 1.2.5. Identification of Change in OM&A Test Year vs Capitalized Overhead

THI confirms that its auditors have reviewed and accepted THI's capitalization methods and there have been no changes to the methodology since its 2013 Cost of Service. A detailed description of THI's overhead and capitalization policies can be found in Exhibit 2.

### 1.3. WORKFORCE PLANNING AND EMPLOYEE COMPENSATION

THI provides its electricity distribution service by relying on staff employed by the Town of Tillsonburg. THI does not have any employees of its own. The following table provides a summary of the annual FTE's provided by the Town:

**Table 7.– Annual FTE's**

	Last Rebasing Year (2013 OEB Approved)	Last Rebasing Year (2013 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>									
Management (including executive)	0.62	3.66	3.49	2.66	2.50	2.43	2.58	2.65	3.00
Non-Management (union and non-union)	19.20	17.34	16.76	17.44	17.83	17.37	16.99	15.15	16.38
<b>Total</b>	<b>19.82</b>	<b>21.00</b>	<b>20.25</b>	<b>20.10</b>	<b>20.33</b>	<b>19.80</b>	<b>19.57</b>	<b>17.80</b>	<b>19.38</b>
<b>Total Salary and Wages including overtime and incentive pay</b>									
Management (including executive)		\$ -	\$ 182,299	\$ 342,525	\$ 306,940	\$ 366,355	\$ 460,961	\$ 425,660	\$ 479,241
Non-Management (union and non-union)		\$ 1,614,263	\$ 1,631,845	\$ 1,545,210	\$ 1,615,118	\$ 1,004,921	\$ 824,553	\$ 1,029,313	\$ 1,149,261
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,614,263</b>	<b>\$ 1,814,144</b>	<b>\$ 1,887,736</b>	<b>\$ 1,922,058</b>	<b>\$ 1,371,275</b>	<b>\$ 1,285,514</b>	<b>\$ 1,454,972</b>	<b>\$ 1,628,503</b>
<b>Total Benefits (Current + Accrued)</b>									
Management (including executive)									
Non-Management (union and non-union)									
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>									
Management (including executive)	\$ -	\$ -	\$ 182,299	\$ 342,525	\$ 306,940	\$ 366,355	\$ 460,961	\$ 425,660	\$ 479,241
Non-Management (union and non-union)	\$ -	\$ 1,614,263	\$ 1,631,845	\$ 1,545,210	\$ 1,615,118	\$ 1,004,921	\$ 824,553	\$ 1,029,313	\$ 1,149,261
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,614,263</b>	<b>\$ 1,814,144</b>	<b>\$ 1,887,736</b>	<b>\$ 1,922,058</b>	<b>\$ 1,371,275</b>	<b>\$ 1,285,514</b>	<b>\$ 1,454,972</b>	<b>\$ 1,628,503</b>
<b>Total Compensation Breakdown (Capital, OM&amp;A)</b>									
OM&A	\$ -	\$ 1,614,263	\$ 1,618,809	\$ 1,565,980	\$ 1,578,132	\$ 1,035,904	\$ 915,921	\$ 1,042,197	\$ 1,253,294
Capital	\$ -	\$ -	\$ 195,335	\$ 321,756	\$ 343,926	\$ 398,104	\$ 429,157	\$ 475,982	\$ 375,209
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,614,263</b>	<b>\$ 1,814,144</b>	<b>\$ 1,887,736</b>	<b>\$ 1,922,058</b>	<b>\$ 1,434,008</b>	<b>\$ 1,345,078</b>	<b>\$ 1,518,179</b>	<b>\$ 1,628,503</b>

The Town of Tillsonburg pays 100% of the cost of the extended health care plan, dental plan, vision plan, life insurance and long-term disability plan that is appropriately attributed by to THI. All electricity distributors in Ontario are required to participate in the retirement plan administered by the Ontario Municipal Employees Retirement System (“OMERS”), under which employees fund 50% of plan contributions with the employer funding the other 50%. THI is billed by the Town of Tillsonburg for employee compensation.

The total compensation has declined from 2018 to 2024, primarily due to the elimination of certain positions and the reassignment of tasks to continuing employees. In 2022 and 2023, some positions remained vacant for part of the year, owing to challenges in hiring qualified staff, which also contributed to the decline. Additionally, issues related to assigning costs to the correct Uniform System of Accounts (USoA) have been addressed, potentially impacting the reported compensation figures.

### 1.4. Shared Services and Corporate Cost Allocation

THI shares services with its corporate parent, the Town of Tillsonburg, under a Master Service Agreement (MSA). As per the MSA, the Town provides THI with the necessary goods and services to support electricity distribution operations, while THI does not provide any goods or services to the Town. (Provides electricity distribution to Town) THI's corporate costs are incurred based on the MSA with the Town of Tillsonburg. These costs are directly incurred for each year's operations and capital expenditures.

Under the MSA, which is attached to this exhibit in Appendix B, THI is provided with the following corporate services by the Town:

- Senior management
- Financial management, Treasury services, and Risk Management Services
- Legal and Audit services

- Procurement and Stores services
- Records Management services
- Human Resources services
- Information Technology management and administration services
- All aspects of Customer Care services, including Billing and Collections
- Facilities

The following table provides a summary of costs THI incurred from 2019 to 2023:

**Table 8.– Town Costs Incurred by THI**

Related Party Transactions received from Town	2019	2020	2021	2022	2023
Labour Costs	\$1,892,306	\$1,922,058	\$1,843,121	\$2,057,759	\$2,050,703
Fleet	\$155,844	\$163,000	\$177,000	\$177,000	\$172,677
Rent	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Master Services Agreement	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
<b>Total</b>	<b>\$2,338,150</b>	<b>\$2,375,058</b>	<b>\$2,310,121</b>	<b>\$2,524,759</b>	<b>\$2,513,380</b>

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Labour costs are for salaries and benefits payable for staff fully allocated to THI

Fleet is the cost for purchase and maintenance of fleet paid by the Town on THI's behalf

Table 9 below the annual costs that THI has budgeted or paid for Board of Directors activities. For the years 2013, 2014 and 2017 to 2020 THI has included budgeted amounts where its has not been able to disaggregate actual costs within its financial records for these years. The years 2015, 2016, 2021 to 2023 represent actual costs recorded in THI's financials. The Test Year of 2024 is a budgeted value

**Table 9.– THI Board of Director Costs**

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Board of Director Costs	\$ 79,400	\$ 76,500	\$ 63,903	\$ 67,367	\$ 73,490	\$ 65,249	\$ 65,288	\$ 64,220	\$ 62,734	\$ 59,565	\$ 63,206	\$ 77,699

### 1.4.1. Purchases of Non-Affiliate Services

THI adheres to the purchasing policy outlined by the Town of Tillsonburg. All purchases made by THI go through the Town's Finance Department for review to ensure compliance with the established policy. The Town directly pays for any purchases made by THI. THI purchases equipment, materials and services in a cost effective manner with full consideration given to price as well as product quality, the ability to deliver on time, reliability, compliance with engineering specifications and quality of services. Vendors are screened to ensure knowledge, reputation, and the capability to meet THI's needs. The procurement of goods and services for THI is carried out with the highest of ethical standards and consideration to the public nature of the expenditures. For reference, a copy of the Town of Tillsonburg's purchasing policy has been provided in Appendix A in section 5.0 at the end of this Exhibit.



### 1.4.2. One-time Costs

In compliance with the OEB policy and Filing Requirements THI is amortizing certain costs associated with its Cost of Service application over a five-year period. Specifically, regulatory costs, including expenses related to consultants, legal representation, and intervenor cost awards, are being amortized by incorporating one-fifth of the total cost into the 2024 Test Year budget. THI commits to updating these forecasted regulatory costs in OEB Appendix 2-M at the Draft Rate Order stage of the proceeding, in accordance with the Filing Requirements. With the exception of the aforementioned regulatory costs, all other expenses presented in the proposed 2024 Test Year OM&A budget are considered regular year-over-year expenses.

### 1.4.3. Regulatory Costs

Regulatory costs for THI include the OEB’s cost assessments and license fees, intervenor and other cost awards, professional services (legal and consulting) and cost of service applications. THI’s regulatory costs are the one-time costs associated with the cost of service application. These costs total \$160,000 or \$32,000 per year amortized over the period 2024 to 2028.

THI did not include a contingent amount for an oral hearing; in the event an oral hearing is required the costs associated with such a hearing will have to be forecast and included in THI’s claimed regulatory costs associated with the Cost-of-Service application. All regulatory costs listed below are tracked in account 5655 – Regulatory Expenses.

