

EXHIBIT 4 – OPERATING EXPENSES

2025 Cost of Service

Hydro Hawkesbury Inc.
EB-2024-0031

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4.1. OVERVIEW

OM&A expenses are costs incurred in providing safe and reliable electricity distribution, meeting regulatory compliance, and satisfying other operational and maintenance needs. Also included in OM&A are expenses related to maintaining a customer accounts system to keep records of customer usage, billing, and payments. The utility incurs indirect costs in reading meters and preparing invoices. Bill payments are processed, and collection processes are in place to contend with past-due accounts. Billing and collecting related costs include answering customer questions, managing their complaints, and responding to service outages and emergencies. The administrative expenses include employee salaries, benefits, office supplies, insurance, outside services, and regulatory costs, amongst administrative-related other expenditures.

These operating costs are necessary to comply with the Distribution System Code, environmental requirements, government direction and expenses associated with ensuring the safety of all stakeholders, and costs to maintain distribution service quality and reliability.

HHI's 2025 Test Year operating costs are projected to be \$1,658,229, representing an increase of \$483,115 or 41.11% from its 2018 Board Approved costs. Details are introduced in Table 1 below. Explanations and details are presented in the next section and throughout this exhibit.

Table 1 – 2025 OM&A vs 2018 Board Approved OM&A

	2018 Board Approved	2025	Var \$	Var %
Operations	\$92,648	\$208,000	\$115,352	124.51%
Maintenance	\$198,496	\$232,800	\$34,304	17.28%
Billing and Collecting	\$462,970	\$572,330	\$109,360	23.62%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$421,000	\$645,099	\$224,099	53.23%
Total	\$1,175,114	\$1,658,229	\$483,115	41.11%

The majority of OM&A variances from the 2018 Board Approved levels to the 2025 Test Year can be attributed to significant increases in Operations (\$115,352), Billing and Collecting (\$109,360), and Administration Costs (\$224,099).

Hydro Hawkesbury's operational expenses are justified by several key factors. Following a significant outage in 2022, Hydro Hawkesbury increased its vegetation management practices. This decision proved to be even more necessary in response to two major storms, which highlighted the critical need for enhanced tree trimming and infrastructure maintenance to mitigate storm damage and improve system reliability.

Starting in 2022, Hydro Hawkesbury also partnered with Hydro Ottawa to conduct thorough inspections and testing of both substations, leading to additional expenses accounted for in accounts 5014-5017. These inspections, along with the expanded vegetation management, are critical for maintaining a reliable service.

While these measures have increased operational costs, they are essential for addressing the challenges posed by severe weather patterns and ensuring long-term system reliability. Therefore, the increase in expenses is a necessary investment in maintaining the resilience of Hydro Hawkesbury's distribution system.

The volatility in Billing and Collecting expenses is largely due to the fluctuating staffing levels in customer service and billing roles. The turnover and fluctuating staffing levels in customer service and billing roles led to operational instability, which in turn necessitated a greater reliance on ERT at certain points over the IRM period. This reliance introduced additional costs for outsourcing, training, and managing service disruptions, all of which contributed to the overall increase in expenses. The forecast spending in 2025 represents, relative to the volatile spending in some of the preceding years, a "normal" level of spending.

Administrative Costs saw an increase due to adjustments in remuneration for the Board of Directors, management, and accounting staff. The increase was a strategic investment in ensuring that HHI remains competitive, as an effort to retain its staff, and upholds effective governance and financial oversight.

Relevant Notes on HHI's OM&A practices

HHI operates with 3 unionized employees (2 CSR and 1 Billing clerk). Non-union salaries are adjusted annually based on various factors, including data from Stats Canada and competitive pay analyses for the area and similar employers. The utility does not have a, affiliates, or a virtual utility structure.

Significant changes in the business environment are not anticipated, aside from a moderate increase in residential customers. The General Manager is expected to retire before the next Cost of Service. HHI participates in OMERS.

HHI notes that it does not, nor has it ever, capitalized overhead. Therefore, there are no effects on the Test Year's OM&A. Appendix 2-D Overhead Expenses is not applicable in HHI's case.

HHI does not have nor has included any past, present or Funding Options for Future Conservation and Demand Management Activities costs in its OM&A.

HHI tracks expenditures using the Uniform System of Accounts (USoA) and the traditional Operations, Maintenance, and Administration (OM&A) grouping rather than utility-specific programs. This approach provides advantages for a small utility like HHI, including seamless integration with its accounting system, budgeting, financial audit processes, and regulatory compliance. Given the limited resources of HHI, it is essential to maximize efficiency. Maintaining a separate set of programs is not an ideal use of resources and time, making the standardized USoA and OM&A grouping more effective.

4.1.1 Budget Tracking and Reporting Process

HHI's approach to budgeting demonstrates a structured and thorough method for managing budgets, tracking performance, adjusting to ongoing changes and ensuring compliance with financial commitments. HHI's practices involve a detailed review and adjustment process, proactive management of procurement, and diligent oversight through financial audits and variance analysis.

Budget Tracking and Approval:

HHI's General Manager oversees the utility's Operating, Maintenance, and Administrative (OM&A) budget monthly. The OM&A spending is compared against the yearly budget, with adjustments made as necessary.

Procurement and Service Providers:

In smaller rural areas like Hawkesbury, there may be fewer service providers available. Despite this, HHI management actively seeks and evaluates more cost-effective alternatives to existing services and costs. Details on the procurement policy are specified in section 4.2.7 of the utility's documentation.

Rate Application and Budget Adjustments:

When preparing its application for 2025 rates, HHI reviewed its bridge and test year budgets and presented them to the Board for approval. Due to a late filing, HHI updated its bridge year budgets to include six months of actual expenditures and six months of forecasted budgets. The test year budget remained unchanged.

Capitalization of Costs:

HHI does not capitalize overhead costs, which impacts how expenses are recorded and reported.

4.2. ANALYSIS OF OPERATING EXPENSES

4.2.1 Overview

The table below shows a summary of recoverable OM&A expenses for relevant years. As can be seen, the level of spending has remained stable since the last Board approval in 2018, with a total increase of \$483,115 or 41.11%.

The utility manages unforeseen expenses as they occur and tries to balance the increase, if any, by reducing costs or finding efficiencies wherever possible. Cost drivers are presented and explained in the upcoming section 4.2.3.

OEB Appendix 2-JA below shows a summary of HHI Operations, Maintenance, and Administrative (“OM&A”) costs as required by the OEB’s filing guidelines.

Table 2 – Summary of Recoverable OM&A Expenses (Appendix 2-JA)

	Board Approved	2018	2019	2020	2021	2022	2023	2024	2025	2018BA-2025
Operations	\$92,648	\$70,877	\$83,464	\$66,726	\$119,464	\$116,891	\$122,374	\$193,477	\$208,000	\$115,352
Maintenance	\$198,496	\$189,516	\$92,791	\$213,918	\$224,823	\$222,596	\$243,111	\$224,300	\$232,800	\$34,304
Subtotal	\$291,144	\$260,394	\$176,255	\$280,644	\$344,287	\$339,488	\$365,485	\$417,777	\$440,800	\$149,656
%Change (year over year)		-10.6%	-32.3%	59.2%	22.7%	-1.4%	7.7%	14.3%	5.5%	43.5%
%Change (Test Year vs Last Rebasing Year - Actual)		-10.6%	-39.5%	-3.6%	18.3%	16.6%	25.5%	43.5%	51.4%	
Billing and collecting	\$462,970	\$411,917	\$450,033	\$389,139	\$439,290	\$441,550	\$616,204	\$560,320	\$572,330	\$109,360
Community Relations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative and General+LEAP	\$421,000	\$477,933	\$466,514	\$457,659	\$473,808	\$482,411	\$574,056	\$589,561	\$645,099	\$224,099
subtotal	\$883,970	\$889,850	\$916,548	\$846,798	\$913,097	\$923,961	\$1,190,261	\$1,149,881	\$1,217,429	\$333,459
%Change (year over year)		0.7%	3.0%	-7.6%	7.8%	1.2%	28.8%	-3.4%	5.9%	30.1%
%Change (Test Year vs Last Rebasing Year - Actual)		0.7%	3.7%	-4.2%	3.3%	4.5%	34.6%	30.1%	37.7%	
Total	\$1,175,114	\$1,150,244	\$1,092,802	\$1,127,442	\$1,257,384	\$1,263,449	\$1,555,746	\$1,567,658	\$1,658,229	\$483,115
%Change (year over year)			-5.0%	3.2%	11.5%	0.5%	23.1%	0.8%	5.8%	33.4%
								CGAR	4.40%	

4.2.2 OM&A Costs per Customer and FTE

The table below shows the OM&A per customer and full-time employee. The 2025 OM&A per customer of \$295 puts the utility at the top of the province. Although the utility strives to find cost efficiencies, it recognizes that a minimum cost level is necessary to run a utility of any size. Although the OEB’s Yearbook does not publish the OM&A per FTE, the utility is one of the most efficient utilities with five employees.

