



- CONFIDENTIAL -

ERTH Power New Facility Business Plan

Prepared for ERTH Power
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Executive Summary (NTD: Completed prior to final draft submission)

Utilis introduction, and summary of findings outlined in its report.

Background & Context

Organizational Overview

ERTH CORP

ERTH Corporation ("ERTH CORP") is the municipally-owned parent company for the ERTH Group of Companies. ERTH CORP's vision is to work cooperatively as a trusted, quality service and solutions provider; creating value for all stakeholders. ERTH CORP's mission is to be a community partner, committed to delivering safe and reliable electricity while providing innovative and high-quality services and solutions to its customers. ERTH CORP's corporate values reflect the culture which drives the organization forward; safety first, customer focus, excellence, innovation, sustainability and committed.

ERTH CORP's core asset is ERTH Power Corporation ("ERTH Power"), a regulated local distribution company distributing electricity to 15 communities in southwestern Ontario. ERTH CORP also owns and controls a group of competitive entities that provide a variety of solutions to customers in the utility, municipal, commercial, and industrial sectors across North America. ERTH CORP's competitive business units include ERTH CORP Infrastructure Services and J-Mar Line Maintenance (electrical contracting, traffic and street lighting, high/medium voltage substation commissioning, construction and maintenance services, power line construction and maintenance and electric metering services), ERTH CORP Business Solutions (customer information systems hosting and data management, billing solutions, bill print & stuff, project management and job costing software), and ERTH CORP Business Technologies (retailer billing management services, transaction hub and spoke services for electricity and gas markets).

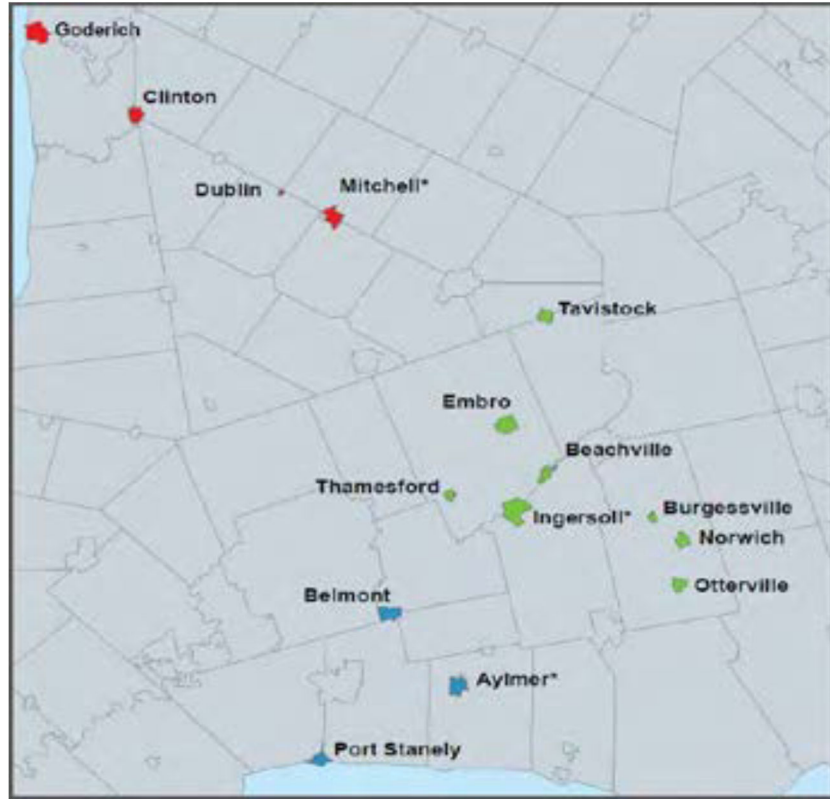
ERTH Power

ERTH Power is a regulated electricity distributor delivering electricity to 15 communities spread across four counties in southwestern Ontario. It provides safe and reliable electricity, while focusing on customer needs and energy affordability. ERTH Power strives to provide added benefits and value to its stakeholders by embracing innovation, technology, and community engagement in a way that improves the customer experience and ensures the future sustainability of its business and the communities that it serves.

ERTH Power's service territory stretches over 220 km from Port Stanley to the South on the shores of Lake Erie, to its northernmost community Goderich, on the shores of Lake Huron, in addition to serving the communities of Aylmer, Belmont, Ingersoll, Thamesford, Embro, Tavistock, Beachville, Norwich, Otterville, Burgessville, Port Stanley, Mitchell, Dublin, and Clinton. In these communities, ERTH Power's diverse customer base ranges from residential and small business customers to large commercial and industrial users, including Compass Mineral's Sifto Salt Mine in Goderich, Integrated Grain Processors Cooperative (IGPC) in Aylmer, and General Motor's CAMI Automotive Assembly Plant in Ingersoll. ERTH

Power is typically a summer electricity load peaking utility at approximately 100 MW over the 2021-2022 period.

Figure 1: ERTH Power Service Territory Map



When formed in 2000 via the amalgamation of seven municipal utilities, ERTH Power serviced 14,000 customers and 290 km of distribution power lines across 11 communities. Through a combination of organic growth in these communities over 20 years, as well as three mergers with neighbouring utilities in 2010 and 2019, ERTH Power now serves approximately 32,819 customers across all Rate Classes and 453 km of distribution power lines across 15 communities.

ERTH Power has a contract with ERTH CORP for management services and rental of facilities. ERTH Power's operations centre and head office is located at 143 Bell Street, Ingersoll ON (the "Bell St. Property"). This location has served as ERTH Power's main operations centre since its formation in 2000. Prior to that date, the Bell St. Property serviced Ingersoll PUC's 4,400 electric and water customers within the Town of Ingersoll for over 50 years. ERTH Power transitioned from a virtual utility model from 2008–2012.

Facilities Overview

As noted above ERTH Power, currently rents its facilities from ERTH CORP; including the Bell St. property, and a satellite operations centre located on Elm St. in Aylmer, Ontario. The following sections details the characteristics and ERTH Power's usage of each of these facilities:

Bell St. Property

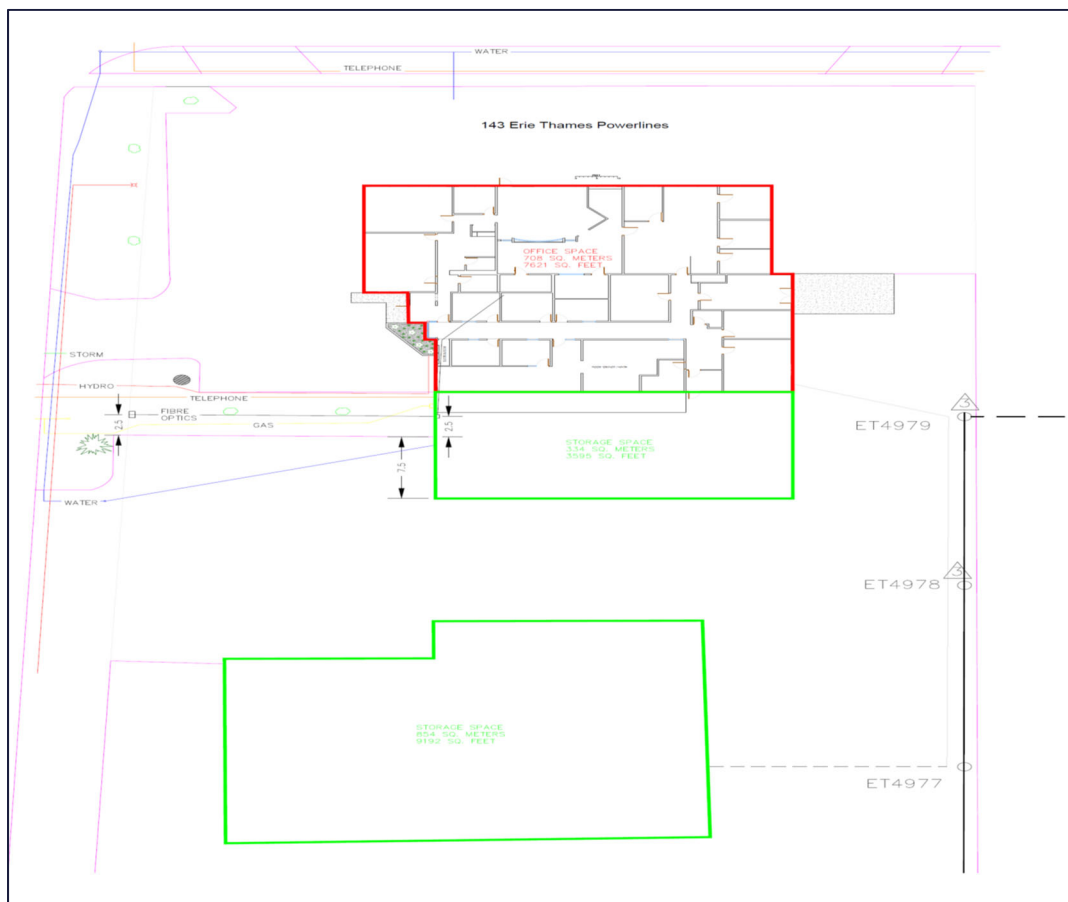
The Bell St Property sits on approximately 1.8 acres of commercially zoned land located in a primarily residential neighbourhood of Ingersoll. It is a multi-purpose facility and is the headquarters for ERTH Power. The facility is multi-purpose, with the following uses:

- ERTH Power headquarters, with requisite administrative office facilities;
- In-person customer service desk;
- an operations and service centre housing 4 heavy and 10 light fleet vehicles;
- garage and maintenance services for all of ERTH Power's fleet vehicles; and,
- ERTH Power's primary facility for indoor and outdoor inventory storage.

Currently, 32 Full Time Equivalent (FTE) ERTH Power staff operate out of this facility.

Figure 1 below is an engineering drawing of the Bell St. property footprint. The property has an office facility of approximately 7621 ft² in area, an operations space of 3595 ft², and a mixed operations and storage space of 9192 ft².

Figure 2: Bell St. Engineering Drawing

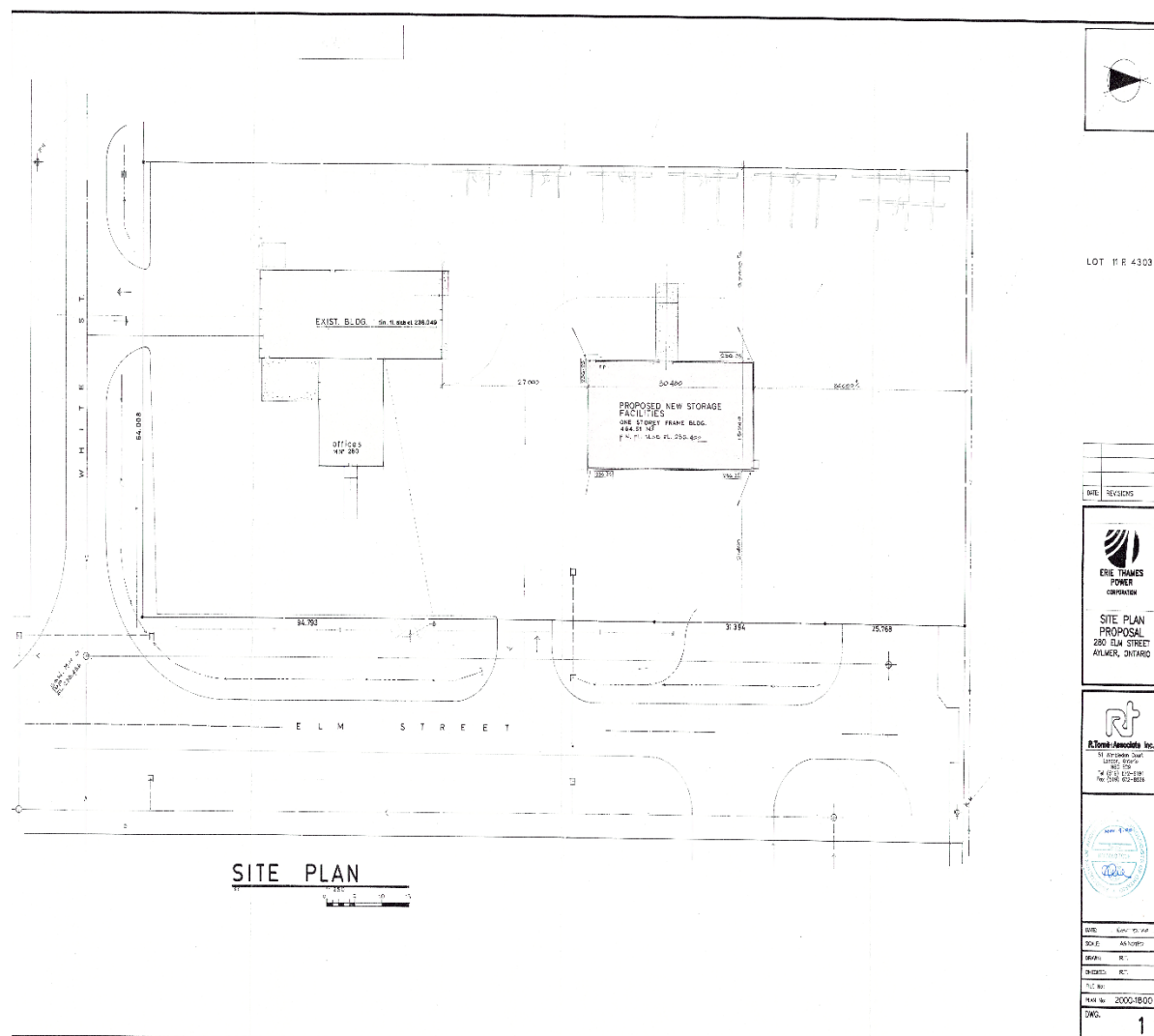


Additional characteristics about the Bell St. Property and its challenges are described further in this report.