**Table 10.– Regulatory Expenses**

	<b>Regulatory Costs (One-Time)</b>	<b>2024 Test Year</b>
<b>1</b>	Expert Witness costs	0
<b>2</b>	Legal costs	40,000
<b>3</b>	Consultants' costs	60,000
<b>4</b>	Incremental operating expenses associated with staff resources allocated to this application.	0
<b>5</b>	Incremental operating expenses associated with other resources allocated to this application.	
<b>6</b>	Intervenor costs	60,000
<b>7</b>	OEB Section 30 Costs (application-related)	

### 1.5. Low-income Energy Assistance Programs (“LEAP”)

In its letter dated February 12, 2024, the OEB announced announcing changes to the Low-income Energy Assistance Program Emergency Financial Assistance (LEAP EFA). These changes are to help ensure that LEAP EFA continues to provide an appropriate level of assistance to vulnerable consumers in a timely and effective manner. These changes include income eligibility thresholds, grant amounts, program funding, sustainability, and program awareness. Under program funding the OEB noted that under the generic funding mechanism, in place since 2011, each distributor provides the greater of 0.12% of their total OEB-approved distribution revenue requirement or \$2,000 each year for LEAP EFA.



The delivery of LEAP relies heavily on the cooperation between utilities and social service agencies. It is expected that as agencies screen and assess applicants in need, that they may refer customer not only for LEAP, but also for customer service measures and/or conservation programs.

THI has enlisted the service of The Salvation Army as its social service agency. The 2024 LEAP contribution of \$5,261 is a placeholder. THI acknowledges that the LEAP amount will be adjusted to account for changes resulting from the Board's decision on the final service revenue requirement.

In compliance with OEB policy, THI:

1. Collects money from ratepayers for LEAP EFA in the amount approved by the OEB as part of the recoverable OM&A expenses.
2. Transfers program funds to the Salvation Army.
3. Allows the Salvation Army to determine funding allocations within their service territory by geography.
4. Receives a monthly report from the Salvation Army agency showing the disbursements and balance of the remaining LEAP funds.
5. Leaves the assessment of eligibility of THI customers and records to the Salvation Army. Confirms customer and account information used in determining program eligibility, including information on payment history and arrears owing;

### **1.5.1. Conservation and Demand Management**

THI has historically been an active participant in managing and implementing the provincial government's CDM Programs. However, in March 2019, the Minister of Energy, Northern Development and Mines ("MEDM") issued directives to the OEB and the IESO with the effect of concluding the Conservation First Framework ("CFF") but allowing certain projects in progress to be completed by August 31, 2022, and if certain conditions are met the deadline for completion may be extended to December 31, 2022.

Currently, CDM activity under the provincial 2021-2024 CDM Framework is centralized under the IESO and funded through the Global Adjustment ("GA") mechanism. The 2021 CDM Guidelines indicate that any efforts by LDCs to support these IESO programs should be limited in nature and non-duplicative of the IESO's activities, and that LDCs should not request funding through distribution rates for dedicated CDM staff to support IESO programs.

As a result, THI confirms that there are no capital nor OM&A costs included in 2024 related to the 2021-2024 CDM Framework, nor any future CDM framework. Furthermore, currently THI does not intend to participate in the IESO's Local Initiatives Program ("LIP").



## **APPENDIX A: TILLSONBURG PROCUREMENT POLICY**



**Policy 5-006: Purchasing Policy**

Approval Date: November 21, 2022  
Approval Authority: Council, By-Law #2022-073  
Effective Date: November 21, 2022

Next Scheduled Review Year: 2025  
Department: Finance  
Last reviewed: July 13, 2020  
Revision Date/s: November 21, 2022  
Schedules: None

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## 1. DEFINITIONS

In this By-Law:

*"Agent"* shall mean the Treasurer or designate who has the sole authority to authorize, save and except the Mayor and Clerk, to execute contract documents on behalf of the Town;

*"Agreement"* means a written document between the Town and another party upon legal consideration for the procurement of goods, services or construction pursuant to this policy. Also called "Contract";

*"Award"* means the acknowledgement of the authority to proceed to commit to an external Supplier(s) for acquisition of goods, services or construction. An Award can only be made after the relevant bid award form is signed or the Council resolution is ratified;

*"Best Value"* means the optimal balance of performance and cost determined in accordance with a pre- defined evaluation plan which may include a cost/benefit analysis to define the best combinations of quality, service, time, and cost considerations over the useful life of the acquired item or for the immediate level of expected service and deliverable ;

*"Bid"* shall mean

- i. a specific price for specific works or
- ii. where appropriate, a proposal;

*"Bidder"* means one who may or has submitted a response to an invitation to bid as issued by the Town;

*"Buyer"* shall mean any employee procuring goods and services for the Town;

*"CAO"* shall mean the Chief Administrative Officer of the Town of Tillsonburg;

*"Clerk"* shall mean the Clerk of the Town appointed pursuant to the Municipal Act 2001, as amended, or in her absence , the Deputy-Clerk or such other person designated by the Council by resolution for the purposes of this By-Law;

*"Competitive Bidding Process"* means a process for procurement of goods, services or construction whereby a prescribed method is used to solicit three or more bids or proposals;

*"Contract"* means a written document between the Town and another party upon consideration for the procurement of goods, services or construction pursuant to this policy. Also called "Agreement";

*"Cooperative Purchasing"* means the action taken when two or more entities combine their requirements to obtain advantages of volume purchases, including administrative savings and other benefits, pursuant to one of a variety of arrangements whereby two or more entities purchase from the same Supplier using a single Bid solicitation;

*"Department Manager"* shall mean the individual or designate who is accountable for the budget and responsible for the operations of any single department or division within the Town;

*"Director"* shall mean the individual accountable for the operation of overall departments within the Town;

*"Emergency"* shall mean a situation, or the threat of an impending situation, where serious delay may affect the life, safety, health or welfare of the general public, cause damage to the environment or to the property of the residents of the Town, or to prevent serious damage, disruption of work, or to restore or to maintain essential service to a minimum level;

*"Execute"* in relation to any document developed pursuant to this policy means to sign by the authorized officers of the parties, and *"Executed"* has a corresponding meaning;

*"Goods and Services"* shall include all supplies, materials, equipment, furniture, fixtures, general maintenance and service construction contracts, construction maintenance, contractors, and or subcontractors, food, drugs and professional services, but does not include real property;

*"His"* shall in all cases mean his or her and *"he"* shall in all cases mean he or she;

*"Prescribed Forms or Forms"* shall mean the standard documents as provided as part of the purchasing procedure guidelines as approved by the CAO;

*"Procurement"* means the purchasing, renting, leasing, or otherwise acquiring of supplies, services, or construction; includes all functions that pertain to the acquisition, including description of requirements, selection and solicitation of sources, preparation and award of contract; and all phases of contract administration such as inventory control, receiving, inspection (all as applicable); and disposal.

*"Professional Services"* shall mean the services of architects, engineers, designers, surveyors, management and financial consultants, brokers, lawyers, planning consultants, project managers and any other professional and consulting services required by the Town;

*"Purchase" shall mean the acquisition of Goods and Services or any interest therein by purchase, lease, rental or otherwise;*

*"Quotation" shall mean a written request for vendor bids for the supply of goods or services, from selected sources of supply, not opened in public;*

*"Request for Proposal (RFP)" shall mean a formal request for details on the supply of goods or the provision of services, which cannot be fully defined or specified at the time of the request;*

*"Sole Source" is defined as any contract entered into without a competitive process, based on a justification that only one known source exists or that only one single supplier can fulfill the requirements.*

*"Successful Bidder" means a Bidder who has met or exceeded the minimum requirements of the bid document in its entirety as determined by the Town of Tillsonburg in its absolute discretion and to whom award is recommended pending the necessary internal approvals;*

*"Supplier" shall mean any company or organization that provides, or has the capacity to provide, certain Goods or Services to the Town in accordance with the terms of this By-Law;*

*"Tender" shall mean a formal request for sealed Bids for the supply of Goods and Services in response to an advertised solicitation;*

*"Town" shall mean The Corporation of the Town of Tillsonburg;*

*"Vendor of Record" shall mean an approved vendor through the Government of Ontario's Vendor of Record (VOR) arrangements or the Town's own pre-qualified list of vendors.*

## **2. POLICY STATEMENT**

### **A. Objectives**

The objective of the policy is to ensure:

- a) Best value is achieved consistent with the required quality and service;
- b) Integrity in the purchasing process;
- c) Openness, accountability and transparency and fair treatment of all bidders;
- d) Encouraging bids through e-bidding, newspaper(s) and website(s).

### **B. Guidelines**

- a) No Purchase shall be made except as provided in this By-Law.
- b) No Purchase shall be split so as to avoid the purchasing process as outlined within this By-Law.
- c) Council has the ultimate authority for all expenditures. Council delegates this authority by the authorization of budgets or by specific resolution.
- d) Prior to the approval of the current year's business plan and budget, a department may incur normal operating expenditures that are required to maintain services. This shall include the payment of expenditures on previously approved capital items and projects.
- e) No contract shall be entered into and no expenditure shall be authorized unless Council has provided funds for such purpose in the annual budget or agreed to the provision of such fund
- f) The Department Managers, Directors, Fire Chief or the CAO shall ensure that all provisions of this By-Law are complied with in respect of the purchase of Goods and Services for or on behalf of his department and are responsible for the approval of accounts within the approved budget for the department.
- g) This purchasing policy may be overridden by Council if Council, in its own discretion determines it to be appropriate and in the best interest of the Town.
- h) The Director of Finance shall maintain written procurement procedures and procurement shall adhere to those procedures.