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

	Board Approved	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected
	2018	2018	2019	2020	2021	2022	2023	2024	2025
OM&A Costs									
O&M	\$291,144	\$260,394	\$176,255	\$280,644	\$344,287	\$339,488	\$365,485	\$417,777	\$440,800
Admin Expenses	\$421,000	\$889,850	\$916,548	\$846,798	\$913,097	\$923,961	\$1,190,261	\$1,149,881	\$1,217,429
Total Recoverable OM&A from Appendix 2-JB⁵	\$712,144	\$1,150,244	\$1,092,802	\$1,127,442	\$1,257,384	\$1,263,449	\$1,555,746	\$1,567,658	\$1,658,229
Number of Customers^{2,4}	5542.33	5536.25	5549.50	5557.33	5574.58	5595.17	5628.67	5629.32	5630.00
Number of FTEs^{3,4}	7	7	5	5	5	5	6	5	5
Customers/FTEs	792	791	1,110	1,111	1,115	1,119	938	1,126	1,126
OM&A cost per customer									
O&M per customer	\$53	\$47	\$32	\$50	\$62	\$61	\$65	\$74	\$78
Admin per customer	\$76	\$161	\$165	\$152	\$164	\$165	\$211	\$204	\$216
Total OM&A per customer	\$128	\$208	\$197	\$203	\$226	\$226	\$276	\$278	\$295
OM&A cost per FTE									
O&M per FTE	\$41,592	\$37,199	\$35,251	\$56,129	\$68,857	\$67,898	\$60,914	\$83,555	\$88,160
Admin per FTE	\$60,143	\$127,121	\$183,310	\$169,360	\$182,619	\$184,792	\$198,377	\$229,976	\$243,486
Total OM&A per FTE	\$101,735	\$164,321	\$218,560	\$225,488	\$251,477	\$252,690	\$259,291	\$313,532	\$331,646

4.2.3 OM&A Variance Analysis (by grouping)

The variance between the 2025 OM&A and the previously Board Approved OM&A for 2018 was introduced in the previous section and explained below. Tables 3 to 5 provide comparatives deemed essential in determining the reasonableness of the 2025 OM&A.

The official materiality threshold when comparing two years is \$50,000. The variance used to compare the last Board-approved OM&A expenses vs. the 2025 proposed expenses is \$20,000.

Variances above the materiality threshold of \$20,000 are explained in section 4.2.5.

In compliance with the filing requirements released on December 2023, HHI is presenting the following comparisons.

- Table 4 - Last Board Approved (2018BA) vs Last Board Actuals (2018)
- Table 5 - Historical (2018) vs Bridge Year (2019)
- Table 6 - Historical (2019) vs Bridge Year (2020)
- Table 7 - Historical (2020) vs Bridge Year (2021)
- Table 8 - Historical (2022) vs Bridge Year (2023)
- Table 9 - Historical (2023) vs Bridge Year (2024)
- Table 10 - Bridge Year (2024) vs Proposed Test Year (2025)

Table 4 – 2018 Board Approved vs 2018 Actuals

	2018 Board Approved	2018 Actuals	Variance \$	Variance %
Operations	\$92,648	\$70,877	-\$21,771	-23.50%
Maintenance	\$198,496	\$189,516	-\$8,980	-4.52%
Billing and collecting	\$462,970	\$411,917	-\$51,054	-11.03%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$421,000	\$477,933	\$56,933	13.52%
Total OM&A Expenses	\$1,175,114	\$1,150,244	-\$24,871	-2.12%

The actual OM&A for 2018 was \$24,871 lower than the Board-approved OM&A. Billing and collecting expenses decreased by around \$51K due to higher Bad Debt Expenses, while Administrative and General expenses increased by \$57K.

Operation and Maintenance

The primary factor contributing to the budget overage was the substation maintenance and testing, which includes both the 115 kV and 44 kV substations, resulting in a total variance of \$16,860. Additionally, Account 5125, which covers the maintenance of overhead (OH) conductors, also experienced an overestimation with a variance of \$17,970. Other small variances make up the total variance of -\$21,771.

Billing and collecting

The primary factor contributing to the \$51,054 variance was an overestimation of bad debt, which accounted for \$46,598 of the total amount.

Administrative and General

The primary reason for the variance was costs related to the Stantec Distribution Asset Assessment, which amounted to \$55,000. This assessment aimed at evaluating and verifying the distribution assets of HHI. The remainder of the variance is attributable to a small increase in OEB assessment and intervener costs which were underestimated in the Cost-of-Service application of 2018.

Table 5 – 2018 Actuals 2019 Actuals

	2018 Actuals	2019 Actuals	Variance \$	Variance %
Operations	\$70,877	\$83,464	\$12,587	17.76%
Maintenance	\$189,516	\$92,791	-\$96,726	-51.04%
Billing and collecting	\$411,917	\$450,033	\$38,116	9.25%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$477,933	\$466,514	-\$11,419	-2.39%
Total OM&A Expenses	\$1,150,244	\$1,092,802	-\$57,441	-4.99%

The actual 2019 OM&A was lower by -\$57,441 than 2018 Actuals. Maintenance went down by approximately 97K and Customer Billing up by (38K).

Maintenance

In 2018, HHI employed two linemen, and all expenses, including wages, were accounted for, totaling \$30,277. By 2019, HHI had no lineman on payroll, therefore no additional compensation expenses were incurred beyond those of the contractor.

With two linemen retiring, HHI frequently operated with only one lineman, and Sproule provided additional personnel for a fee of \$7,550. During this time, the use of a contractor was necessary because most tasks required more than one worker. The total increase was \$-42,024.55. Furthermore, HHI rectified an old issue by relocating an overhead wire from private property, at a cost of \$2,763.51, which should have been done earlier.

Billing and collecting

Expenses for Accounts 5310 to 5320 decreased by \$13,893 in 2019 vs 2018. This drop was mostly the result of typical lower activities across all accounts. The Bad Debt Account 5335 was the largest contributor of the net increase; in 2019, uncollectible and year-end uncollectible account changes amounted to \$52,308.

Table 6 – 2019 Board Approved vs 2020 Actuals

	2019 Actuals	2020 Actuals	Variance \$	Variance %
Operations	\$83,464	\$66,726	-\$16,738	-20.05%
Maintenance	\$92,791	\$213,918	\$121,127	130.54%
Billing and collecting	\$450,033	\$389,139	-\$60,894	-13.53%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$466,514	\$457,659	-\$8,856	-1.90%
Total OM&A Expenses	\$1,092,802	\$1,127,442	\$34,639	3.17%

The actual 2020 OM&A was higher by \$34,636 than 2019 Actuals. Maintenance was up by 121K, and Billing and Collecting is down by -60K

Maintenance

In 2019, Account 5130's costs were \$17,094 greater than in 2019. This increase was the result of numerous key events and maintenance actions. Firstly, HHI incurred \$3,628.95 for relocating overhead wires and managing a major accident on Regent Street where an 18-wheeler hit a transformer pole. Additionally, ABB's maintenance and inspection of the 55T3 transformer circuit switcher cost \$6,035. Furthermore, the Drain-All oil spill management costs from the Regent Street accident totaled \$6,980.

In 2020, significant expenses were made for right-of-way maintenance due to a small tornado that impacted Hawkesbury on July 10th, 2020. The storm caused severe damage, damaging poles and trees, notably in the eastern section of town but also throughout the entire area. The initial response focused on restoring power by removing and cutting damaged customer trees. In the following days, extra clean-up and tree trimming were required as customers reported further damage, totaling \$72,277.

Additionally, HHI addressed tree trimming that was deferred from 2019, which resulted in expenses of \$8,223 (Account 5135).

At the year-end, an accounting adjustment of \$9,854.55 was recorded compared to a credit of (\$895.97) in 2019, resulting in a net difference of \$10,750.52.

In 2020, Account 5160 saw a year-end adjustment that was \$8,637 greater than in 2019. Additionally, trouble calls increased by \$11,190.50 compared to 2019. This increase can be attributed to several factors: animal contact incidents rose by \$1,416, and the mini tornado contributed an additional \$5,622. The remaining \$4,152.50 was mostly due to open cut-out calls during regular and after hours.

Table 7 – 2020 Board Approved vs 2021 Actuals

	2020 Actuals	2021 Actuals	Variance \$	Variance %
Operations	\$66,726	\$119,464	\$52,738	79.04%
Maintenance	\$213,918	\$224,823	\$10,905	5.10%
Billing and collecting	\$389,139	\$439,290	\$50,151	12.89%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$457,659	\$473,808	\$16,149	3.53%
Total OM&A Expenses	\$1,127,442	\$1,257,384	\$129,942	11.53%

Operation

In 2021, the actual OM&A costs were \$129,942 higher than those in 2020. Specifically, Operations costs exceeded those of 2020 by \$53,000, and Billing and Collecting expenses were \$50,000 higher.