Elm St., Aylmer Property

The Elm St. property in Aylmer Ontario (Aylmer Property) is located approximately 32 Km from the Bell St. Property, and sits on approximately 2.4 acres. It serves as a satellite operations centre for four staff, 3 heavy fleet, 3 light fleet, an operations centre, administrative offices and equipment storage. Figure 2 below is an engineering diagram of the Aylmer Property:

Figure 3: Aylmer Engineering Diagram



Challenges and Requirements

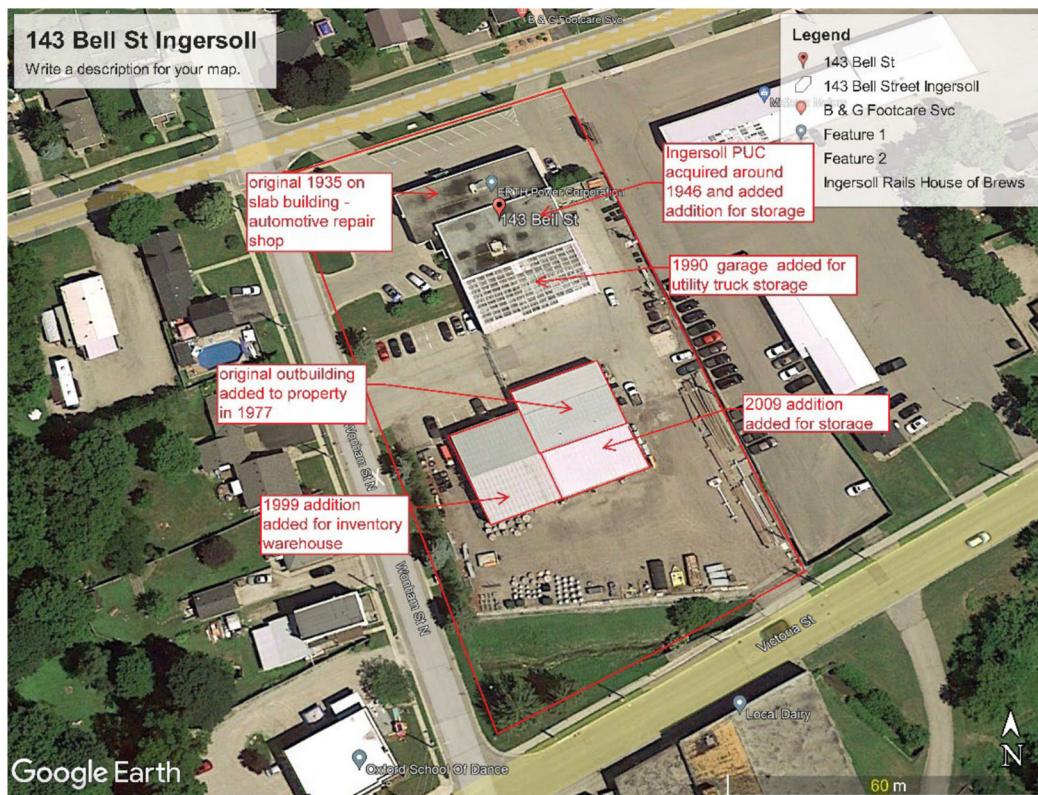
Bell St. Property Challenges

The primary challenge with the Bell St Property is one of available space, with the customer base and serviced distribution line of the utility having approximately doubled since the creation of ERTH Power in 2000. Having worked within this constrained space during a high-growth twenty year period, there is no longer any opportunity for ERTH Power to optimize or expand its operations centre, or fully repatriating its staff into one building at the Bell St Property.

To maximize use of the property over past decades and meet the basic needs of its current staffing complement, the Bell St. Property has undergone a number of additions and modifications to the original building dating back to 1935. The multiple expansions and modifications over the property's 87-year life have resulted in mounting issues, such as highly constrained space for heavy fleet maneuvering and multiple electric service entrances.

With respect to geography, the 1.8-acre site has a natural slope from north to south, and the southern edge of the Bell St. Property sits on a natural flood plain (approx. 0.3 of the 1.8 acres) which limits any ability for expansion into the remaining open space. This sloping presents the risk of contamination of a natural waterway in the event an environmental spill were to occur.

Figure 4: Bell St Property Aerial View & Chronology of Modifications



Relative to ERTH Power's requirements, the Bell St. Property has reached the end of its useful life given the building age and condition, as well as significant indoor and outdoor space limitations. While the Bell St. Property has numerous shortfalls relative to requirements, as outlined below, principally ERTH Power requires larger and more purpose-built facilities and property for operations and storage to improve the safety and effectiveness of its core workload. The full list of needs driving ERTH Power to seek relocation from the Bell St. Property is summarized below:

- **Fleet Maintenance:** ERTH Power fleet operations and staging are split across two separate facilities, neither of which is optimally designed or sized for ERTH Power's current operational requirements. As a result, tasks and materials are unnecessarily reduced in efficiency, and many routine fleet maintenance activities must be completed outdoors.
- **Fleet Maneuverability:** The proportion and location of the building envelopes on the property significantly hinder ERTH Power's heavy fleet vehicles' ability to complete basic maneuvers into, out of, and around the property. This creates reduced overall efficiency and effectiveness of basic operations, including emergency operations, and places extraordinary wear-and-tear on tarmac surfaces due to heavy-vehicle, multi-point turns. Finally, the constrained space creates extreme challenges for large-truck, third party deliveries of supplies and materials to the facility, which further hinders ERTH Power's fleet and outdoor storage during delivery.
- **Outdoor Storage:** The Bell St. Property has extremely limited space for outdoor storage of large distribution components such as poles and transformers, resulting in sub-optimal organization and access of these materials with impacts on efficiency. Any attempt to increase outdoor storage would subtract from space available for fleet maneuverability, which is already below basic requirements.
- **Safety:** One implication of the current outdoor space configuration is an increased risk to safety. Building configuration creates multi blind spots between vehicles and pedestrians within the constrained yard, and the required storage conditions for poles recently led to a near-miss safety incident.
- **Multiple Electrical Service Connections:** Current distribution connection configuration renders ERTH Power unable to electrify its fleet as the energy transition advances, and the cost to reconfigure and consolidate these connections would be costly.
- **Upcoming Maintenance & Investments:** The existing main building and outbuildings will require roof repairs within the next 5-10 years, while some of the Bell St. Property HVAC units are scheduled to be replaced within the next 5 years.
- **Control Room:** Due to the fragmented and largely structural nature of the building, the current control room lacks physical security and separation from the general office space of the building, inconsistent with utility best practice. Further, the current configuration does not have an optimal or readily available War Room adjacent to the control room to facilitate improved emergency response and coordination.