## **3. ESTABLISHING PRICE RANGE**

Purchase prices (excluding HST) shall be obtained as follows:



- **Up to \$1,000** – Purchases are to be made using buyers own pricing discretion; vendor of record is preferred.
  
- **\$1,001 to \$4,000** - For any purchases, other than those covered by a vendor of record, when the amount is between \$1,001 and \$4,000, comparison pricing must be completed by the assigned Buyer.
  
- **\$4,001 to \$15,000** - For any purchases, other than those covered by a vendor of record, when the amount is between \$4,001 to \$15,000, the assigned Buyer making the purchase shall obtain quotations from more than one source using catalogues, suppliers lists, online pricing or through negotiations, upon assuring themselves that all prices offered are fair and equitable.
  
- **\$15,001 to \$50,000** - For all purchases, other than those covered by a vendor of record, between \$15,001 and \$50,000, a minimum of three written quotations must be obtained by the assigned Buyer.
  
- **Over \$50,001** – By Request for Tender (RFT) or Request for Proposal (RFP), other than those covered by a vendor of record.

The above mechanisms are the minimum acceptable practices for the listed threshold. Any mechanism can be used for a lower purchase bracket.

The above prices shall be on a before-tax basis. Adherence to the above does not apply to circumstances addressed in section 6.

Purchases made for a project which is receiving grant or external funding are subject to purchasing thresholds as set in the funding agreement. If no funding thresholds are identified within the funding agreement, the above purchasing thresholds shall be followed.

**QUICK GUIDE TO PURCHASING GUIDELINES**

<b>Minimum Purchasing Mechanism</b>	<b>Dollar Value of Purchase</b>	<b>Approval Authority &amp; Authority to Award</b>
Small Order Purchase*	Up to \$250	Employee
Small Order Purchase*	\$251 - \$1,000	Supervisor or Assigned Buyer

Comparison pricing*	\$1,001 to \$4,000	Department Manager
Price Quotes*	\$4,001 to \$15,000	Department Manager
Written Quotation*	\$15,001 to \$50,000	Director and Treasurer
Tender, Request for Proposals or Sole Source Purchases*	\$50,001 to \$75,000	Director and CAO
Tender, Request for Proposals or Sole Source Purchases*	\$75,001 +	Council (unless in accordance with section 6.0 (d))

\*Unless prescribed through a funding agreement

#### 4. ACCOUNTABILITY

- a) The CAO shall maintain accountability to Council during the procurement process.
- b) No purchase of Goods and Services shall be made by the Town for the personal use of elected or appointed officials or employees of the Town.
- c) No Goods and Services shall be purchased from an employee of the Town, or from any associate of such employee, unless the extent of the interest of such employee has been fully disclosed and the purchase has been approved by the Treasurer.
- d) The Agent oversees the Town's purchasing process and compliance thereof. Only the Agent, Mayor or Clerk has the authority to execute contract documents on behalf of the Town.

#### 5. PRESCRIBED COUNCIL APPROVAL

The following Purchases shall be subject to Council approval:

- a) Any contract prescribed by statute to be made by Council;
- b) Any contract where this By-Law is being waived;
- c) Any contract where Council has expressly directed staff to report prior to

- d) Any contract where a submission in response to a call for Bid contains an irregularity that cannot be resolved by terms of the Bid; or,
- e) Any contract for a Purchase made in accordance with section 6.0 (b);
- f) Any contract for a tender or request for proposal as required under this policy.
- g) Any contract which is not contained within the approved budget and is in excess of a \$25,000 threshold.
- h) Any contract which is in excess of the approved budgeted value.
- i) All purchases of municipal land unless delegated by resolution.

Council may waive, by resolution, the application of any part of this By-Law in respect of any given procurement.

## **6. EXCEPTIONS**

- a) When an emergency occurs that, at the discretion of the CAO, Director, Fire Chief, or Department Manager, constitutes immediate danger to health, safety, life or property, or requires the immediate procurement of goods and services, the Department Manager or his/her designate may purchase through sole sources such required Goods or Services upon consultation with the Director or Treasurer. A follow-up report to Council is required for all Emergency Purchases over \$25,000.
- b) The Tendering, RFP or purchasing process may not be required where the Goods or Services are proprietary to one vendor, where there is only one supplier that can meet the Town's needs within a reasonable distance or where the cost of changing suppliers for a product or service already in place is deemed to be exorbitant by the Treasurer. Upon written staff recommendations, Council shall, in its' sole discretion determine whether a Bid, **RFP** or purchasing process may be forgone for these reasons. Such exemption must be granted by resolution.
- c) Notwithstanding the provisions of this policy, the following expenditures must be made subject to budget constraints and may be made without following the formal purchasing procedures detailed herein;
  - i. Petty cash items
  - ii. Training and education including conferences, courses and seminars
  - iii. Mileage, travel and accommodations
  - iv. Payroll related expenses
  - v. Utilities, postage, bank charges
  - vi. Licensing, hardware maintenance and software support for IT prior purchases;
  - vii. Professional Services identified as a vendor of record
- d) Bids or Cooperative Purchasing pricing received for approved budgeted projects, meeting all requirements of this policy, under budget and with a value less than \$250,000, do not require additional Council approval, regardless of funding

source, except in accordance with section

5.0 (i). Authorization of said approved budgeted contracts resides with the Treasurer.

## **7. NO LOBBYING**

No bidder shall contact any member of Council or any Town staff in an attempt to influence the award of a contract.

If a bidder contacts any member of Council or any Town staff in an attempt to influence the award of a contract, the bidder may be disqualified at the discretion of the CAO.

## **8. HEALTH AND SAFETY**

The Town is committed to the health and safety of their employees, contractors, visitors and the general public. This includes a commitment to Health and Safety in the procurement process.

## **9. CO-OPERATIVE PURCHASING**

The Town may join and participate in Cooperative Purchasing groups, including Cooperative Purchasing arrangements with other municipalities, agencies, boards and commissions, including through the Government of Ontario's Vendor of Record (VOR) arrangements and Volume Licensing Agreements (VLAs). The Treasurer may make arrangements with one or more public bodies for Co-operative Purchasing where there are economic advantages in doing so.

The policy of the government agencies or public authorities or another member of a Cooperative Purchasing group calling the Co-operative Bid is to be the accepted policy of that particular Bid.

## **10. DISPOSAL OF SURPLUS**

Where any goods or personal property of the Town are declared surplus, cannot be used by another Town department, and have a residual value greater than \$1,500, the goods shall be disposed of by public Bid or public auction. If no Bids are received, the Departmental Manager or Buyer may dispose of the goods or personal property as deemed to be in the best interest of the Town. This section shall not apply to goods or equipment traded in on new equipment or returned for credit to original sources of supply .

## **11. TIE BIDS**

In the event that two (2) or more compliant, equal bids are submitted during a competitive Bid process, the Town shall determine the successful bidder by drawing a bidder's name, as determined by the Treasurer.

**12.DELEGATION OF AUTHORITY TO PURCHASE**

The authority to purchase Goods and Services may be delegated or assigned to a local Board following the dollar thresholds as set out in this Policy.

**13.OTHER**

Where any other By-Law exists which is in conflict with a provision of this Policy, the provision of this Policy shall be deemed to apply.

This Policy shall be reviewed and updated, as appropriate, every five (5) years, following the date of its enactment.

**APPENDIX B: TILLSONBURG MASTER SERVICES AGREEMENT WITH  
TOWN OF TILLSONBURG**

**MASTER SERVICES AGREEMENT**

**THIS AGREEMENT made effective as of January 1, 2019, (the “Effective Date”)**

**BETWEEN:**

**THE CORPORATION OF THE TOWN OF TILLSONBURG**

(Hereinafter referred to as the “Town”)

- And -

**TILLSONBURG HYDRO INC.**

(Hereinafter referred to as “THI”)

**WHEREAS** THI is a duly incorporated and licensed electricity distributor pursuant to the law of the Province of Ontario;

**AND WHEREAS** both the Town and THI are separate corporate entities;

**AND WHEREAS** the Parties have agreed that the Town will provide services as listed in Schedule A to THI on a fee-for-service basis and the Town shall provide such further and other products and services as may be agreed to in writing, by the Parties from time to time;

**AND WHEREAS** the Town has the knowledge and expertise to provide the Services to the required standards;

**AND WHEREAS** the Parties acknowledge and agree that in providing goods and services contemplated herein the Town acts as an independent contractor and not as an agent, partner, or servant of THI;

**AND WHEREAS** the Parties shall consult as frequently as may be desirable to ensure that THI receives adequate, economical and effective services as listed in Schedule A as attached to this document.