The increase in Operations expenses was primarily driven by several factors. Account 5015 incurred \$19,045 due to Eptcon's review, maintenance, testing of all settings, and feeder protection, as well as the refilling of the circuit switcher with SF6 gas at the 115KV substation. Additionally, Account 5016 reflected \$21,000 for Eptcon's maintenance and testing services at the 44KV substation. Furthermore, Account 5065 experienced a cost of \$12,275 for annual fees associated with Elster Connexo NetSense.

Billing and Collecting

There was an increase of \$50,151 in Billing and Collecting expenses from 2020 to 2021. The primary cause of this variance stemmed from Accounts 5315 and 5320. In 2020, HHI faced several staffing challenges in its customer service department.

A Customer Service Representative (CSR-A) left in August, and was replaced by CSR-B, who resigned on December 4, 2020. In January 2021, CSR-C was hired to replace CSR-B but resigned in the fall of 2021 for a higher-paying opportunity. CSR-D was hired in December 2021. Additionally, in October 2021, HHI's billing clerk (BIL-A) went on a year-long maternity leave, during which ERTH Holdings provided billing services.

The increased expenses were due to several factors: salaries for CSRs, the cost of ERTH Holdings' billing services during the maternity leave, a \$1,200 increase in ERTH's annual maintenance, additional bills and supplies amounting to \$7,700 that were not ordered the previous year, and a total of \$35,561 for payroll, burden, and ERTH billing services.

Table 8 – 2021 Board Approved vs 2022 Actuals

	2021 Actuals	2022 Actuals	Variance \$	Variance %
Operations	\$119,464	\$116,891	-\$2,572	-2.15%
Maintenance	\$224,823	\$222,596	-\$2,227	-0.99%
Billing and collecting	\$439,290	\$441,550	\$2,260	0.51%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$473,808	\$482,411	\$8,604	1.82%
Total OM&A Expenses	\$1,257,384	\$1,263,449	\$6,065	0.48%

The variances from 2021 Actuals to 2022 actuals were very marginal and as such require no explanation.

Table 9 – 2022 Board Approved vs 2023 Actuals

	2022 Actuals	2023 Actuals	Variance \$	Variance %
Operations	\$116,891	\$122,374	\$5,483	4.69%
Maintenance	\$222,596	\$243,111	\$20,515	9.22%
Billing and collecting	\$441,550	\$616,204	\$174,654	39.55%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$482,411	\$574,056	\$91,645	19.00%
Total OM&A Expenses	\$1,263,449	\$1,555,746	\$292,297	23.13%

Operation

With respect to Operations, ongoing annual maintenance and testing of the substation with Hydro Ottawa increased by \$4,900. With respect to account 5135, following the Derecho storm of 2022, which heavily impacted HHI’s right-of-way budget due to extensive maintenance needs, HHI intensified its right-of-way maintenance efforts in 2023. This increased was to address previously identified problem areas and maintaining several backyard trees using a crane where access was restricted. As a result, expenditures for right-of-way maintenance rose by \$51,000 compared to 2022.

Maintenance

In 2023, expenses for Accounts 5130, 5135, 55155, and 5175 increased by \$64,285 compared to 2022. The primary contributor to this increase was Account 5135, which saw a rise of \$50,389 due to extensive tree maintenance following the May 21, 2022, Derecho. This maintenance involved the removal and trimming of backyard trees, often necessitating crane rentals due to limited access. In 2022, the focus was on restoring power and clearing debris in response to the Derecho, while 2023 efforts concentrated on addressing critical areas and completing necessary activities. The remaining variance of \$13,895 can be attributed to other contributing factors.

Billing and Collecting

HHI once again experienced significant staffing challenges in its Billing and Collecting department. In the fall of 2022, HHI's billing clerk, (BIL-A), returned from maternity leave but left three weeks later for a higher-paying opportunity with the Federal government. To maintain billing continuity, HHI reinstated the ERTH Holdings billing contract, which had previously ended. ERTH Holdings managed the billing process and trained a new employee to assume the billing clerk role.

CSR-D was promoted to billing clerk for training purposes, leading to the need for a replacement for her CSR position. CSR-E was hired in December of 2022, but was let go in February of 2023. CSR-F was then hired in June of 2023, to fill CSR-E's role. Throughout 2023, both exiting billing clerk and ERTH Holdings handled billing operations simultaneously while the new billing clerk received training.

In May 2023, HHI's longest-serving employee announced her retirement with a planned departure in mid-October. In response, HHI hired a new CSR in July of 2023.

In 2023, Account 5315 saw a \$106,000 increase compared to 2022. The increase in billing supplies costs amounted to \$20,900, primarily due to a near doubling of expenses caused by Covid-19, which also led to delivery issues. To ensure HHI had adequate supplies, HHI stocked more materials than usual. The annual maintenance for HHI's CIS increased by \$2,475. Salary costs rose by \$61,200 as well; this was due to the departure of HHI's billing clerk shortly after her return from maternity leave in 2022. ERTH Holdings managed billing tasks under contract while HHI recruited and trained a new employee. In 2023, ERTH's costs increased from \$36,000 to \$48,000. No salary was recorded in 2022 as ERTH handled the entire billing process. In 2023, ERTH's contract cost was in addition to the salary of the new billing clerk, who was still in training and on probation. Additionally, ERTH Holdings' charges for third-party CIS hosting and services increased by \$2,700. Other notable increases included the Pitney Bowes inserter lease at \$3,023, Harris Computer ULO implementation and testing at \$4,250, and ERTH's testing and implementation of the new CIS upgrade (Version 6.6.19) at \$14,450.

In 2023, Account 5320 experienced several notable changes. MEARIE crime insurance costs increased by \$2,686. The annual meeting expenses for ERTH's CIS totaled \$517. Salary costs rose to \$20,565 from August to December 2023 due to the need for training a new employee after

the retirement of HHI's most experienced employee, who left in October. This training was essential for the transition to a new CIS system. Additionally, the payroll burden saw a significant increase, with the end-of-year amount rising from \$15,462 in 2022 to \$31,095 in 2023, reflecting an additional \$15,633. For Account 5335, bad debt increased by \$27,885 in 2023 compared to 2022.

Administration and General Expenses

Administration and general expenses in Accounts 5605-5680 increased by \$90,000 in 2023. In comparison to 2022, Account 5605 experienced a \$10,520 increase in salary and payroll burden, while Account 5610 experienced a \$3,590 increase in the same category.

Account 5620's total increased by \$7,800, which was incurred for the implementation of Silver Blaze (\$4,000), Canadian business form letterhead and reminder notices (\$980), and Ker Norton ink for printers (\$2,940).

Account 5630 experienced a \$10,920 increase in year-end audit costs, in addition to an additional \$20,260 spent on a third-party review of MNP's work to prepare for the cost-of-service application as there were inconsistencies in asset value post MIFRS. HHI notes that it did not include these costs in the overall one-time cost of service-related costs.

The UCPR IT annual fee increased by \$805, and the total cost of IT services increased by \$4,245 because of ongoing requirements. The MEARIE Liability insurance for Account 5640 increased by \$4,720 annually.

Green Button requirements, which included \$10,400 for EARTH's CIS Northstar Savage data system license and support and \$5,215 for the Green Button alliance, drove a \$15,000 increase in Account 5655.

Lastly, Account 5675 contained several substantial expenses, including \$3,410 for the rerouting of electrical circuits for emergency purposes, \$3,500 for a building appraisal requested by the HHI Board of Director, a \$1,100 increase in outside maintenance for snow and lawn care, \$2,541 more for electricity at 850 Tupper, \$700 for lighting and fixtures at 850 Tupper, and \$1,695 for maintenance on the ground source heat pump.

Table 10 – 2023 Actual vs 2024 Bridge

	2023	2024 Bridge	Variance \$	Variance %
Operations	\$122,374	\$193,477	\$71,103	58.10%
Maintenance	\$243,111	\$224,300	-\$18,811	-7.74%
Billing and collecting	\$616,204	\$560,320	-\$55,884	-9.07%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$574,056	\$589,561	\$15,505	2.70%
Total OM&A Expenses	\$1,555,746	\$1,567,658	\$11,913	0.77%

Operation

With respect to the Operations budget, in 2024, Hydro Ottawa will conduct a thorough inspection and testing of three of HHI's four station transformers as part of its annual maintenance and testing. Transformer 55F3 has already been completed in previous years. For Account 5014-5015, HHI anticipates spending \$71,780 on transformer 55T2, which is \$505 more than the \$71,270 spent in 2023.

For Account 5016-5017, HHI anticipates spending \$58,500 more than in 2023, as only \$2,650 was accounted for in 2023. The testing and maintenance of two transformers at the 44KV station are the reasons for this increase. In addition, the annual inspection and maintenance program includes the allocation of \$10,000 to Account 5040 for the inspection and testing of pad-mount transformers.

Billing and Collecting

Currently, staffing is stable, with no recent departures for higher-paying positions. In 2023, there was a period where 60% of HHI's staff were trainees. During this time, ERT Holdings acted as the main billing clerk, while one billing clerk and two CSRs were undergoing training.