- **Server Room:** The server room currently lacks adequate temperature control and fire suppression relative to best practice.
- **Office Staff Requirements:** Interior office space is restricted for growth, and its fragmented layout limits the ability for staff collaboration and overall efficiency. Lacking any available outdoor space to spare, there is no green space for staff or opportunity to create such. As the labour market is anticipated to remain tight through most or all of the 2020's, the environment provided at Bell St. no longer meets basic office employee expectations relative to competitors. In addition, employee parking is near full capacity, with no opportunities for expansion.
- **Field Staff Requirements:** Field staff locker rooms, lunchroom and washrooms are inadequate and uninviting for a growing work force. ERTH Power has made best efforts to improve these facilities, however the physical and structural layout of the building provides limited cost-effective opportunities to significantly improve workplace conditions for field staff, including the persistent need for pest control.
- **Training:** The Bell St. Property does not have a room capable of facilitating full staff training events to maintain the working knowledge and effectiveness of both office and field staff. For mid-to-large training sessions, the truck bays must be cleared to provide a make-shift training space for staff. For full-sized training, third-party accommodations must be arranged.

Aylmer Property Challenges

The challenges associated with the Aylmer Property are largely limited to staffing and human resource issues, and the cost of operating a second operations centre of this size. ERTH Power's rent for the full Aylmer Property in 2022 was \$89k.

The Aylmer operations centre has seen significant turnover of powerline technicians in recent years, and has tracked to a higher level of health and safety incidents relative to ERTH Power's overall operations over the past four years. ERTH Power management has noted the challenge of staff not benefiting from the day to day leadership and mentoring that would otherwise arise from their working in a centralized operations centre. The relative size of ERTH Power's distribution plant proximate to the Aylmer Property create a challenge in that assignment of sufficient frontline leadership to the location would largely be for the purpose of staff management, as opposed to operational need. Additionally, the pool of operations staff candidates is significantly smaller in the Aylmer area relative to Ingersoll and area, particularly given Ingersoll's proximity to Highway 401.

Additionally, the Aylmer Property has chronic roof issues leading to water damage, no change rooms or shower facilities and requires upgrades to office and operations space to provide an ergonomic and modernized facility.

Requirements

ERTH Power has determined that addressing the challenges associated with its Bell St and Aylmer Properties is best performed through a consolidation of both facilities into a new Operations and Administrative property (New Facility).

As noted above, the decision to move to the New Facility is primarily driven by an assessment that the Bell St. Property has reached the end of its useful life relative to ERTH Power's needs. However, construction of the New Facility will allow for achievement of multiple additional objectives, such as:

- Sufficient outdoor land for optimal outdoor storage and fleet maneuverability in the present, and to allow for future expansion of facilities, infrastructure and amenities as required;
- Improved safety through optimal outdoor storage and operations space;
- Purpose-built indoor fleet and maintenance facilities, improving efficiency and effectiveness of overall operations, including ability to store heavy fleet indoors and extend vehicle useful lives, reducing depreciation expense over time;
- Purpose-built, utility best practice Control Room, with physical security and adjacent War Room to facilitate optimal emergency response and coordination;
- Improved workplace conditions for both office staff and field staff, to improve retention and recruitment in a tight labour market, including sufficient parking capacity with opportunities for expansion as needed, and required training facilities to maintain a state-of-the-art workforce;
- Repatriation of Aylmer Property staff to improve leadership and mentoring opportunities, and as a result operational effectiveness;
- Opportunity to reduce fleet size in the short term (potentially by 1 heavy and 2 light fleet vehicles) through repatriation of Aylmer Property staff and facilities to a central ERTH Power headquarters;
- Ability to reduce cost of rent (Bell St. Property to 0%, Aylmer Property to 50% for use as job and emergency staging) through consolidated operations;
- Optimal access to distribution capacity to allow for modernization and electrification of ERTH Power's fleet in the future; and,
- Ability to participate in the energy transition and reduction of greenhouse gas emissions, through the combination of a ground-source heat pump system and solar photovoltaic system, yielding reduced operating expenditures.

To achieve these objectives, Table 1 – Facility Specification identifies the major specifications required of a New Facility:

Table 1: Facility Specification

New Facility Characteristic	Specification
Geography / proximity to broader service territory	<ul style="list-style-type: none"> • Location near major roadways. • Location in larger metropolis to support employee recruitment and retention
Need for future expansion acreage, if applicable	<ul style="list-style-type: none"> • Larger land footprint/acreage to allow for office expansion arising from future growth

New Facility Characteristic	Specification
	<ul style="list-style-type: none"> Infrastructure to support full electrification of fleet and employee vehicles
Min fleet capacity	<ul style="list-style-type: none"> Current 20 fleet vehicles comprised of 7 large and 13 smaller fleet vehicles Service bays for up to five fleet vehicles Sufficient outdoor land for optimal outdoor storage and fleet maneuverability Indoor fleet and maintenance facilities that provide for efficient and effective operations, including ability to store heavy fleet indoors and extend vehicle useful lives
Training facilities	<ul style="list-style-type: none"> Ability to conduct an all-employee town hall Facilities to perform in-class operations training
Requirements for employee effectiveness and retention	<ul style="list-style-type: none"> Increased parking for employee vehicles with support for future electrification Functional shower and washroom facilities for operations staff Training room facility, common lunch room and outdoor space, general brightness with lots of natural light penetration to office space areas, ventilation optimized for air quality purposes (COVID). Drying room for operational staff clothing after being out in all weather conditions (rain/snow) storm response
Min FTE capacity	<ul style="list-style-type: none"> Current staffing of ERTH Power of 44 FTE, and ability to support up to 50 FTE in total ¹
Control room and server facilities	<ul style="list-style-type: none"> Fully secured and segregated control room Expandable and zone based climate controlled server facilities

Project Description

Project Scope

A key requirement of the New Facility is selection of an optimal property that is in the appropriate location, is cost-effective, and provides sufficient land size to accommodate current requirements and future expansion. ERTH Power determined that Ingersoll is the optimal location for the New Facility. Ingersoll provides a logistically efficient and cost-effective location to service its customers given it is the