**NOW THEREFORE IN CONSIDERATION** of the mutual covenants and agreements set forth, and for other good valuable consideration and the sum of two (\$2.00) dollars of lawful money of Canada now paid by each of the Parties to the other (the receipt and sufficiency of which is hereby expressly acknowledged), the Parties covenant and agree, and with each other, as follows:

## 1. Definitions

- 1.01 “ARC” means the Affiliate Relationships Code for Electricity Distributors and Transmitters, Revised March 10, 2015, as such may be amended by the Ontario Energy Board;
- 1.02 “Board” means the board of directors of the THI;
- 1.03 “Customer Service Costs” means the cost incurred by a Party to bill and collect and to provide related Customer Services.
- 1.04 “Customer Services” means all services related to customer services, which without limiting the generality of the foregoing shall include services identified in Section 6 of Schedule A;
- 1.05 “Direct Costs” means the costs incurred directly by THI for its own operations including but not limited to electrical power costs for Standard Supply Services, IESO costs, Hydro One Transmission costs, Competition Transition Charge, Retail/Wholesale Settlement costs, Ministry of Finance costs, OEB costs, Electricity Distributors Association (EDA) dues, property taxes, Municipal Electricity Association Reciprocal Insurance Exchange (MEARIE) insurance and other insurance premiums, legal, accounting and audit fees, etc.  
(3<sup>rd</sup> party costs that are paid on behalf of THI by the Town)
- 1.06 “Distribution System Plan” means a distribution system plan meeting OEB requirements.
- 1.07 “ESA” or “Electrical Safety Authority” means the Electrical Safety Authority or any successor entity thereto;
- 1.08 “Extraordinary Costs” means those unusual and unanticipated costs as more particularly described in Section 9.
- 1.09 “Fully Allocated Cost” means the sum of Direct Costs plus a proportional share of Indirect Costs.
- 1.10 “Independent Electricity System Operator” or “IESO” means the Independent Electricity System Operator or any successor entity thereto;
- 1.11 “Independent Director” means an Independent Director as defined by the ARC;
- 1.12 “Indirect Costs” means allocable costs of equipment and labour such as overhead;



- 1.13 “Joint Committee” means a committee consisting of the Chief Administrative Officer of the Town, General Manager Hydro Operations, and two Board appointed independent directors and the Chair of the Board as an ex-officio member.
- 1.14 “Ontario Energy Board” or “OEB” means the Ontario Energy Board or any successor entity thereto;
- 1.15 “Parties” means the Town and the THI; and “Party” means either one as the context requires;
- 1.16 “Person” means any other businesses or persons with which the Town chooses to establish a business relationship;
- 1.17 “Services” means the services required by a typical electrical distribution company, including but not limited to, the list contained in Schedule A.
- 1.18 “Standards” means the guidelines, regulations, laws and/or policies as set out by:
- Electricity Safety Authority (ESA),
  - Independent Electricity System Operator (IESO),
  - Infrastructure Health and Safety Association (IHSA),
  - Minister of Energy (MoE),
  - Minister of Finance (MoF),
  - Minister of Labour (MoL),
  - Minister of Transportation (MoT),
  - Measurement Canada (MC),
  - Occupational Safety and Health Administration (OHSA),
  - Ontario Business Corporations Act (OBCA),
  - Ontario Energy Board (OEB),
  - Ontario Municipal Board (OMB),
  - Deemed Rates,
  - Or other regulatory bodies not identified

## 2. Term

- 2.01 Unless terminated in accordance with Section 22, the term of this Agreement shall be from January 1, 2018 to and including December 31, 2022.
- 2.02 In providing any and all Services as identified in Schedule A for THI, the Town shall be responsible for maintaining regulated and non-regulated performance Standards as determined by various industry regulators, and shall not discriminate in its performance and delivery of identified services. The Town shall periodically provide sufficient evidence to THI to demonstrate compliance with both regulated and non-regulated Standards. If the Town fails to meet a performance Standard, the Town shall (i) inform THI of the failure; (ii) provide information as to how the performance Standard will be met in the future; and (iii) identify any potential liabilities or repercussions from failing to meet the performance Standards.

**3. Force Majeure**

3.01 It shall not be a breach of this Agreement if the Parties to this Agreement fail to perform their obligations to provide services, work, or the supply of goods or materials to either Party by reason of war, insurrection, tempest, or any other event beyond the reasonable control of the Parties. The foregoing shall not apply to an obligation to pay money. The Party seeking to invoke force majeure shall provide written notice to the other party of the event, the cause of the event, steps being taken to remedy the event and estimated duration of the event of force majeure.

3.02 In the event of a strike or lockout by town employees the Town will arrange for continuence of services as set out in Schedule A.

**4. Covenants of the Town**

4.01 Subject to being able to fulfill the obligations of the Town to THI hereunder, the Town shall be free to offer Services to any other person.

4.02 The Town shall be responsible for obtaining and maintaining all necessary approvals, licenses and permits and for complying with all applicable federal, provincial and municipal laws, regulations, codes, orders, decrees and directives in connection with the provision of the Services hereunder. The Town shall, at least annually and when requested by THI, provide THI with adequate evidence of its compliance with this Section.

4.03 The Town shall comply, with all applicable Federal, Provincial and Municipal laws, rules, regulations, codes, and THI policies from time to time in force which are brought to its notice or of which it should reasonably be aware.

4.04 The Town shall pay for and maintain for the benefit of THI, appropriate insurance concerning the operations and liabilities of the Town relevant to this Agreement.

4.05 The Town shall be entitled to retain competent and properly qualified consultants, contractors and other third parties in accordance with procurement policies, where practical unless otherwise directed by the Board, in order to deliver the Services. The Board may recommend the Town to retain consultants, contractors, and other third parties in accordance with procurement policies to perform any or all of the services as set out in schedule A. Management of any THI vendor contracts will be the responsibility of the Town. The Town shall follow any Standards and applicable laws and by-laws in securing the services of such consultants, contractors or third parties.



5. Confidentiality and Ownership of Information
  - 5.01 Subject to the requirements of the *Municipal Freedom of Information and Protection of Privacy Act* and the ARC and any other legal requirement to disclose information, it is agreed that confidential information of THI shall be kept in strict confidence by the Town.
  - 5.02 The Town shall take such measures as are necessary in order to comply with the confidentiality obligations under subsection 5.01 above. The Town shall ensure its employees are properly informed of the requirements of the ARC. The Town shall provide an annual update to the Board regarding the measures taken to maintain the confidentiality of THI's information and the training provided to employees in respect of the ARC and the *Municipal Freedom of Information and Protection of Privacy Act*.
  - 5.03 Information stored or produced by any Party to this Agreement on the sole behalf of any other Party to this Agreement, shall be the property of the Party on whose sole behalf such information is stored or produced. Where such information consists of an original report, computer program, information, or intellectual property produced by a Party to this Agreement for the sole purpose of supplying services to that other Party and the cost of producing such report is included in the remuneration payable by such other Party, the property (including copyright and moral rights) to such original report, computer program, information, or intellectual property shall belong to such other Party. The foregoing shall not apply where information is stored or produced by a Party to this Agreement on behalf of a third Party to this Agreement, or where the information is stored and produced by a Party to this Agreement for the mixed benefit of another Party and the Party which produced the information.
6. Costs
  - 6.01 THI shall pay the Town the fees and charges for the Services more particularly described in Schedule A and as specified in Schedule B as attached.
  - 6.02 Unless specifically stated applicable taxes are not included.
  - 6.03 The costing provisions are set out in Schedule "B" and includes a fixed management fee of \$140,000 for each of the years of the Agreement. The costing for each year of operations and capital costs shall be directly incurred costs. Services not rendered during any given year shall be reported to the Board annually. The Town and THI shall review the appropriateness of the management fee level as provided in the OEB's most recent Cost of Service rate decision and any subsequent OEB decision, which stipulated that such a review should either involve, at a minimum include an opinion by, a reputable third party on such matters.
  - 6.04 The Town shall provide to the Board, at least once annually, a plan for how the Services will be performed and a financial plan for such services. The financial

plan shall include a monthly forecast of expenditures suitable to the Board. The Town shall track its performance and report to THI any significant variances from the approved financial plan. This plan should be brought to the Board before budget deliberations and should include at least 3 prior years of data showing actual vs. budgeted plan for the board to review. The Board will be made aware when the total amount of variances from the approved financial plan meets or exceeds, or is forecasted to be above the total financial plan by an amount of 5% or more.