Billing and collection expenses are estimated to decrease by \$55,000 in 2024. The decrease in Account 5315 is mostly due to the end of ERT Holdings' contractual services, which were due in 2023 following the departure of the regular billing clerk to the Federal Government in late 2022.

With all employees fully trained and out of probation phase, the \$42,300 in expenses previously allocated to ERT Holdings are no longer required. The \$10,440 drop in Account 5320 is due to the fact that in June 2023, HHI hired a new Customer Service Representative (CSR) to train as a substitute for a retiring employee. In 2024, only the new employee's wage is accounted for. Furthermore, HHI predicts Account 5335 costs to be \$3,500 lower than in 2023.

Administration and General Expenses

In 2024, HHI anticipates several increases in Administration and General Expenses across various accounts. Effective January 1, 2024, the salaries of accounts 5605 and 5610 increased by \$6,450 in comparison to 2023.

Account 5620 is anticipated to experience a \$2,990 increase as a result of the general price increase. The routine price increases from HHI's third-party external accounting firm and UCPR IT provider will result in a \$6,750 increase for Account 5630. Furthermore, the following increases will be implemented in Accounts 5635 to 5645: \$405 for property insurance (Account 5635), \$380 for injuries and damages (Account 5640), and \$420 for employees' pensions and benefits (Account 5645).

Table 11 – 2024 Bridge vs 2025 Test Year

	2024 Bridge	2025 Test Year	Variance \$	Variance %
Operations	\$193,477	\$208,000	\$14,523	7.51%
Maintenance	\$224,300	\$232,800	\$8,500	3.79%
Billing and collecting	\$560,320	\$572,330	\$12,010	2.14%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General	\$589,561	\$645,099	\$55,538	9.42%
Total OM&A Expenses	\$1,567,658	\$1,658,229	\$90,571	5.78%

Operation

Operations will see an increase of \$14,500 due to several factors. Accounts 5014 to 5015 will incur additional costs from comprehensive maintenance and testing on three station transformers in 2024, Account 5020 will experience an increase of \$31,000 for a new load study, providing better insights into HHI's distribution system and preparing for future needs related to OEB and government initiatives, such as electric vehicles.

Maintenance

For maintenance, minor increases across all accounts, totaling \$8,500, are anticipated to cover regular or expected inflation.

Billing And Collecting

Billing and collecting will see an addition of \$12,000 across five accounts, mainly due to a \$10,000 increase in billing and collecting costs, driven by HHI's collective agreement and regular inflation increases.

Administration and General Expenses

Administrative and general expenses will also rise, primarily due to inflation. Notable increases include \$5,500 for salary increases and expenses in Account 5605, \$3,250 for salary increases and expenses in Account 5610, \$3,000 for office supplies in Account 5620, and \$2,300 for outside services in Account 5630. Other increases include \$500 for property insurance in Account 5635, \$375 for injury and damages in Account 5640, \$1,000 for employee pension and benefits in Account 5645, and \$38,000 for regulatory costs in Account 5655.

4.2.5 Cost Drivers Analysis

Following the OEB's minimum filing requirements, OEB Appendix 2-JB, OM&A Cost Drivers, presented below at table 14, outlines the key drivers of OM&A costs throughout 2018 to 2025. An overview of the reasons behind the cost drivers is given in the table, and detailed explanations are presented in Section 4.2.3 -Year over Year Variance Analysis.

Table 13 – OM&A Expenses Details (App 2-JC)

Description	2018	2018	2019	2020	2021	2022	2023	2024	2025
Operations									
5014-Transformer Station Equipment - Operation Labour	\$28,999	\$18,266	\$28,384	\$33,299	\$28,126	\$29,182	\$55,692	\$63,777	\$53,000
5015-Transformer Station Equipment - Operation Supplies and Expenses	\$7,855	\$9,428	\$7,846	\$8,497	\$28,555	\$33,959	\$15,582	\$8,000	\$8,500
5016-Distribution Station Equipment - Operation Labour	\$12,525	\$4,747	\$23,879	\$7,175	\$23,569	\$3,215	\$175	\$52,500	\$42,000
5017-Distribution Station Equipment - Operation Supplies and Expenses	\$1,287	\$1,368	\$6,476	\$2,400	\$1,868	\$2,677	\$2,480	\$5,000	\$5,500
5020-Overhead Distribution Lines and Feeders - Operation Labour	\$17,685	\$18,021	\$5,467	\$2,080	\$4,536	\$3,915	\$79	\$1,000	\$32,000
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$1,008	\$939	\$1,747	\$895	\$641	\$1,313	\$5,163	\$5,300	\$5,500
5030-Overhead Sub transmission Feeders - Operation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5035-Overhead Distribution Transformers- Operation	\$7,271	\$6,108	\$5,771	\$4,058	\$8,133	\$8,996	\$13,027	\$15,000	\$15,500
5040-Underground Distribution Lines and Feeders - Operation Labour	\$2,872	\$2,599	\$0	\$0	\$0	\$7,557	\$0	\$10,000	\$12,000
5050-Underground Sub transmission Feeders - Operation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5055-Underground Distribution Transformers - Operation	\$1,864	\$984	\$0	\$8	\$4,294	\$2,666	\$0	\$0	\$0
5060-Street Lighting and Signal System Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5065-Meter Expense	\$9,776	\$6,936	\$1,638	\$5,631	\$17,018	\$20,646	\$27,368	\$30,000	\$31,000
5095-Overhead Distribution Lines and Feeders - Rental Paid	\$1,506	\$1,482	\$2,256	\$2,683	\$2,725	\$2,766	\$2,809	\$2,900	\$3,000
5096-Other Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total - Operations	\$92,648	\$70,877	\$83,464	\$66,726	\$119,464	\$116,891	\$122,374	\$193,477	\$208,000
Maintenance									
5105-Maintenance Supervision and Engineering	\$6,754	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$0	\$0	\$0
5120-Maintenance of Poles, Towers and Fixtures	\$15,176	\$11,866	\$7,179	\$5,691	\$22,147	\$22,699	\$13,367	\$15,000	\$15,500
5125-Maintenance of Overhead Conductors and Devices	\$46,083	\$28,115	\$26,415	\$13,358	\$45,769	\$44,705	\$27,653	\$30,000	\$31,000
5130-Maintenance of Overhead Services	\$48,459	\$43,265	\$1,241	\$18,334	\$38,076	\$12,505	\$13,306	\$13,500	\$14,000
5135-Overhead Distribution Lines and Feeders - Right of Way	\$61,762	\$59,131	\$31,562	\$112,507	\$89,825	\$84,675	\$135,065	\$110,000	\$113,500
5145-Maintenance of Underground Conduit	\$300	\$91	\$991	\$0	\$0	\$0	\$287	\$300	\$300
5150-Maintenance of Underground Conductors and Devices	\$8,402	\$17,670	\$6,726	\$18,236	\$6,498	\$14,665	\$13,207	\$13,500	\$14,000
5155-Maintenance of Underground Services	\$7,599	\$10,115	\$9,199	\$7,959	\$6,995	\$7,231	\$11,503	\$11,000	\$12,000
5160-Maintenance of Line Transformers	\$2,653	\$16,530	\$5,623	\$26,082	\$13,063	\$37,264	\$17,752	\$20,000	\$21,000
5175-Maintenance of Meters	\$1,308	\$1,734	\$2,856	\$10,751	\$1,450	-\$2,148	\$10,972	\$11,000	\$11,500
Total - Maintenance	\$198,496	\$189,516	\$92,791	\$213,918	\$224,823	\$222,596	\$243,111	\$224,300	\$232,800
Billing and collecting									
5310-Meter Reading Expense	\$32,005	\$37,355	\$30,304	\$35,910	\$33,306	\$32,669	\$32,239	\$33,000	\$34,000
5315-Customer Billing	\$268,376	\$230,860	\$234,346	\$240,436	\$269,380	\$270,438	\$377,233	\$335,000	\$340,000
5320-Collecting	\$110,514	\$133,077	\$122,451	\$112,540	\$130,838	\$131,809	\$173,230	\$162,320	\$167,330
5325-Collecting- Cash Over and Short	\$10	-\$1	-\$2	\$0	\$0	\$25	\$0	\$0	\$0