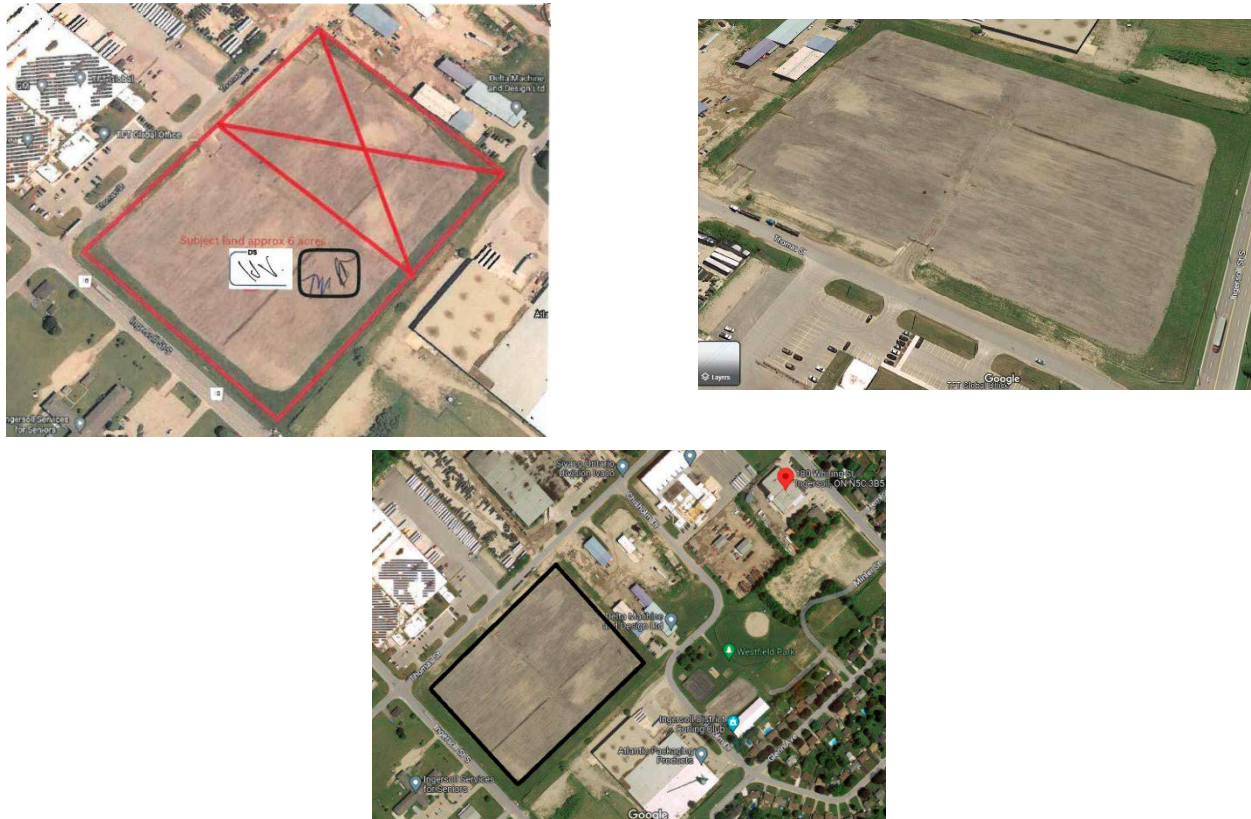
¹ERTH Power will rent space to ERTH CORP (i.e. At minimum 12 ERTH CORP FTE)

most central location within its wide and discontinuous service area. In addition to being an efficient location to service multiple communities in Oxford County, an Ingersoll location also provides easy access to major roadways in and around the County².

New Facility Location

In early 2023, ERTH Power's conditional offer to purchase land in Ingersoll for its New Facility was accepted by the seller. The six-acre property is located at 385 Thomas Street (New Land), which is pictured below and currently used for parking vehicle overflows by the nearby General Motors CAMI plant.

Figure 5 to 7: – Aerial Pictures of 385 Thomas Street Location



New Facility Design Details

ERTH Power commissioned Powell Engineering to produce an engineering design of the New Facility that meets its requirements and mitigates the challenges noted above with the Bell St and Aylmer Properties. The New Facility is being designed to be a serviceable operations and administrative center that once completed, will house ERTH Power's employees and generate rental income from ERTH CORP. ERTH Power's New Facility will have a two-storey administrative area that is adjacent to a warehouse, metering

² Ingersoll is in close proximity to Highway 401, Highway 19, and County Road 6 and allows the Ingersoll staff to support after hour emergency response and other work at the remote locations.

and fleet vehicle service area. The building footprint is approximately 1 acre or 42,399 ft² in area. It will include space for training, server and control rooms, as well as a meter station work area and sufficient warehouse space for storage of inventory. The following table lists the major design details of the New Facility:

Table 2: New Facility Specification

New Facility Characteristic	Specification
Building Construction	Steel Frame Structure with Hollow Precast floor panels
Building area footprint	42,300 Sq Ft or 3,939 Sq Meters
Gross floor area for total building (office area is 2 levels)	57,170 Sq Ft or 5,312 Sq Meters
First Floor Area	42,300 Sq Ft or 3,939 Sq Meters
Lobby	897 Sq Ft or 83 Sq Meters
Training Room	1180 Sq Ft or 110 Sq Meters
Lunch Room	1275 Sq Ft or 118 Sq Meters
Office Space for Customer Service/Billing	3600 Sq Ft or 334 Sq Meters
Warehouse	5125 Sq Ft or 476 Sq Meters
Metering/Stations Area	1599 Sq Ft or 149 Sq Meters
Operations Office Area: Inclusive of meeting room, offices, change rooms, and first aid facilities	2440 Sq Ft or 227 Sq Meters
Fleet Vehicle Storage Area	18906 Sq Ft or 1757 Sq Meters
Repair Shop	1470 Sq Ft or 137 Sq Meters
Mechanical/Electrical Services Room	473 Sq Ft or 44 Sq Meters
Second Floor	14870 Sq Ft or 1382 Sq Meters
Executive Space	1831 Sq Ft or 171 Sq Meters
Office Space	1921 Sq Ft or 179 Sq Meters
Engineering Department Space	1500 Sq Ft or 139 Sq Meters
Control Room	1000 Sq Ft or 93 Sq Meters
Upper Mechanical/Electrical Services Room	1128 Sq Ft or 105 Sq Meters
Upper floor Mezzanine	960 Sq Ft or 89 Sq Meters
Server Room	276 Sq Ft or 26 Sq Meters
Office Storage Area	1000 Sq Ft or 93 Sq Meters

Figures 8 through 12 show the architect rendering of the New Facility from various directional perspectives.