- 6.05 Where the Town provides Services to THI, it shall use its best efforts to minimize the actual costs of providing such Services while still complying with all applicable regulated and nonregulated performance standards. The Town shall provide THI with detailed reporting upon request regarding the costs of all services performed.
- 6.06 It is acknowledged that there will be some duplication in the description of Services. Such duplication in the description is insignificant, does not imply that there is multiple costing for those Services, and the Parties agree that no such multiple costing is present.
- 6.07 The Parties agree that a reasonably competitive market does not exist for the total Services that THI acquires from the Town and therefore THI agrees to pay no more than the affiliate's fully-allocated cost to provide the Services. THI shall obtain from the Town a detailed breakdown of the allocated cost of providing the Services as part of the annual business plan process.
- 6.08 Upon renewal of the term of this Agreement, the Town may adjust their fees upon ninety (90) days prior notice in writing to THI provided that if THI does not accept the adjusted costs and the Parties are unable to agree after negotiating in good faith, the adjusted costs may be submitted to arbitration pursuant to Section 11 of this Agreement.
- 6.09 THI agrees to reimburse the Town for any unanticipated events over and above normal customer service costs to which the Town may be put resulting from extraordinary unanticipated events such as fire, major storms, tornadoes, equipment failures, and the like provided such equipment failures are not caused by negligence on the part of the Town to perform services as outlined in Schedule "A" of this Agreement.
7. Remuneration
- 7.01 THI shall pay the Town in accordance with the actual costs incurred by the Town in performing the Services.
- 7.02 The aggregate remuneration, at a minimum, is payable quarterly to the Town in respect of the Services provided by the Town to THI shall, so long as the Town continues to provide full treasury and financial services, be recovered from the applicable Party by direct transfers of funds from and to the appropriate accounts at times convenient to the Town Treasurer in accordance with proper principles of



contract administration and IFRS and business principles. The Parties to this Agreement specifically authorize that such transfers may be performed by the Town Treasurer or his/her designate, and such authorization shall remain in effect during the full term of this Agreement. In the event that the Town ceases to provide full treasury and financial services, the aggregate remuneration payable to the Town in respect of the services provided by the Town shall be requested in periodic invoices delivered by the Town, such invoices to be delivered not more frequently than monthly. The terms of any such invoice, whether so marked or not, shall be net 30 days.

7.03 The presence of subsection 7.02 shall not be interpreted to mean THI has unilateral ability, without the agreement of the Town, to terminate its use of full treasury and financial services from the Town.

7.04 The remuneration, payable to the members of the Board shall be an expense of THI and shall be processed by the Town pursuant to Board resolutions.

## 8. Annual Review of Schedules

8.01 The Parties shall review the contents of each Schedule on an annual basis. The purpose of such review shall be to determine whether the activities described in each Schedule continue to be accurate and done in a cost efficient manner.

8.02 In the event that during such a review, disagreement arises with respect to suggested amendments to any Schedule and such disagreement cannot be settled by the Parties, either Party may refer such to arbitration in accordance with Section 11 of this Agreement.

8.03 The review described in 8.01 shall be commenced within sufficient time so that the Parties might reasonably have completed their review in time for the annual Town budget and estimates process.

## 9. Invoicing

9.01 The Town shall submit an invoice and supporting documentation to THI for payment for all costs incurred by the Town in performing its Services. All invoices shall provide sufficient detail of the costs incurred and the description of the Services undertaken by the Town. All invoices shall be paid by THI within ninety (90) days from the date of receipt. A charge of one and one-half (1.5%) per month may be levied against all late payments. In the event of a dispute regarding an invoice, THI shall pay the undisputed portion of the invoice within ninety (90) days and shall promptly inform the Town of the disputed amount and basis for such dispute.

9.02 The Town will pay all accounts payable in a timely manner in order to minimize any vendor late payment charges.

9.03 The Town will submit details of any unanticipated events to THI for review before invoicing. Invoices for unanticipated events will be paid by the THI upon approval by the Board.

## 10. Easements

- 10.01 THI represents that it has secured all requisite easements necessary for the delivery of electrical services for the distribution of electric power throughout THI's service area.
- 10.02 THI shall indemnify and save the Town harmless from any claims, demands, actions and applications brought against the Town arising from the failure of the THI to have secured easements or from any defect or deficiency in the easements secured by THI prior to the effective date of this Agreement.
- 10.03 After the effective date of this Agreement, the Town shall act on behalf of THI to secure all easements required for the performance of the expansion or upgrade of electrical distribution services pursuant to this Agreement. Any costs related to the acquisition of easements, including appraisal and legal costs, shall be paid by THI.

## 11. Customer Billing

- 11.01 The Town shall bill THI's customers for electricity and distribution services supplied to them and such bills shall read "Tillsonburg Hydro Inc. Charges" and shall conform to the requirements of the OEB and any applicable laws.
- 11.02 Subject to 11.03, THI shall be responsible for all costs related to the bad debt associated with the non-payment of the electricity bills, provided the Town follows the Standards.
- 11.03 The Town shall assume responsibility for any billing errors arising after the commencement of this Agreement only to the extent that any such costs arising from the billing errors are unrecoverable from THI's customer and only if the billing error is attributable to the Town's negligence or the negligence of its servants, agents or representatives.

## 12. Arbitration

- 12.01 The Parties agree to consult with each other and to negotiate in good faith to resolve any differences or disputes which either Party may have relating to the interpretation, application or implementation of this Agreement, or any dispute which may arise over any costs, fees or other costs incurred and failing Agreement the Parties agree to resolve their disputes by arbitration as provided in subsection 12.02.
- 12.02 Arbitration of a dispute shall be commenced by written notice by a Party requesting arbitration to the other, which notice shall identify the issue or issues it

wishes to submit to arbitration. Within thirty (30) days of the date of the notice, the Parties shall agree upon a single arbitrator and failing Agreement then each Party shall appoint an arbitrator and the two appointees shall within 45 days of the date of the notice of arbitration appoint a third person who shall act as Chair of the Arbitration Panel, and failing Agreement the Chair shall be appointed by a Judge of the Superior Court of Ontario pursuant to the provisions of the *Arbitration Act, 1991*, S.O. 1991 c.A.17.

- 12.03 The commencement of the arbitration and all rules of procedure for the arbitration shall be by Agreement of the Parties, or failing Agreement, as determined by the arbitrator or Chair of the arbitrator panel. The provisions of the *Arbitration Act, 1991*, SO 1991 c.A.17, as amended or any successor legislation shall apply to the arbitration.
- 12.04 All decisions of the arbitrator or arbitrators, as the case may be, shall be made in writing and shall be delivered to all Parties within ten (10) days, or within such other time as the Parties may agree, from the conclusion of the arbitration. Except for matters of law only, all decisions shall be final and binding upon the Parties, their respective successors and assigns, and shall not be subject to appeal.
- 12.05 Each Party shall pay its own costs incurred in respect of the arbitration including the payment of its appointee to the arbitration panel, and in the case of a three person panel the Parties agree to share the fees of the Chair and other related costs equally.

### 13. Insurance

#### 13.01 THI shall provide and maintain the following:

- (a) A Comprehensive General Liability Policy which shall name the Town as a Named Insured but only with respect to operations and services performed by the Town on behalf of THI;
- (b) An Environmental Impairment Policy which shall name the Town as a named insured but only with respect to operations and services performed by the Town on behalf of THI;
- (c) Directors and Officers liability insurance providing coverage for the directors of THI;
- (d) The Errors & Omissions Liability Policy which shall be in the name of THI with the Town added as a Named Insured but only with respect to claims for compensatory damage as a result of errors or omissions by the Town acting on behalf of THI; and,
- (e) Such other insurance in keeping with good utility practice.

- 13.02 The Town of Tillsonburg shall, at their expense obtain and keep in force during the term of the Master Service Agreement, Municipal Liability Insurance satisfactory to Tillsonburg Hydro Inc., and underwritten by an insurer licensed to conduct business in the Province of Ontario. The policy shall provide coverage for Bodily Injury, Property Damage and Personal Injury.
- 13.03 The Town of Tillsonburg shall indemnify and hold harmless Tillsonburg Hydro Inc., its officers, Board Members and employees from and against any liabilities, claims, expenses, demands, loss, cost, damages, actions, suits or other proceedings by whomsoever made, directly or indirectly arising out of the Master Services Agreement attributable to bodily injury, sickness, disease or death or to damage to or destruction of tangible property including loss of revenue or incurred expense resulting from disruption of service and caused by any acts or omissions of the Service Provider, its officers, agents, servants, employees, customers, invitees or licensees, or occurring in or on the premises or any part thereof and, as a result of activities under this agreement.
- 13.04 All policies referred to in subsection 13.01, 13.02 and 13.03 shall contain a clause requiring each insurer to give the Town or THI, as the case may be, ninety (90) days written notice prior to cancelling insurance coverage.
- 13.05 Both Parties will notify the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE) of any occurrence, claim, suit and/or accident pertaining to the operations of the Named Insured and/or the operations performed by the Town on behalf of the Named Insured.
14. No Warranty or Guarantee
- 14.01 The Town provides no warranty or guarantee for any defective or deficient equipment or materials utilized except for the manufacturers or supplier's warranties or guarantees applicable to the defective or deficient equipment or materials.
- 14.02 The Town will use commercially reasonable efforts to ensure obtain proper warranties and guarantees are obtained and managed for the benefit of THI.
15. Notices
- 15.01 All notices required to be given to either of the Parties under this Agreement shall be in writing and shall be delivered by prepaid registered post or hand delivery to the following:

(a) The Corporation of the Town of Tillsonburg

200 Broadway, 2<sup>nd</sup>  
Floor Tillsonburg,  
ON N4G 5A7



Telephone: (519) 842-6428  
Fax: (519) 842-9431

Attention: Town Clerk, copied to CAO

and

(b) Tillsonburg Hydro Inc.