5335-Bad Debt Expense	\$52,065	\$10,626	\$62,934	\$253	\$5,766	\$6,610	\$33,502	\$30,000	\$31,000
Total - Billing and Collecting	\$462,970	\$411,917	\$450,033	\$389,139	\$439,290	\$441,550	\$616,204	\$560,320	\$572,330
Administrative and General Expenses									
5605-Executive Salaries and Expenses	\$113,319	\$112,481	\$134,578	\$144,325	\$149,359	\$154,749	\$165,449	\$169,500	\$175,000
5610-Management Salaries and Expenses	\$58,549	\$62,147	\$77,837	\$80,210	\$118,893	\$101,959	\$105,096	\$107,500	\$110,750
5615-General Administrative Salaries and Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5620-Office Supplies and Expenses	\$22,142	\$20,480	\$20,722	\$15,398	\$27,135	\$19,146	\$27,014	\$30,000	\$33,000
5625-Administrative Expense Transferred/Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5630-Outside Services Employed	\$65,011	\$37,394	\$48,526	\$42,499	\$30,740	\$33,905	\$70,249	\$77,000	\$79,300
5635-Property Insurance	\$4,245	\$4,200	\$4,413	\$4,575	\$5,358	\$5,719	\$5,596	\$6,000	\$6,500
5640-Injuries and Damages	\$10,398	\$8,137	\$7,428	\$7,439	\$7,061	\$7,412	\$12,124	\$12,500	\$12,875
5645-Employee Pensions and Benefits	\$10,282	\$19,779	\$26,303	\$26,064	\$25,706	\$25,771	\$24,583	\$25,000	\$26,000
5646 Employee Pensions and OPEB	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5647 Employee Sick Leave	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5650-Franchise Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5655-Regulatory Expenses	\$90,527	\$166,316	\$97,096	\$86,313	\$62,319	\$86,404	\$102,858	\$101,261	\$134,174
5660-General Advertising Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5665-Miscellaneous General Expenses	\$16,886	\$17,200	\$17,500	\$17,900	\$18,100	\$18,100	\$19,000	\$19,000	\$19,500
5670-Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5672 Lease Payment Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5675-Maintenance of General Plant	\$22,025	\$22,416	\$25,241	\$26,256	\$22,557	\$22,423	\$35,439	\$35,000	\$36,000
5680-Electrical Safety Authority Fees	\$5,616	\$5,383	\$4,871	\$4,680	\$4,578	\$4,824	\$4,648	\$4,800	\$5,000
5681-Special Purpose Charge Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6205-Sub-account LEAP Funding	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total - Administrative and General Expenses	\$421,000	\$477,933	\$466,514	\$457,659	\$473,808	\$482,411	\$574,056	\$589,561	\$640,099
Total OM&A	\$1,175,114	\$1,150,244	\$1,092,802	\$1,127,442	\$1,257,384	\$1,263,449	\$1,555,746	\$1,567,658	\$1,653,229

Table 14 – Year over Year Variances – Cost Drivers (App 2-JB)

Description	2018	2019	2020	2021	2022	2023	2024	2025
Operations								
5014-Transformer Station Equipment - Operation Labour	-\$10,733	\$10,118	\$4,915	-\$5,173	\$1,056	\$26,510	\$8,085	-\$10,777
5015-Transformer Station Equipment - Operation Supplies and Expenses	\$1,573	-\$1,582	\$651	\$20,058	\$5,404	-\$18,377	-\$7,582	\$500
5016-Distribution Station Equipment - Operation Labour	-\$7,778	\$19,132	-\$16,704	\$16,393	-\$20,354	-\$3,040	\$52,325	-\$10,500
5017-Distribution Station Equipment - Operation Supplies and Expenses	\$81	\$5,107	-\$4,076	-\$532	\$809	-\$197	\$2,520	\$500
5020-Overhead Distribution Lines and Feeders - Operation Labour	\$336	-\$12,554	-\$3,387	\$2,456	-\$621	-\$3,836	\$921	\$31,000
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	-\$69	\$808	-\$852	-\$254	\$672	\$3,850	\$137	\$200
5035-Overhead Distribution Transformers- Operation	-\$1,163	-\$337	-\$1,713	\$4,075	\$863	\$4,031	\$1,973	\$500
5040-Underground Distribution Lines and Feeders - Operation Labour	-\$273	-\$2,599	\$0	\$0	\$7,557	-\$7,557	\$10,000	\$2,000
5055-Underground Distribution Transformers - Operation	-\$880	-\$984	\$8	\$4,286	-\$1,629	-\$2,666	\$0	\$0
5065-Meter Expense	-\$2,840	-\$5,297	\$3,993	\$11,387	\$3,628	\$6,722	\$2,632	\$1,000
5095-Overhead Distribution Lines and Feeders - Rental Paid	-\$24	\$773	\$427	\$42	\$42	\$42	\$91	\$100
Total - Operations	-\$21,771	\$12,587	-\$16,738	\$52,738	-\$2,572	\$5,483	\$71,103	\$14,523
Maintenance								
5105-Maintenance Supervision and Engineering	-\$5,754	\$0	\$0	\$0	\$0	-\$1,000	\$0	\$0
5120-Maintenance of Poles, Towers and Fixtures	-\$3,310	-\$4,687	-\$1,488	\$16,456	\$552	-\$9,332	\$1,633	\$500
5125-Maintenance of Overhead Conductors and Devices	-\$17,968	-\$1,700	-\$13,057	\$32,411	-\$1,064	-\$17,052	\$2,347	\$1,000
5130-Maintenance of Overhead Services	-\$5,194	-\$42,025	\$17,093	\$19,742	-\$25,571	\$801	\$194	\$500
5135-Overhead Distribution Lines and Feeders - Right of Way	-\$2,631	-\$27,569	\$80,946	-\$22,682	-\$5,150	\$50,389	-\$25,065	\$3,500
5145-Maintenance of Underground Conduit	-\$209	\$900	-\$991	\$0	\$0	\$287	\$13	\$0
5150-Maintenance of Underground Conductors and Devices	\$9,268	-\$10,945	\$11,510	-\$11,738	\$8,167	-\$1,458	\$293	\$500
5155-Maintenance of Underground Services	\$2,516	-\$917	-\$1,240	-\$964	\$236	\$4,272	-\$503	\$1,000
5160-Maintenance of Line Transformers	\$13,877	-\$10,907	\$20,459	-\$13,019	\$24,202	-\$19,512	\$2,248	\$1,000
5175-Maintenance of Meters	\$426	\$1,122	\$7,894	-\$9,301	-\$3,598	\$13,120	\$28	\$500
Total - Maintenance	-\$8,980	-\$96,726	\$121,127	\$10,905	-\$2,227	\$20,515	-\$18,811	\$8,500
Billing and Collecting								
5310-Meter Reading Expense	\$5,350	-\$7,051	\$5,606	-\$2,603	-\$637	-\$430	\$761	\$1,000
5315-Customer Billing	-\$37,516	\$3,486	\$6,090	\$28,944	\$1,058	\$106,796	-\$42,233	\$5,000
5320-Collecting	\$22,563	-\$10,626	-\$9,911	\$18,297	\$971	\$41,422	-\$10,910	\$5,010
5325-Collecting- Cash Over and Short	-\$11	-\$1	\$2	\$0	\$25	-\$25	\$0	\$0
5335-Bad Debt Expense	-\$41,439	\$52,308	-\$62,681	\$5,513	\$844	\$26,892	-\$3,502	\$1,000
Total - Billing and Collecting	-\$51,054	\$38,116	-\$60,894	\$50,151	\$2,260	\$174,654	-\$55,884	\$12,010
Administrative and General Expenses								
5605-Executive Salaries and Expenses	-\$838	\$22,097	\$9,746	\$5,035	\$5,389	\$10,700	\$4,051	\$5,500
5610-Management Salaries and Expenses	\$3,598	\$15,690	\$2,373	\$38,682	-\$16,934	\$3,137	\$2,404	\$3,250
5620-Office Supplies and Expenses	-\$1,662	\$241	-\$5,324	\$11,737	-\$7,989	\$7,868	\$2,986	\$3,000
5630-Outside Services Employed	-\$27,617	\$11,132	-\$6,027	-\$11,758	\$3,165	\$36,344	\$6,751	\$2,300
5635-Property Insurance	-\$45	\$213	\$162	\$783	\$360	-\$122	\$404	\$500
5640-Injuries and Damages	-\$2,261	-\$708	\$11	-\$378	\$351	\$4,712	\$376	\$375
5645-Employee Pensions and Benefits	\$9,497	\$6,523	-\$238	-\$358	\$65	-\$1,188	\$417	\$1,000
5655-Regulatory Expenses	\$75,789	-\$69,219	-\$10,783	-\$23,994	\$24,085	\$16,454	-\$1,597	\$32,913
5665-Miscellaneous General Expenses	\$314	\$300	\$400	\$200	\$0	\$900	\$0	\$500
5675-Maintenance of General Plant	\$391	\$2,825	\$1,015	-\$3,698	-\$135	\$13,016	-\$439	\$1,000
5680-Electrical Safety Authority Fees	-\$233	-\$512	-\$191	-\$102	\$246	-\$176	\$152	\$200
Total - Administrative and General Expenses	\$56,933	-\$11,419	-\$8,856	\$16,149	\$8,604	\$91,645	\$15,505	\$50,538
Total OM&A	-\$24,871	-\$57,441	\$34,639	\$129,942	\$6,065	\$292,297	\$11,913	\$85,571

The table above serves two purposes: it illustrates variance analysis as well as the utility's key cost drivers. Variances greater than the utility's chosen threshold of \$20,000 are highlighted, presenting the major cost drivers since 2018. By focusing on these significant differences, the table shows the important changes and pressures affecting the utility's operations. This approach also eliminates duplication of evidence and helps reduce the burden and review process.