Figure 8: Northwest Perspective View of New Facility



NORTH-WEST PERSPECTIVE VIEW
SCALE 1/8" = 1'-0"

Figure 9: Ingersoll Street South Perspective View of New Facility



INGERSOLL STREET SOUTH - PERSPECTIVE VIEW
SCALE 1/8" = 1'-0"

Figure 10: South West Side Perspective View of New Facility



SOUTH-WEST - PERSPECTIVE VIEW
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Figure 11: North Side Main Entrance Perspective View of New Facility



NORTH AT MAIN ENTRANCE - PERSPECTIVE VIEW
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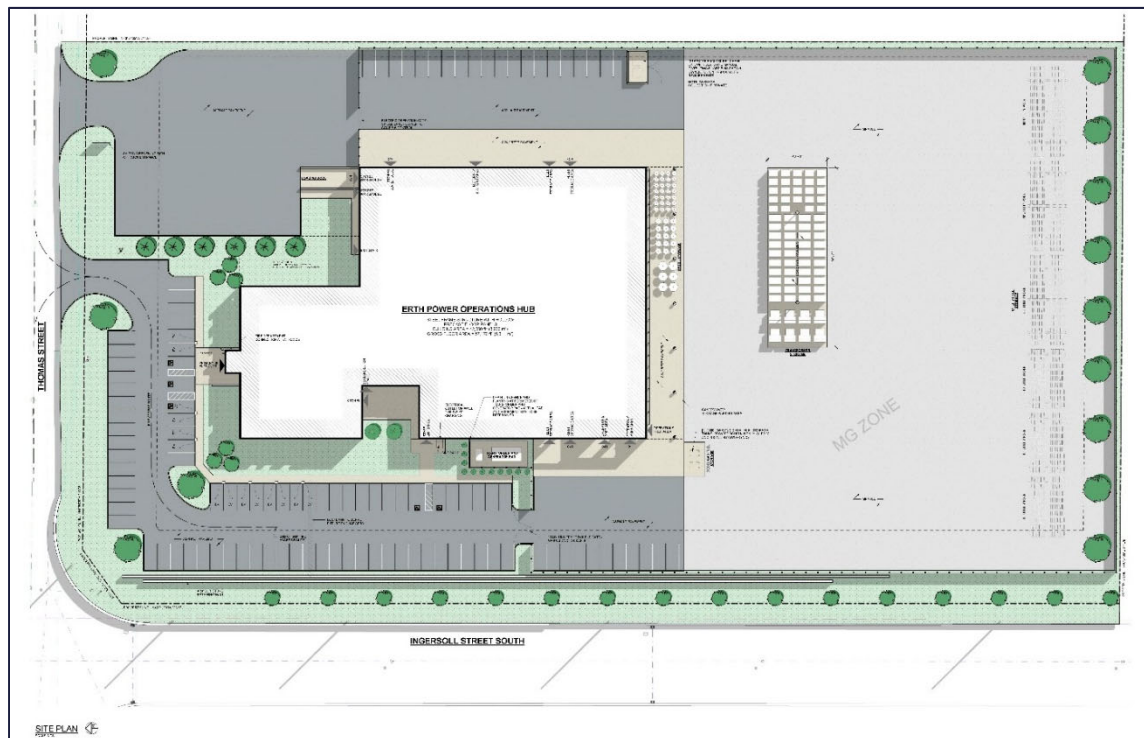
Figure 12: Thomas Street Perspective View of New Facility



THOMAS STREET - PERSPECTIVE VIEW
SCALE 1/2"

Powell Engineering has proposed an ergonomic, economical and sustainable design. The design provides for future expansion of the New Facility when necessary, and as shown in Figure 13 – New Facility Design Layout provides ample space for outdoor storage of transformer, poles and other large distribution assets.

Figure 13: New Facility Design Layout



The New Facility will support storage and maintenance of ERTH Power's 20 fleet vehicles, and 44 FTE at present, with an expectation of additional ERTH Power FTE being required in the coming years. Additionally, through a rental services agreement with ERTH CORP, the New Facility will also support approximately 10 additional ERTH FTE. The ERTH corporate employees will operate out of the New Facility and provide services to ERTH Power amongst other entities. This reduces ERTH Power's FTE's and allows it to operate at a lower cost.

The New Facility's operational storage space and fleet storage area is being designed to balance ERTH Power's inventory procurement, and warehousing requirements. It includes staging areas for project specific work, as well as storm response. The New Facility fleet storage area has been designed to allow for fleet ready electrification with EV charger installations, and indoor storage for emergency response to potential failures at any of ERTH Power's 10 substations. The New Facility operations building segment has a modicum of space for a small increase in the number of fleet vehicles without the need for incremental capital expenditures to expand the building.

Financial Summary

As noted, ERTH Power submitted a conditional offer to purchase the New Land in early 2023, at a price of \$5.4 million. Construction is anticipated to require a period of approximately 18 months from Q2 2024, into Q4 of 2025; providing for an in-service date in 2025. The full cost of building construction is forecast to be \$22.2 million, and requires ERTH Power to incur financing costs in the amount of approximately \$1.9 million from the time of land purchase, to the in-service date of the new building. The new building cost of \$22.2 million includes a forecast \$1.5 million for a solar photovoltaic system, and \$3 million to install a ground-source heat pump system in lieu of conventional heating and cooling. In addition to the cost of the building itself, ERTH Power forecasts furnishing costs of approximately \$0.9 million will be required to prepare the building for operations.

Prior to the in-service year of the New Facility, ERTH Power anticipates the filing of an Incremental Capital Module (ICM) application with the OEB, in order to begin receiving cost recovery in rates relating to the above noted capital investment. When ICM approval is implemented through ICM rate riders, ERTH Power will begin to receive costs equal to depreciation (building and furnishings), return on equity, Payment-in-Lieu of Taxes (PILs)³, and interest expense associated with a blend of short and long-term debt. Taken together, these costs represent the capital-related revenue requirement which will be recovered from ratepayers in rates. Such riders will begin May 1, 2025, and persist until the time of ERTH Power's next Cost of Service application, currently scheduled to take effect January 1, 2028.

From the in-service year of 2025 to the end of 2027, the only revenue recovered in ERTH Power's rates will relate to the capital-related revenue requirement. Costs (or savings) which will not be recovered over this period include any change in operations and maintenance (O&M) resulting from the move to Thomas St., any change in rent resulting from a scaling down of Aylmer operations, and any change in rent to or

³ Largely due to the favourable capital cost allowance rates applicable to the solar photovoltaic and ground-source heat pump investments, the PILs value in rates will be a negative value; reflecting a reduction in the incremental cost to ratepayers

from ERTH CORP. The standalone annual impacts of the new building's capital-related revenue requirement⁴ are as follows:

Table 3: New Facility Capital-Related Revenue Requirement

Capital-Related Revenue Requirement	
Depreciation	\$ 694,093
Return on Equity	\$ 1,024,370
Interest	\$ 782,458
PILs	-\$ 402,027
ANNUAL TOTAL	\$ 2,098,894

The bill impacts of the ICM rate riders based on the above-noted capital-related revenue requirement for each of ERTH Power's rate zones⁵ are as follows:

Table 4: Main Rate Zone Bill Impacts

ICM Rate Rider Bill Impacts	Distribution Bill	Total Bill	ICM Rider Revenue	Distribution Impact	Total Impact
RESIDENTIAL SERVICE CLASSIFICATION	36.36	132.87	4.26	11.72%	3.21%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	58.74	312.39	6.84	11.64%	2.19%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	493.21	11044.41	57.77	11.71%	0.52%
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	5217.00	138624.67	611.15	11.71%	0.44%
LARGE USE SERVICE CLASSIFICATION	39035.71	597008.11	4572.24	11.71%	0.77%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	15.67	43.37	1.84	11.71%	4.23%
SENTINEL LIGHTING SERVICE CLASSIFICATION	24.50	40.99	2.88	11.74%	7.02%
STREET LIGHTING SERVICE CLASSIFICATION	29.65	138.84	3.47	11.72%	2.50%
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	4211.75	17559.67	493.32	11.71%	2.81%

Table 5: Goderich Rate Zone Bill Impacts

ICM Rate Rider Bill Impacts	Distribution Bill	Total Bill	ICM Rider Revenue	Distribution Impact	Total Impact
RESIDENTIAL SERVICE CLASSIFICATION	38.44	134.53	5.30	13.79%	3.94%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	63.13	313.88	8.74	13.84%	2.78%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	528.51	10291.90	72.83	13.78%	0.71%
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	4111.53	130048.51	566.46	13.78%	0.44%
LARGE USE SERVICE CLASSIFICATION	42238.36	713674.91	5820.89	13.78%	0.82%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	95.07	123.27	13.10	13.78%	10.63%
SENTINEL LIGHTING SERVICE CLASSIFICATION	42.80	3961.37	5.90	13.79%	0.15%
STREET LIGHTING SERVICE CLASSIFICATION	23244.82	30169.63	1277.21	5.49%	4.23%

⁴ Assumes full approval of requested capital expenditures, and no amounts disallowed for inclusion on the basis of the OEB's materiality threshold. Either factor could reduce the capital expenditures included for the purpose of ICM funding, and reduce rate rider revenues

⁵ Cost of New Facility allocated 79% to Main Rate Zone, 21% to Goderich Rate Zone

On implementation of rates at ERTH Power's next Cost of Service application to the OEB (planned for May 1, 2028), a full adjustment will be made to account for the net book value of the new building at that time, any changes in rent (to or from ERTH CORP), and any changes in other operating expenditures resulting from the relocation to Thomas St. A simplified forecast is provided below showing the difference in revenue requirement in 2028 rates between a status quo scenario, in which ERTH Power remains at Bell St., and a new build scenario, in which ERTH Power relocates to a new facility at the Thomas St. property:

Table 6: Estimated 2028 Revenue Requirement Comparison

Estimated 2028 Revenue Requirement	Bell St. (Status Quo)	Thomas St. (New Build)	Variance
Amortization / Depreciation	\$ -	\$ 725,400	\$ 725,400
Return on Equity	\$ -	\$ 969,769	\$ 969,769
Interest	\$ -	\$ 740,752	\$ 740,752
Grossed-Up PILs ⁶	\$ -	\$ 238,554	\$ 238,554
Rent	\$ 280,343	\$ 53,265	-\$ 227,078
Revenue Offsets (Rent)	\$ -	-\$ 83,354	-\$ 83,354
O&M	\$ 405,875	\$ 388,989	-\$ 16,886
Annual Revenue Requirement	\$ 686,218	\$ 3,033,374	\$ 2,347,156

Stakeholder Engagement

ERTH Power has engaged its Board of Directors (Board) and Shareholders as it advanced its analysis and recommendations to pursue the New Facility. The Board and Shareholders have approved the need for a New Facility, and the purchase of the New Land and the design and costs of the New Facility.

Analysis

The following section analyzes ERTH Power's decision to purchase land and construct a new facility in three ways;

- 1) A benchmarking analysis, comparing ERTH Power's New Facility against other new buildings constructed by mid-sized distributors in Ontario;
- 2) An options analysis, which compares the New Facility against two other facility options; and,
- 3) A cost-benefit analysis, which outlines the financial implications of ERTH Power's decision to pursue a new building relative to the other options explored.

⁶ Favourable capital cost allowance treatment of solar photovoltaic and ground-source heat pump systems will have expired by next Cost of Service for 2028 (i.e. PILs will be higher in 2028 relative to status quo / Bell St.)

Benchmarking

In order to assess the relative reasonableness and prudence of ERTH Power's New Facility, a benchmarking analysis was completed which compared the new building to those of other mid-sized distributors in Ontario in recent years, across a variety of metrics. The peer group chosen for the purpose of this analysis was as follows:

Table 7: Ontario Facility Benchmarking Peer Group

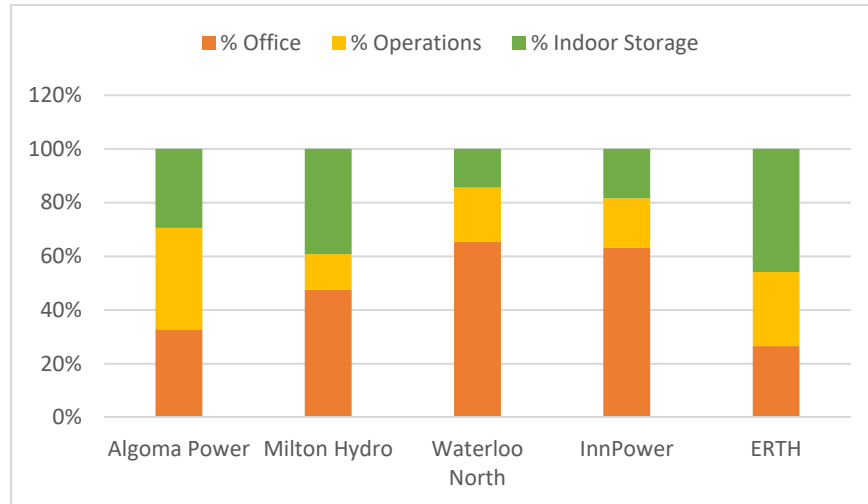
Utility	Case	Acres	Total ft ² ⁷	Inflation Adjusted Cost ⁸
Algoma Power	EB-2019-0019	7	41,703	\$14,480,523
Milton Hydro	EB-2015-0089	7	91,828	\$21,824,671
Waterloo North	EB-2010-0144	20	104,000	\$51,010,698
Inn Power	EB-2014-0086	7	36,172	\$16,827,317
ERTH Power	N/A	6	50,624	\$28,500,000

One of the first notable characteristics of ERTH Power's New Facility relative to its peers is the designed purpose of the facility. ERTH Power's new building is first and foremost an operational facility required to enable the utility to continue to provide safe and reliable service to an expanded and geographically dispersed customer base.