10 Lisgar Ave  
Tillsonburg, ON N4G 5A5

Telephone: (519) 842-6428  
Fax: (519) 842-9431

Attention: Board Secretary, copied to Board of Directors

or to such other address or individual as may be designated by written notice to the other Party. Any notice given by personal delivery shall be deemed to have been given on the day of actual delivery hereof and if sent by prepaid post, on the third day after mailing.

16. Successors

16.01 This Agreement shall inure to the benefit of and be binding upon the Parties and their successors and assigns, respectively.

16.02 The Parties acknowledge that substantial changes to legislation and regulations and government policies may occur during the term of this Agreement which may affect the nature of the relationship between them. As a consequence thereof, the Parties hereby agree to consult and negotiate in good faith any amendments to this Agreement which may be necessitated by changes in the regulatory environment to preserve, to the extent practicable, the intent of the Parties. If after a reasonable period of negotiation the Parties are unable to conclude an amendment to this Agreement, either Party may submit their differences to arbitration as provided in Section 12.

17. Entire Agreement

17.01 This Agreement, including Schedules A and B, constitutes the entire Agreement between the Parties.

18. Amendments

18.01 Amendments to this Agreement shall only be effective when in writing and executed by the duly authorized signing officers of the Parties.

19. Headings

19.01 The headings in this Agreement are for purposes of reference only and shall not be read or construed so as to abridge or modify the meaning of any provision in the main text of this Agreement.

20. Governing Law

20.01 This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

21. Termination

21.01 In the event of non-performance by either Party of any material obligation(s) under this Agreement, the other Party may at its sole option elect to terminate this Agreement provided that the defaulting Party shall be given written notice of the default and shall be given sixty (60) days to cure the default, and then only upon failure to cure the default within the cure period, the Agreement may be terminated. Termination shall not relieve a Party of any obligation, responsibility or amount payable under this Agreement up to and including the date of Termination.

22. Liability and Indemnification

22.01 The Town shall indemnify and save THI, its officers, directors, agents and employees, if any, harmless from and against all any costs, courses of action, claims, demands, expenses or liabilities of any description incurred by THI or its officers, directors, agents or employees may suffer as a result of the omission, negligence or willful misconduct of the Town or those for whom the Town is legally responsible in the performance or nonperformance of this Agreement.

22.02 In situations where the Town and THI are jointly liable to a third person otherwise than in contract, THI shall reimburse, indemnify and save harmless the Town against any costs, courses of action, claims, demands, expenses or liabilities of any description incurred by the Town solely for the benefit of THI where the Town has not been negligent.

23. Joint Committee

23.01 It is a matter of importance to the Parties that there shall be proper consultation and involvement by THI in the performance of Services under this Agreement:

- (a) The Joint Committee shall meet as required to identify discuss and resolve issues of mutual concern to the Parties and receive updates.;

- (b) Either Party to this Agreement shall have the right to requisition a meeting of the said Joint Committee at any time upon five (5) days written notice to the other; and
- (c) Where a member is unable to be present at any meeting of the said Joint Committee, he or she may substitute another individual to attend and participate at any such meeting in his or her stead.

24. Relationship

24.01 Parties acknowledge and agree that the Town shall act as an independent contractor providing its services under this Agreement and the Parties further acknowledge and agree that nothing in this Agreement shall be deemed or construed to be the formation of a partnership between the Town and THI.


25. Survival


25.01 The following sections 5, 6, 7, 9 and 23 shall survive the termination of this Agreement.

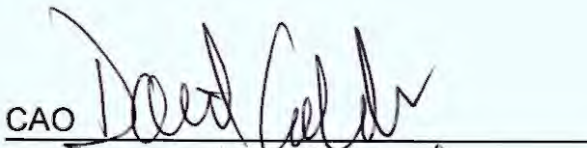
IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written:


The Corporation of the Town of Tillsonburg

Tillsonburg Hydro Inc.

  
 Mayor  
 Stephen Mohar  
 Per:

  
 Chair Per:  
 Dan Rasokas

  
 CAO  
 David Calder

  
 Secretary  
 Donna Wilson

**SCHEDULE A – LIST OF SERVICES**

**A.1 HYDRO OPERATIONS**

**(a) FULL DESCRIPTION OF THE SERVICE:**

Provision of a (Full Time) General Manager of Tillsonburg Hydro Inc.

- Provision of a General Manager for the THI who is a Town Employee.

**Substation Maintenance**

- To provide supervision, labour, materials, equipment and tools to maintain all the substations, substation buildings and substation fixtures including any tests, inspections or monthly monitoring and record keeping.

**Overhead Maintenance**

- To provide supervision, labour, materials, equipment and tools to maintain and repair all overhead lines, hardware, poles, switches, etc. To render repairs at any time to facilitate restoration or power with the least amount of inconvenience to the customer.

**Underground Maintenance**

- To provide supervision, labour, materials, equipment and tools to maintain and repair all Underground Lines, hardware, and switches etc. To render repairs at any time to facilitate restoration or power with the least amount of inconvenience to the customer.

**Inspection**

- Provide inspection and testing of the electrical plant to the present standards required by good utility practice, the THI and all applicable laws.

**Emergency Response**

- Provide 24 hour 7 day a week emergency response to all trouble calls.

**Transformer Installation and Repair**

- Provide qualified crews and supervision to install overhead, underground and pad mount transformers. To ensure proper voltage to customers.



### Service Installations

- Provide qualified labour and supervision to install all types of services from 3 phase 27.6 KV primary to 120/240 volt single phase underground or overhead.

### Conservation Demand Management (CDM)

- To meet all CDM related regulations and license conditions
- Develop, maintain and monitor an approved CDM plan as required.

### Smart Grid

- Provide necessary services to implement, maintain and monitor a smart grid plan in accordance with regulations, standards and practices.

### Service Repairs

- Repair all primary cables and secondary services to re-establish power 24 hours 365 days a year.

### Relocation Work

- To provide the supervisory services, labour, equipment, materials and tools necessary to move, remove, shift, or build electrical plant for the purpose of road, sidewalk or any other project on Town streets.

### Environmentally Hazardous Material Management

- Provide expertise in Environmentally Hazardous Material Management, testing and reclassification of transformers when required.
- Provide the required supervision, labour, equipment to remediate, clean up, contain, control, transport and store all material until decommissioning or disposal in accordance with all applicable law.

### Billable Work

- To provide qualified crews and people and supervision to perform work for private individuals on behalf of THI. To provide customers of THI with expertise and knowledge and render service to customers on a 24 hours basis on behalf of THI.

### Customer Relations

- To provide help to the customers of THI with their concerns such as no power calls, kites in wires and all other similar instances on behalf of THI utilizing, where appropriate, the Town Active Citizen Response (ACR)

technology. The town will provide web presentment technology in association with smart meter and smart grid technology. The Town provides additional payment options including online methods for customers in order to pay their utility bills.

#### Switching Operations

- To arrange and facilitate all high voltage switching. To set standards and arrange all duties that crews require performing to standards and are done to IHSA, ESA, Ministry of Labour and Town of Tillsonburg rules and regulations.

#### Memberships and License Fees

- Maintain memberships / licenses with / in OEB, IHSA, HSA, EDA, ESA, etc....
- Providing, maintaining and fueling green fleet technology type vehicles owned by the Town as necessary to complete all maintenance and construction work as required to maintain service for the THI.

#### Line Locate

- Provide line locate to all requests within THI's service area

#### (b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

### A.2 ELECTRICAL ENGINEERING SERVICES

#### (a) FULL DESCRIPTION OF THE SERVICE:

- Maintain engineering files and records, both digital and hard copy.
- Writing and maintaining technical specifications and procedures.
- Installation, support and licensing of all engineering software.
- Prepare and track the engineering budget and capital construction budget from concept to final estimates and provide variance explanations as required.



- Review and comment on plans for proposed developments submitted by property owners and the Town of Tillsonburg Planning Services and other agencies.
- Review and comment on plans for proposed new electrical services, over 150kVA, submitted by property owners.
- Plan revisions and extensions to the electrical distribution system.

#### DESIGN SERVICES

- Plan, design and supervise the installation of all electrical plant and equipment related to capital and operations work.

#### (b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.3 METER SERVICES

##### (a) FULL DESCRIPTION OF THE SERVICE:

- Provide qualified Meter Technicians;
- Install/remove residential electric meters;
- Install/remove General Service Meters;
- Install/remove Data recorders;
- Install/remove CT and PT and prepare meter installations;
- Provide technical advice on the procurement of all meters required by THI;
- Maintain, verify or re-verify all meters according to schedule;
- Install and maintain smart meters and implement smart grid technology in accordance with standards.
- Maintain the appropriate meter database as required by Measurement Canada, the IESO, OEB or THI;
- Identify all meters that have malfunctioned and assist in the necessary corrective actions required to address such malfunction;
- Recommend to THI management any technological advances that should be implemented.