OPERATIONS

5014-transformer station equipment – operation Labour

2022-2023: increase of **\$26,510**.

- **Explanation:** In 2023, Hydro Hawkesbury experienced a significant outage due to low pressure in the SF6 gas within a circuit switcher. The response involved both Sproule Powerlines and Siemens. During a four-day cold spell, Sproule Powerlines worked around the clock to maintain power by periodically refilling the equipment to prevent extended outages. Additionally, a tent was constructed around the circuit switcher, and heating was applied to maintain gas pressure above the tripping threshold. Siemens, the manufacturer, was engaged to investigate and identified a major leak in the pipe. They promptly addressed and resolved the issue. The total increase in costs associated with this incident was \$38,583.

5015-transformer station equipment - operation supplies and expenses

2020-2021: increase of **\$20,058**.

- **Explanation:** HHI experienced programming issues and reclosers on the 55F3 circuits. To address these issues, HHI hired an engineer to review and correct the protection settings, incurring a cost of \$12,000. Additionally, a gas smell analysis and the addition of SF6 protection gas for the circuit switcher cost \$7,042.25. Eptcon conducted a comprehensive review of all settings and feeder protection and refilled the SF6 gas in the circuit switcher at the 115kV substation, at a cost of \$19,045.

5016-distribution station equipment - operation labour

2023-2024: increase of **\$52,325**.

- **Explanation:** HHI has scheduled maintenance and testing for the 44kV substation to ensure reliability. As of 2022, HHI has Hydro Ottawa conduct the annual maintenance and testing of the substation and transformers.
- In 2024, Hydro Ottawa will conduct a comprehensive inspection and testing of three out of HHI's four station transformers (with 55F3 having been completed in previous years).
- For Account 5016 there is an increase of \$55,850 over 2023, as only \$2,650 was accounted for in 2023. This increase covers the testing and maintenance of two transformers at the 44kV station scheduled for 2024.

5020-Overhead Distribution Lines and Feeders - Operation Labour

2024-2025: increase of **\$31,000**.

- Explanation: HHI plans to conduct a load flow study to evaluate the current situation and potential future load growth should it occur, adding \$31,000 to the 2024 estimate.

MAINTENANCE

5125-maintenance of overhead conductors and devices:

2020-2021: increase of **\$32,411**.

- Explanation: Maintenance activities on Cecile Blvd lines and feeders totaled \$11,150, including work on bus wires, connections, and animal control measures on both bus and customer service masts during tree trimming activities, accounted for in Account 5135. Additionally, amp surveys at critical points in town were conducted to gather information on switching possibilities, costing \$1,680. On Spence Street, maintenance of cross arms and hardware amounted to \$8,850. For the hospital circuit (primary feeder), maintenance of cross arms and insulators cost \$4,178. High winds in December caused arc flashes and outages, resulting in \$3,200 in repairs. There were more trouble-calls than in 2020, including issues with burning connections on the secondary side of the 115 kV substation, costing \$1,705, and a dropped 55F2 feeder at the corner of Chenail Blvd and John at switch 42, costing \$1,745. The transformer bank was identified as the cause of these issues.

5135-overhead distribution lines and feeders - right of way:

2019-2020: increase of **\$80,946**.

- Explanation: On July 10, 2020, a severe tornado struck Hawkesbury, necessitating extensive clearing of vegetation and power lines to restore power. Following the storm, additional tree trimming and clearing were required to secure the overhead lines, resulting in a total cost of \$86,464.

2022-2023: increase of **\$50,389**.

- Explanation: This adjustment includes the removal of two large dead trees from customer's backyards, which necessitated the use of cranes due to restricted access. Additionally, the budget accounts for extra costs associated with older areas in town that have backyard overhead facilities.

5160-maintenance of line transformers:

2019-2020: increase of **\$20,459**.

- Explanation: A year-end adjustment of \$8,637 contributed to the variance. Trouble call expenses were \$11,190.50 higher than in 2019. This increase includes \$1,416 more due to animal contact, \$5,622 related to the mini tornado, and \$1,843 for upgrading an existing transformer from 50KVA to 75KVA. The remaining \$2,300 was primarily due to open cut-out calls during both regular and after-hours periods.

2021-2022: increase of **\$24,202**.

- Explanation: A total of \$2,256 was spent on checking the underground loop and inspecting radial installations, including maintenance on switches, bushings, and arrestors. Specific expenditures include \$3,650.25 for Sidney and Stevens, \$4,054 for Berthiaume, and \$4,539 for Belle Rives. Additionally, a year-end adjustment amounted to \$14,345.

BILLING AND COLLECTING

5315-customer billing:

2020-2021 increase of **\$28,944**.

- Explanation: The departure of HHI's billing clerk in October 2021 resulted in a salary and burden variance of \$6,411. Additional variances included \$1,200 for Erth's annual maintenance, \$1,275 for Erth's monthly fee, and \$12,000 for Erth's invoicing service, which was affected by the departure of HHI's billing clerk. An increase in Canadian business forms, which impacted invoices, reminders, and disconnect supplies, led to a \$10,345 increase. Additionally, there was a \$10,000 variance associated with the Silverblaze implementation procedure.

2022-2023 increase of **\$106,796**.

- Explanation: In 2023, the salary and burden variance amounted to \$41,450. This variance occurred because ERTH handled billing tasks during times where there was instability in HHI's billing staffing

Additional variances included \$2,500 for ERTH annual maintenance and \$2,900 for ERTH monthly fees. ERTH's billing and training services led to a variance of \$11,750, as ERTH and HHI's new billing clerk worked in parallel throughout the year.

Billing supplies, including bills, notices, and envelopes, experienced a 100% increase due to COVID-19, coupled with significant delivery issues. To ensure we had adequate supplies, we stocked more than usual, resulting in a \$21,000 variance.

The Harris computer system variance of \$8,500 covered programming and rate adjustments for the ULO, as well as ongoing Silverblaze implementation. Lastly, ERTH's implementation and testing of the 6.6.19 CIS software version before going live incurred a variance of \$14,450.

5320-collecting:

2018BA to 2018 increase of **\$22,563**.

- Explanation: HHI underestimated collections charges in 2018 due to significant staffing changes. The loss of staff members, who were previously involved in collection and reconnection activities, necessitated the hiring of contractors to perform tasks previously handled by staff. This resulted in a variance of \$10,950. Additionally, HHI underestimated salary and burden costs, particularly the burden, leading to a variance of \$10,525.

2022-2023 increase of **\$41,422**.

- Explanation: In 2021, HHI's billing clerk went on maternity leave, prompting the hire of a CSR to cover the billing clerk's previous customer support responsibilities. As a result, a portion of the CSR's compensation was designated for "collecting" tasks. During this time, ERTH took over the billing functions, which cost \$16,400.

The remaining difference was ascribed to increased efforts to collect outstanding accounts, a response to the additional hurdles provided by COVID-19, and the lifting of the winter collection restriction in May. These factors influenced the total variance by needing more resources and efforts to maintain and reclaim overdue accounts.

5335-bad debt expense:

2018-2019 **\$52,308**.

- Explanation: HHI observed a significant rise in business bankruptcies, which had a substantial financial impact. The most notable case was Bentley, which accounted for the largest portion of this increase, resulting in a substantial loss of \$42,000.

2022-2023 increase of **\$26,892**

- Explanation: HHI once again, observed a significant rise in business bankruptcies, which had a substantial financial impact.

ADMINISTRATIVE AND GENERAL EXPENSES

5605-executive salaries and expenses:

2018-2019: increase of **\$22,097**.

- **Explanation:** Prior to 2018, the payroll burden was not allocated to Accounts 5605 and 5610. However, beginning in 2019, HHI's accounting firm implemented a change in accounting practices, incorporating payroll burdens into these accounts. This adjustment resulted in an impact of \$18,986.12.

Additionally, other increases are attributed to regular inflationary adjustments, reflecting the broader economic trend of rising costs.

5610-management salaries and expenses:

2020-2021 increase of **\$38,682**

- **Explanation:** HHI's Board of Directors approved a salary adjustment to enhance employee retention and ensure competitive compensation. This adjustment was set to be implemented over the following three years, reflecting the organization's commitment to maintaining a motivated and stable workforce.

Additionally, a year-end adjustment for employee benefits contributed \$20,747 to the overall variance. This adjustment addresses discrepancies and ensures that benefits costs are accurately aligned with the revised compensation structure and employee needs.

5630-Outside services:

2022-2023 increase of **\$36,344**

Explanation: HHI hired a third-party auditor to evaluate MNP's fixed asset continuity schedules and depreciation calculations, as well as the 1588/1589 process and calculations, in light of the postponed DVA balances and in preparation for the upcoming Cost of Service. The cost for this comprehensive review along with MNP's year-end financial audit amounted to \$31,200.

Additionally, UCPR, which hosts HHI's servers and provides all IT services, increased its fees by \$4,300. This adjustment reflects the rising costs associated with maintaining and supporting HHI's IT infrastructure.

5655-regulatory expenses:

2018BA-2018 increase of **\$75,789**.

- **Explanation:** Regulatory costs were not accurately accounted for and were incorrectly recorded under Account 5655 as they occurred.

- Moreover, there were \$27,000 in third-party engineering costs incurred from Stantec. These costs were related to asset assessment work mandated by the OEB in HHI's 2018 Decision and Order. Detailed estimates and actual costs for the study are documented in Exhibit 2.

2021-2022 increase of **\$24,085**.

- Explanation: Expenses related to cybersecurity amounted to \$2,600. These costs were incurred to enhance and maintain robust security measures, ensuring the protection of HHI's digital infrastructure against potential threats and vulnerabilities.

MNP incurred costs totaling \$17,447 for services associated with the disposal of deferral and variance accounts during the IRM period. This expenditure covered the professional fees required to investigate proper management and resolution of these financial accounts.

There has been an additional increase in fees from the OEB, amounting to \$4,394. Various monthly costs from the OEB have a variance of \$3,675. Cybersecurity expenses show a variance of \$2,140. IRM third-party costs have a variance of \$2,250. Costs related to North American Energy's Green Button initiative have a variance of \$330. Lastly,

4.2.6 One-Time Costs and Regulatory Costs

One-Time Costs

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

4.2.7 Bad Debts

HHI confirms that its bad debt is calculated per IFRS and the OEB's previously accepted methodology, where it records its bad debts as an allowance for doubtful accounts.

4.2.8 Regulatory Costs

One-time Costs

HHI's Regulatory Costs consist of two primary elements. The first category of expenses pertains to the expenditures associated with filing the current application, which includes accounting and legal expenses. The second component includes on-going regulatory costs.

The specific costs associated with the Cost-of-Service application include legal expenses for reviewing the application, examining the IRs, and participating in a settlement conference. Additional expenses encompass payments for external accounting services to input data into the PILs model and assess the balances in the deferral and variance accounts. HHI confirms that it has not expended any funds to create the utility's DSP, as the entire development process was carried out internally.

Due to past experiences with Cost-of-Service applications, the utility did not allocate any funds for a potential oral hearing. If an oral hearing becomes necessary, the costs related to it will need to be estimated and included in HHI's claimed regulatory costs for the Cost-of-Service application. The regulatory charges mentioned below are recorded and monitored in account 5655, specifically designated for regulatory expenses. The expenses directly related to the Cost-of-Service application are spread out over a period of five years (2018-2023) through amortization.

Table 15 – Regulatory Costs (App 2-M)

Regulatory Costs (One-Time)		Last Rebasings (2018 OEB Approved)	Last Rebasings (2018 Actual)	Sum Of Historical Years (2019-2023)	2024 Bridge Year	2025 Test Year
		(A)	(B)	(C)	(D)	(E)
1	Expert Witness costs	30,000				35,000
2	Legal costs	20,000				30,000
3	Consultants' costs	129,600				
4	Intervenor costs	40,000				50,000
5	OEB Section 30 Costs (application-related)	0				
6	Incremental operating expenses	1,500				
7	MNP Accounting					5,000
8	BT expertise					5,000
Sub-total - One-time Costs		\$221,100				\$125,000
Application-Related One-Time Costs		Total (F =C+D+E)				
Total One-Time Costs Related to Application to be Amortized over IRM Period		\$125,000				
1/5 of Total One-Time Costs		\$25,000				

On going Costs

Regarding ongoing expenses, Hydro Hawkesbury Inc. (HHI) incurs annual costs associated with several key service providers. These include OEB Assessment Costs predicted to be 34,341, EARTH Corporation, Green Button, Solv, MNP, and the Utility Standards Forum (USF), which together are projected to cost \$42,084 annually by 2025. Additionally, HHI anticipates an annual expenditure of \$36,750 for services provided by Tandem Energy. On going costs are predicted to be \$113,174 in 2025 up by \$58,827 from 2018 Board Approved.

4.2.9 Charitable Donations and Disallowed Expenses

Charitable Donations

HHI confirms that no charitable or political donations other than LEAP are included in its OM&A Costs

4.2.10 Leap and CDM Costs

HHI has included \$2,000 for the Low-Income Assistance Program (LEAP) under Deductions Donation Expense-LEAP (USoA #6205). This amount is based on the Board's determination that the greater amount of 0.12% of a distributor's Board-approved distribution revenue requirement or \$2,000 should be included in the utility's costs.

HHI has partnered with United Way- Centraide / Prescott Russell to assist in a program intended to provide emergency relief to eligible low-income customers who may be having trouble paying current arrears to be HHI's lead agency.

The United Way of Prescott-Russell will pre-screen customers to see if they meet the household low-income criteria, and other eligibility requirements, including if the customer is in threat of disconnection for non-payment.

In compliance with OEB policy, HHI:

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 United Way- Centraide.
3. Allows United Way- Centraide to determine funding allocations within their service territory by geography.
4. Receives a monthly report from the United Way- Centraide agency showing the disbursements and balance of the LEAP funds remaining.
5. Leaves the assessment of eligibility of HHI customers and records to United Way-Centraide
6. Confirms customer and account information used in determining program eligibility, including information on payment history and arrears owing; and

Reports to the OEB in accordance with OEB reporting requirements through filings 2.1.16 which are presented in the table below.

Table 16 – LEAP Contributions (RRR)

	2018	2019	2020	2021	2022	2023
Applicants	4	6	4	7	6	
Agency Fee	260.87	261.00	260.87	699.52	260.87	260.87
Avg Grant to Cust	434.78	289.83	434.78	439.49	554.37	1739.13
Total	1739.13	1739.13	1739.13	3076.41	3326.2	2000

The utility is aware of the letter and guidance issued on July 14, 2021, “*July 2021 Cost Assessment Invoice and Temporary Changes to the Screening Guidelines for the Low-income Energy Assistance Program – Emergency Financial Assistance*”.

In the letter, the OEB states that; In light of the COVID-19 pandemic, the OEB has decided this year that it is in the public interest to use a portion of those funds to offset the July and October 2021 cost assessment invoice amounts for Distributors. The amount being offset by the OEB’s administrative monetary penalty funds will be provided as a separate line item on each Distributor’s July 2021 cost assessment invoice. It’s the OEB’s expectation that utilities will each promptly supplement their LEAP EFA budget for 2021 by the same amount to assist consumers that are most in need.

The LEAP allocation for 2021 was adjusted accordingly.

HHI confirms that its OM&A does not include costs directly attributable to CDM programs [nor does it include costs related to staff supporting IESO programs funded under the 2021-2024 CDM Framework](#).

4.2.11 Procurement Policy

[Although HHI does not have a written procurement policy, it attests that its practice has not changed since its last two Cost of Services \(2018\). HHI notes that it does not have affiliates therefore all procurement services are non-affiliate related.](#)

HHI purchases equipment, materials, and services cost-effectively with full consideration given to price and product quality, the ability to deliver on time, reliability, compliance with engineering specifications, and quality of service. Vendors are screened to ensure knowledge, reputation, and the capability to meet HHI’s needs. The procurement of goods or services for HHI is carried out with ethical standards and consideration to the public nature of the expenditures.

Purchase Authorization: The General Manager, with the input of the Board of Directors, approves all purchases of goods or services.

Tendering: When goods or services are tendered, a Tender/Request for Proposal/Request for Quote will be issued to a minimum of two vendors, if available. Once again, the General Manager, along with the board members' input, shall authorize the acceptance of all external costs and contracts.

Although tendering processes provide essential information to potential suppliers and ensure a fair chance for businesses, the tendering process is not always possible in small towns where there is a limited supply of skilled services that can support utilities. The utility does not have a written procurement policy per se, however as described above, the General Manager, with the input of board members, approves all purchases of goods or services.

Certain services are acquired that fall outside of the procurement policy. For example, Hydro One, Tandem Energy Services Inc. SFIEO, Ottawa River Power, and Add Hydro Ottawa, Sproule Powerline Const. Ltd have a long-standing relationship with the utility as well as consistent yearly transactions. These specific suppliers offer services that are not commonly found in the service area or general surrounding area or offer efficiencies due to their intimate knowledge of HHI's distribution system (i.e., Sproule Powerline Construction Ltd). These vendors are evaluated on a regular basis to establish the value they bring to the utility as well as the cost benefit of continuing with their services. HHI submits that it is evident from the reduction in costs and rates that HHI 's methodology and constant evaluation is working and in favor of all stakeholders, especially its customers.

4.3. WORKFORCE PLANNING

4.3.1 Compensation

HHI operates with 5 full-time employees. A General Manager, an accountant, 2 CSR's and a Billing Clerk.

Compensation – Non-Union and Union

Two management employees of the utility are non-union employees. The two CSR and Billing clerk are unionized under CUPE. Although the compensation levels are reviewed by the general manager and the Board of Directors, the increase in total compensation paid to unionized employees is attributable to the Union contract in force.

Pension and Benefits

HHI and its employees participate in the OMERS retirement plan.