- Test or have tested all meters according to general accepted principals for an Utility meter shop as set out by the current courses for Meter Technicians;
- Provide technical assistance to customers and consultants on meter installation requirements;
- Provide regular reports to THI management;
- Provide management and supervision;
- Provide safety training and ensure all employees work to IHSA safety standards;
- Provide necessary vehicles and equipment of a general nature;

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.4 METER DATA MANAGEMENT

(a) FULL DESCRIPTION OF THE SERVICES

- Gather / Provide all meter readings;
- Handle all customer complaints regarding incorrect readings or performance of meter readers;
- Maintain meter reading software and systems;
- Provide Verified, Edited or Estimated readings to THI's CIS/billing package, retail settlement package or service, and posting as required for retailer access;
- Maintain backup copies for the periods scheduled by THI;
- Provide all supervision and management functions;
- Provide all required equipment and supplies for employees;
- Provide regular reports to adequately inform THI.



(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

A.5 TREE TRIMMING

(a) FULL DESCRIPTION OF THE SERVICE:

- Trim trees to ensure that distribution lines and plant are clear of any obstruction.
- Provide supervision and control to ensure that proper clearances are maintained.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- The Town will be cleared on a rotational basis once every three years.

A.6 CUSTOMER SERVICES

A.6.1 BILLING ADMINISTRATION

(a) FULL DESCRIPTION OF THE SERVICE:

- Calculation of monthly bills for customer;
- Answer all customer inquiries including inquiries regarding bill calculation, type and cost of services offered, high consumption and power outages. Provide for over the counter service at the Customer Service Centre;
- The Customer Service Centre is to operate between the hours of 8:00 a.m. and 5:00 p.m. Monday to Friday, excluding statutory holidays. These hours of operation are subject to change upon mutual Agreement between the Town and THI;

- Handle all customer requests for connection and disconnection of services, roll- outs, and spot services;
- Handle all customer complaints;
- Ensure proper update of the billing system of all information, concerning, rate, consumer, location and retailer information;
- Provide after-hours answering service to dispatch emergency calls;
- Monitor and report on telephone access, appointments and written responses to inquiries as required by the OEB to meet the Performance Based Regulations;
- Promote policies, and programs which encourage high levels of service;
- Notification to retailers of changes in customer accounts.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Maintain high levels of customer satisfaction;

A.6.2 DISPATCH

(a) FULL DESCRIPTION OF THE SERVICE:

- Provide radio dispatch service and necessary record keeping for customer service and emergency needs.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

**A.6.3 GENERAL MAIL SERVICES****(a) FULL DESCRIPTION OF THE SERVICES**

- Provision of mail and courier services excluding invoice mailings and including pick-up or receipt, processing, distribution and delivery; includes daily pick-up and delivery to and from the Tillsonburg Customer Service Centre (CSC).

**(b) STANDARDS TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Pick-up and delivery to and from the CSC Daily
- Delivery to work locations Daily by 10:00 a.m.
- Pick-up from work locations Daily by 3:30 p.m.

All mail will be processed by the end of the working day on which they have been received.

**A.6.4 REMITTANCE PROCESSING****(a) FULL DESCRIPTION OF THE SERVICE:**

- Processing of all payments, including opening/sorting mail, data capture, encoding and preparing deposit;
- Providing cashiering services at the Tillsonburg Customer Service Centre from 8:00 a.m. - 5:00 p.m. Monday to Friday, excluding statutory holidays. These hours of operation are subject to change upon mutual Agreement between the Town and THI;
- Daily reconciliation of monies collected to system records.

**(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- All payments will be posted the day they were received;
- Bank deposits to be made daily;

- Reconciliation of posted amounts and cash received daily and monitored for errors;
- All payment investigations to be done on a timely basis;
- Payment types to be accepted are Debit, Cash, and Cheque, Credit Card, Telebanking and bank payments.

#### A.6.5 BILL DESIGN, PRINTING, INSERTING AND MAILING INVOICES

(a) FULL DESCRIPTION OF THE SERVICE:

- Design of a customer driven bill and collection notices. The design of the bill will ensure that the customer is aware THI is the energy distribution provider, and distinct from charges for other services on the bill;
- Generate and/or print all monthly bills and notices for customers;
- Inserting and preparing bills/notices for mailing including up to 3 additional inserts and business return envelopes and delivery to post office, including postal charges, at current rates.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- All mail will be delivered to Canada Post daily;
- Mailing addresses will be verified for address accuracy;
- Bills will be responsive to the customers' needs and will conform to the requirements of the Regulator.

#### A.6.6 COLLECTION SERVICES

(a) FULL DESCRIPTION OF THE SERVICES

- Notify customers of overdue payments by telephone, mail and continue notification processes until payment is received or discontinuation of services, for consumer and miscellaneous receivable accounts;
- To obtain payment, notify of impending disconnection, and disconnection of hydro services when payment is not received;

- Recommend and co-ordinate legal actions where payment is not received;
- Trace and locate debtors on final accounts;
- Administer the contract and co-ordinate services with the Credit Bureau and external Collection Agency;
- Maintain accurate system records on all collection activity;
- Collect deposits and/or other forms of security as required by the policies of THI;
- Report on collection activity as required;
- Recommend Collection Policies to reduce bad debts;
- Recommend accounts to be written off. THI will assume the expense of bad debt write-offs relating to electricity charges and related administrative fees.

**(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

**A.6.7 CUSTOMER RELATIONS, ADMINISTRATION, BRANDING AND MARKETING**

**(a) FULL DESCRIPTION OF THE SERVICE:**

- Administration, customer relations, and marketing for all Utility functions not covered in other schedules;
- Provision and maintenance of a website for Utility information;
- Provision of teleconferencing services, as required, for some or all of the board members for meetings.

**(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

## **A.7 MANAGEMENT SERVICES**

### **A.7.1 MEETING MANAGEMENT SERVICES**

#### **(a) FULL DESCRIPTION OF THE SERVICE:**

- Provision of a Recording Secretary to THI;
- Preparation and distribution of agendas;
- Take minutes of board meetings;
- Minute preparation, distribution and retention;
- General administrative support to Board members including correspondence, reports, bookings and other related tasks arising from board meetings;
- Provision of suitable meeting room accommodations including a conference table and seating for Board members and other attendees.

#### **(b) STANDARDS TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Agendas will be prepared and distributed two working days prior to meetings;
- Minutes will be prepared and distributed within five working days following the meeting;
- Minutes and all related documentation will be retained in secured storage.

### **A.7.2 INSURANCE & RISK MANAGEMENT SERVICES**

#### **(a) FULL DESCRIPTION OF THE SERVICE:**

- Placement and management of: (a) Liability and Property Insurance; (b) Directors and Officers liability insurance providing coverage for the directors of THI; (c) insurance claims administration and adjusting services; (d) assistance to the Board of Directors in the development of risk management procedures.

#### **(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Town of Tillsonburg to be an additional named insured on all policies where such coverage is available;
- Liability and property insurance will be obtained with the level of coverage to be determined by the Board of Directors. Shall provide in consultation with the Insurance Company(s), advice and assistance to the Board in connection with such policy limits;
- Claims administration will be undertaken by the Town;
- Adjusting Services for Claims will be provided when necessary;
- Timely updates on matters of risk management, events, and occurrences.

#### A.7.3 TELEPHONE SERVICES

(a) FULL DESCRIPTION OF THE SERVICE:

- Provision of the necessary telephones for all staff involved in electricity services, including required telephone lines, voice mail, cell phones where necessary, and specialized telephone equipment (i.e. headsets) for customer service personnel as may be required.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.7.4 ACCOUNTS PAYABLE PROCESSING

(a) FULL DESCRIPTION OF THE SERVICE:

- Accounts payable processing.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, best practices and procedures.
- Invoices are paid within their due dates. Discounts should be taken when possible;

- Any late payment charges on invoices paid by the Town will not be passed on to THI.

#### A.7.5 PAYROLL FUNCTIONS

(a) FULL DESCRIPTION OF THE SERVICE:

- Payroll functions.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Employee(s) paid/filings (WSIB, Rec. General &c.) all done on a timely basis;

#### A.7.6 MISCELLANEOUS ACCOUNTS RECEIVABLE ADMINISTRATION

(a) FULL DESCRIPTION OF THE SERVICE:

- Miscellaneous (non-consumer) accounts receivable administration.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Billings completed on a timely basis.
- Collection of Accounts Receivable in accordance with legislative standards.

#### A.7.7 RECORDS MANAGEMENT SERVICES

(a) FULL DESCRIPTION OF THE SERVICE:

Provision of records management services using records management software to:



- Maintain file plans and retention schedules;
- Transfer and store of inactive records;
- Destroy records;
- Retrieve and deliver inactive records;
- Train Records Coordinators and other records service users;
- Customize reports.

(b) STANDARDS TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

**A.7.8 FINANCIAL STATEMENT PREPARATION**

(a) FULL DESCRIPTION OF THE SERVICE:

- Financial Statement Preparation.
- Annual audit.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Minimum quarterly statements presented to the Board on a timely basis;
- Audited financial statements to be completed on a timely basis.
- Annual review of internal controls by third party (auditor).