Table 17 below shows employee compensation from 2018 to 2025. In accordance with Board policy which states that: "Where there are three, or fewer, full-time equivalents (FTEs) in any category, HHI may aggregate this category with the category to which it is most closely related. This higher level of aggregation may be continued, if required, to ensure that no category contains three, or fewer, FTEs", the Applicant has aggregated information relating to its 3 full time employees in the FTE class. The number of employees is based on the compensation of the number of full-time equivalent (FTE) positions throughout each of the fiscal years.

A detailed list of benefit program costs is presented in Table 18.

Table 17 – Summary of Benefits Costs

	2018	2019	2020	2021	2022	2023	2024	2025
OMERS	\$33,700.93	\$27,242.61	\$24,950.23	\$31,174.87	\$30,596.56	\$36,585.87	\$35,100.00	\$35,100.00
MEARIE	\$55,707.19	\$56,377.24	\$53,156.75	\$54,216.19	\$61,583.93	\$61,712.74	\$62,400.00	\$62,400.00
WSIB	\$4,422.20	\$3,324.96	\$2,732.47	\$3,241.04	\$2,869.44	\$3,658.12	\$3,660.00	\$3,660.00
Management (Including executive)	\$18,892.88	\$19,245.82	\$20,050.80	\$21,469.39	\$21,906.44	\$23,698.93	\$24,208.85	\$24,208.85
Non-Management (Union and non-union)	\$74,937.44	\$67,698.99	\$60,788.65	\$67,162.71	\$73,143.49	\$78,257.80	\$76,951.15	\$76,951.15

Staffing and Compensation Strategy

HHI does not employ specific benchmarking studies to determine salary ranges. However, the utility and its Board are aware of salary ranges in neighboring utilities and use these as guidelines for setting salaries for non-unionized employees. Unionized employees' salaries are determined according to the Canadian Union of Public Employees (CUPE) contract, which is negotiated every five years. Salaries for non-unionized employees are decided by the Board with annual comparisons to neighboring utilities and adjustments based on the cost-of-living inflation.

HHI confirms that its staffing and compensation strategy has largely remained consistent since the last Cost of Service reviews in 2012 and 2018.

Recognizing the challenges of finding qualified staff in smaller rural areas, HHI, similar to other smaller utilities, prioritizes investing in the retention and training of its existing employees. This approach mitigates risks associated with hiring new staff, as the employer is already familiar with the employees' work process. Additionally, the learning curve is reduced because existing employees have a solid understanding of the utility and energy sector. Employees LDCs possess specialized skills critical to their operations. These niche skills include a deep understanding of LDC-specific regulations, technical knowledge of distribution systems, billing specifics, and compliance with Ontario Energy Board (OEB) accounting rules and guidelines. Collectively, these skills contribute to the effective management and operation of regulated utilities, ensuring regulatory compliance, reliable service delivery, and adaptability to evolving industry demands.

HHI's management and Board of Directors will be developing a formal succession plan in preparation for the General Manager's retirement within the next 2 to 3 years.

The reported salaries and wages include all compensation elements such as vacations, float holidays, sick leave, bereavement leave, union meetings, and other miscellaneous paid leave. Benefit amounts encompass the employer's contributions to statutory benefits (CPP and EI), Employer Health Tax (EHT), Workplace Safety and Insurance Board (WSIB), Ontario Municipal Employees Retirement System (OMERS), as well as extended health care, dental, long-term disability, life insurance, and the Employee Assistance Program (EAP). HHI does not offer Ontario

Post-Employment Benefits and does not have an Actuarial Report; therefore, Appendix 2-KA is not applicable.

Employee Staffing Levels:

Staffing levels have not changed significantly since HHI's last Cost of Service Application. The only change in staffing levels has been during transition periods for retirement replacements or succession planning purposes. There are no anticipated staffing increases for the 2025 Test Year.

The costs included in account 5605 are Board of Director and General Manager's costs and the General Manager's salary.

Account 5610 includes the accountant's salary, district meeting, and seminars.

Table 18 – Employee Costs (Appendix 2-K)

Employee Costs including burdens	Board Approved	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected
	2018	2018	2019	2020	2021	2022	2023	2024	2025
Number of Employees (FTEs including Part-Time)¹									
Management (including executive)	-	2	2	2	2	2	2	2	2
Non-Management (union and non-union)	7	5	3	3	3	3	4	3	3
Total	7	7	5	5	5	5	6	5	5
Total Salary and Wages including overtime and incentive pay									
Management and Non-Management	\$426,516	\$332,648.02	\$313,653.08	\$296,090.40	\$359,878.68	\$342,666.16	\$422,870.37	\$422,684.92	\$439,000.00
Total	\$0.00	\$332,648.02	\$313,653.08	\$296,090.40	\$359,878.68	\$342,666.16	\$422,870.37	\$422,684.92	\$439,000.00
Total Benefits (Current + Accrued)									
Management and Non-Management	\$2,169	\$74,051.26	\$60,660.59	\$54,775.25	\$62,925.42	\$69,578.85	\$80,523.77	\$87,843.92	\$90,500.00
Total	\$0.00	\$74,051.26	\$60,660.59	\$54,775.25	\$62,925.42	\$69,578.85	\$80,523.77	\$87,843.92	\$90,500.00
Total Compensation (Salary, Wages, & Benefits)									
Management and Non-Management	\$0.00	\$406,699.28	\$374,313.67	\$350,865.65	\$422,804.10	\$412,245.01	\$503,394.14	\$510,528.84	\$529,500.00
Total	\$428,685	\$406,699.28	\$374,313.67	\$350,865.65	\$422,804.10	\$412,245.01	\$503,394.14	\$510,528.84	\$529,500.00

Table 19 – Other Employee Costs (Appendix 2-K)

	2018	2019	2020	2021	2022	2023	2024	2025
(Vacation)	61,600.03	28,493.80	27,583.08	24,596.20	35,912.49	36,912.66	37,000.00	38,000.00
(Holidays)	22,292.20	19,000.39	15,196.24	16,549.69	16,366.64	23,404.83	20,000.00	21,000.00
(Sick leaves)	15,970.55	17,716.07	7,264.70	17,087.74	19,872.44	16,952.05	17,000.00	18,000.00
Without Burdens	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected
	2018	2019	2020	2021	2022	2023	2024	2025
(Vacation)	46,666.69	21,586.21	20,896.27	18,633.48	27,206.43	27,964.14	28,030.30	28,787.88
(Holidays)	16,888.03	14,394.23	11,512.30	12,537.64	12,398.97	17,730.93	15,151.52	15,909.09
(Sick leaves)	12,098.90	13,421.27	5,503.56	12,945.26	15,054.88	12,842.46	12,878.79	13,636.36

4.3.2 Succession Planning

In anticipation of the current general manager’s retirement planned for 2025 or 2026, HHI will develop a Succession Plan to start the process finding a successor.

HHI understands that the succession planning is crucial for ensuring the continuity and sustainability this utility. The following steps are intended to guide the utility in updating and implementing its succession plan.

- 1. Identify Key Positions and Skills:**

- Determine which roles are critical for the utility's operation and long-term success.
- Identify the skills and knowledge required for these positions, including technical, managerial, and regulatory competencies.
- 2. **Assess Current Workforce:**
 - Evaluate the current employees to identify potential successors for key positions.
 - Assess their skills, experience, and readiness for advancement.
- 3. **Develop Talent and Skills:**
 - Implement training and development programs to prepare potential successors.
 - Encourage job shadowing, mentorship, and cross-training to build a versatile workforce.
- 4. **Create a Development Program:**
 - Include opportunities for education, workshops, and leadership roles in projects.
- 5. **Document Processes and Knowledge:**
 - Ensure that critical processes, procedures, and institutional knowledge are documented.
 - Create a repository of this information to facilitate smooth transitions.
- 6. **Engage and Retain Employees:**
 - Foster a positive work environment to retain talented employees.
 - Offer competitive compensation, benefits, and opportunities for career growth.
- 7. **Regularly Review and Update the Plan:**
 - Periodically review and update the succession plan to reflect changes in the organization and the industry.
 - Ensure that the plan remains aligned with the utility's strategic goals.
- 8. **Emergency Succession Planning:**
 - Develop contingency plans for unexpected departures of key personnel.
 - Identify interim solutions to maintain operations during transitions.
- 9. **Involve External Advisors if Necessary:**
 - Seek guidance from external experts or consultants to ensure a robust succession plan.
 - Leverage their experience and insights to address any gaps in the plan.

Specific Considerations for a regulated utility:

- **Technical Expertise:** Ensure successors have or can develop specialized knowledge in hydroelectric power generation, including maintenance and regulatory compliance.
- **Community Relationships:** Maintain strong ties with the local community and stakeholders, as these relationships are often crucial for small rural operations.
- **Regulatory Compliance:** Ensure that potential successors understand and can navigate the regulatory landscape specific to hydroelectric power.
- **Infrastructure Challenges:** Address the unique infrastructure challenges of rural operations, such as access to resources and logistics.

APPENDICES

List of Appendices