**A.7.9 OTHER FINANCIAL SERVICES**

(a) FULL DESCRIPTION OF THE SERVICE:

- Other financial services including rate applications, business plans, reports to the regulator and others as needed;

- Includes provision of a Treasurer to THI, which Treasurer shall either be or, shall report to and, receive direction from the President of THI in accordance with established board policy...

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

**A.7.10 TREASURY SERVICES**

(a) FULL DESCRIPTION OF THE SERVICE:

- Treasury services including financial systems integrity, internal controls, investment and banking administration, cheques and disbursement of funds, financial management and analysis, payroll and accounting administrative functions, purchasing services and hydro collection administrative services.
- Bank reconciliations should be completed on a timely basis

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

**A.7.11 LEGAL SERVICES**

(a) FULL DESCRIPTION OF THE SERVICE:

- Consultants and outside solicitors engaged as deemed necessary but supervised and instructed by the General Manager or the THI Board of Directors;
- Also provides outside legal representation and advice to Town departments which perform electricity services, whether directly or indirectly.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Basic legal services, including minute book and sign off on an as-needed basis;
- Matters will be referred to outside solicitors.

#### A.7.12 HUMAN RESOURCE SERVICES

(a) FULL DESCRIPTION OF THE SERVICE:

- Services will be supplied in respect of Town employees performing THI-related services;
- Payroll and benefit management;
- Salary Administration & Pay equity;
- Labour Relations management;
- Health and Safety. OHSa compliance. Injury and loss prevention. WSIB management including modified and related work programs;
- Employment Services. Job Descriptions and job evaluations, recruitment, interviewing, selection.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.7.13 MISCELLANEOUS SERVICES

(a) FULL DESCRIPTION OF THE SERVICE:

- Miscellaneous services, not specified as services in any schedule, but provided to any of the foregoing at THI's request and upon the Agreement of the Town.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.7.14 SENIOR MANAGEMENT SERVICES

(a) FULL DESCRIPTION OF THE SERVICE:

- Senior Management Services not necessarily included within any other service schedule.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.7.15 MANAGEMENT ADMINISTRATION

(a) FULL DESCRIPTION OF THE SERVICE:

- Management, administrative services and customer service and support using current industry standard technology:

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

#### A.7.16 INVENTORY MANAGEMENT - STORES

(a) FULL DESCRIPTION OF THE SERVICE:

- Maintain inventory levels to satisfy hydro operations and engineering needs;
- distribution of materials and costs to hydro operations as released;
- reconciliation of physical count v. book value;
- provide purchasing needs for hydro stores & inventory;

- provide purchasing needs for hydro operations external to stores.
- Shall ensure scrap equipment and materials are properly handled and disposed of in accordance with applicable laws and regulations.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Monthly cycle counts will be completed and an annual inventory to meet sufficient inventory levels to meet operating and emergency needs as required;
- Keep inventory value at a reasonable and manageable level.
- Timely purchasing and delivery to satisfy needs and maintain required levels of inventory.

#### A.7.17 IT SERVICES

(a) FULL DESCRIPTION OF THE SERVICE:

- Installation and maintenance of all hardware including servers, and mainframes necessary for ongoing operations;
- Installation, support, and licensing of all software applications;
- Provision of network, email, and Internet access;
- Programming support for custom applications. This includes design/implementation of new development as well as maintenance of current modules;
- Database installation, support and licensing;
- Security: Nightly, weekly, and monthly backups including disaster recovery. Firewall. Maintenance of employee profiles, access rights, and permissions;
- Technical guidance for meetings, committees and projects.
- Provision of Information Technology Security services
- Develop and maintain a disaster recovery plan

- Ensure outsourced service provides meet the same standards

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

Hardware, Software, Database, Communications Availability

- Available 24 hours a day 7 days a week except for scheduled backups, maintenance, month end and year-end procedures.

Problem Resolution

- Priority 1 - Hardware, software, database, or communication failure which causes 1 person to be unable to carry out their main job function. An IT support technician will respond within 1 working day.
- Priority 2 - Problems which do not cause an employee to be unable to carry out their main job functions are logged, prioritized and dealt with as soon as possible, depending on the availability of staff due to number of priority 1 and priority 2 problems.

Programming Requests

- All programming requests are submitted to IT through ACR, logged and prioritized. Small requests are handled on a combined priority and first in first out (FIFO) basis. Large requests are prioritized and scheduled after discussion with the Town.

Security / Information Technology Security / Disaster Recovery Plan

- All Services provided in subsection (a) above shall be provided in accordance with standards (as set out by the OEB), financial performance, best practices and procedures.

**A.8 USE OF THE CUSTOMER SERVICE CENTRE, DISPATCH AND PROPERTY MANAGEMENT FACILITIES**

**(a) FULL DESCRIPTION OF THE SERVICE:**

- Buildings, property, equipment, or other depreciable assets used by the Town to provide services to THI;
- All aspects of Property Management relating to the Customer Service Centre, including janitorial, mechanical, electrical, plumbing, security systems, window cleaning, mats, pest control, fire plans;
- Project management for renovations and mechanical replacement;
- Cost of providing building/facility for stores, dispatch and hydro operation.

**(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:**

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Available during normal office hours and on call 24 hours a day, 7 days a week;
- Sufficient to house and provide necessary services.

**A.9 RETAIL/WHOLESALE SETTLEMENT & ENERGY MANAGEMENT****(a) FULL DESCRIPTION OF THE SERVICE:**

- Retail / Wholesale Settlement;
- Receive inputs from MDMR, IESO, Utilismart and other vendors as required;
- Operate and maintain the Retail / Wholesale Settlement System;  
Track and remit Debt Retirement Charge;
- Supply and maintain a modern settlement system or service;
- Retain and Maintain required records;
- Provide supervision and Management;
- Provide energy management advice to customers and staff;
- Inform THI management of energy management trends and recommend

programs;

- Perform, manage and investigate energy misappropriation providing THI with a proper Theft of Energy Program;
- Provide Customer Education including education in the schools;
- Maintain evidence and provide as needed support to prosecute energy theft to the full extent of the law;

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

## A.10 CAPITAL SERVICES

### A.10.1 CAPITAL PROJECTS

(a) FULL DESCRIPTION OF THE SERVICE:

- Provide labour, equipment and applicable materials to perform capital projects, the result of which will be to produce capital assets owned by THI as well as developing and maintaining the Distribution System Plan as required.

(b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- While the staff levels maintained by the Town permits a portion of that staff to be utilized for normal operating functions and for the performance of capital projects, the exact amount of in-house labour available to perform such capital projects will vary from time to time because of workload issues and other pertinent factors;
- Town will make appropriate recommendations to THI from year to year and from time to time with respect to the capacity of Town staff to undertake projects on an in-house basis, and which projects (or which portions of projects) will need to be performed by contractors under contract to THI. Where such outside forces are contracted by THI, Town staff shall provide contract administration and management services in connection with such contracts to THI.



- Town will track capital spending and provide regular reporting on level of expenditures and variances against budget and any approved Distribution System Plan.

#### A.10.2 ACQUISITION & DISPOSITION OF REAL PROPERTY

##### (a) FULL DESCRIPTION OF THE SERVICE:

- Where the acquisition of real property is required to provide distribution services, the Town shall estimate value, obtain appraisals, negotiate, receive appropriate approvals and ensure closings for any required purchases on fee simple or easements;
- Negotiate the sale of any surplus properties through tender or listing. Obtain any necessary approvals for disposition.

##### (b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.
- Services available on request of the THJ;

#### A.11 HEALTH & SAFETY

##### (a) FULL DESCRIPTION OF THE SERVICE:

- Ensure all Town employees and sub-contractors are properly trained and qualified for any work they are assigned and aware of all requirements for completing the Services;
- Provide all required safety equipment in good working order;
- Provide safety training and ensure all employees work to IHSA, OSHA and any other applicable safety standards;
- Promote public safety and awareness using external communication.
- Ongoing measurement through audits of current programs and practices to ensure compliance
- Support ESA audits or other government inspections as required.

##### (b) STANDARD(S) TO WHICH THE SERVICE WILL BE PROVIDED:

- All Services provided in subsection (a) above shall be provided in accordance with Standards, financial performance, best practices and procedures.

**SCHEDULE B – Costs**

**Third Party Costs**

Without markup, THI will pay directly, or the Town will pay for and be reimbursed for third party expenses including but not limited to the following:

Electrical power costs for Standard Supply Services, IESO costs, Hydro One Transmission costs, Competition Transition Charge, Retail/Wholesale Settlement costs, Ministry of Finance costs, OEB costs, Electricity Distributors Association (EDA) dues, property taxes, Municipal Electricity Association Reciprocal Insurance Exchange (MEARIE) insurance and other insurance premiums, legal, accounting and audit fees and similar reasonable fees.

**Internal Direct costs**

THI shall pay the direct labour, material and equipment cost of the Town utilized in providing the Services as follows:

Corporate Admin

Financial Admin

Operations Admin

Indirect or Overhead

THI acknowledges that the Town is permitted to charge the fully allocated cost of labour used in providing the Services.

THI can request any and all reporting of detailed costs related to THI from the Town.