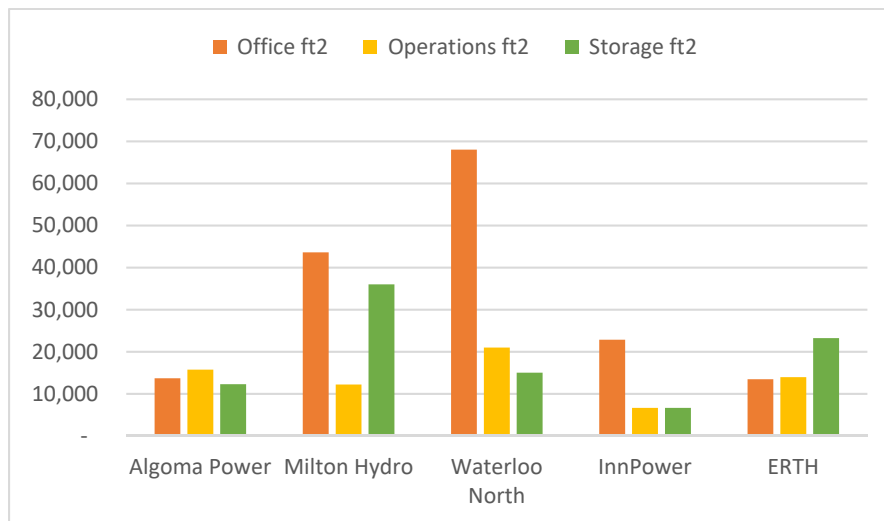
As shown in Figure 14 below, this reality is clearly demonstrated when evaluated against the peer group, with ERTH Power's New Facility having the lowest percentage of Office space relative to the total ft² of the facility.

⁷ Excludes any ft² reserved for affiliate or other non-utility use

⁸ Based on OEB-approved values, as opposed to proposed forecast expenditures or actual expenditures. Inflation assumption is based on a weighted inflation index made up as 75% Canada's Non-Residential Building Construction Index (up to Q2 2023) and 25% Value per Acre of Land in Ontario (up to 2022), both as provided by Statistics Canada. Forecast values beyond these dates are a conservative 2.5% per annum, relative to the historical average of the blended index of 4.8%

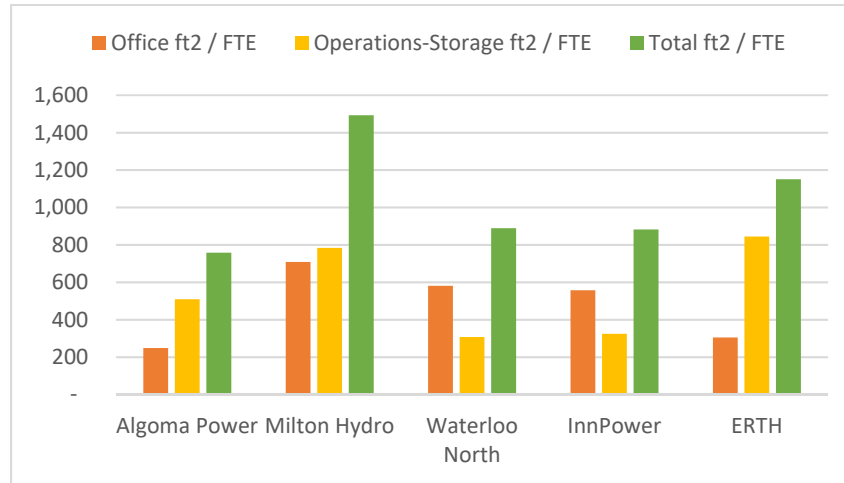
Figure 14: Percentage of Space Dedicated to Office, Operations and Indoor Storage


With respect to the gross square footage of the facility across all uses, ERTH Power is middle-of-the-pack amongst the peer group, with the size and use of space largely driven by the characteristics of the utilities in question (as discussed further below). Again, this comparison highlights the modest amount of floor space dedicated to Office use in ERTH Power's new building:

Figure 15: Gross Floor Space Dedicated to Office, Operations and Indoor Storage


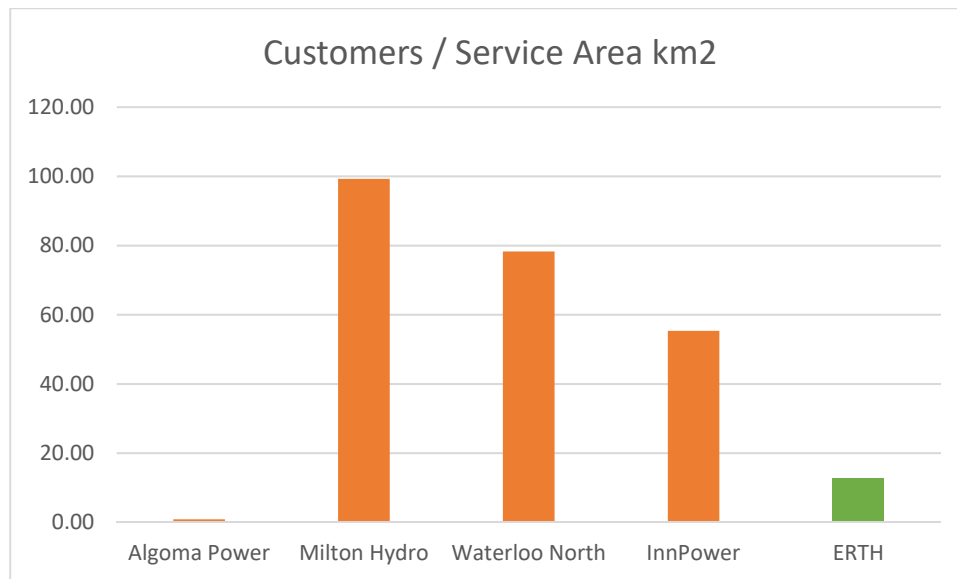
Naturally, the gross size of utility facilities are driven by a number of factors; not the least of which is the number of FTEs the distributor is required to accommodate at the facility. Again, the trend observed above continues, with ERTH Power having a very low ratio of Office ft² to FTE, and higher ft² to FTE ratios for Operations and Indoor Storage:

Figure 16: Gross Floor Space Dedicated to Office, Operations and Indoor Storage



As demonstrated above, relative to its peers ERTH Power's New Facility dedicates a significant amount of space, both relative and gross, to indoor storage. One of the principal drivers of this design choice relates to the utility's characteristics as a rural distributor with a dispersed service territory separated by long distances. This can be observed in Figure 16 above which depicts ERTH's service territory in Southwestern Ontario, but also in the figure below which shows that among the peer group, only Algoma Power has less customers per km² of service territory:

Figure 17: Customers per km² of Service Area

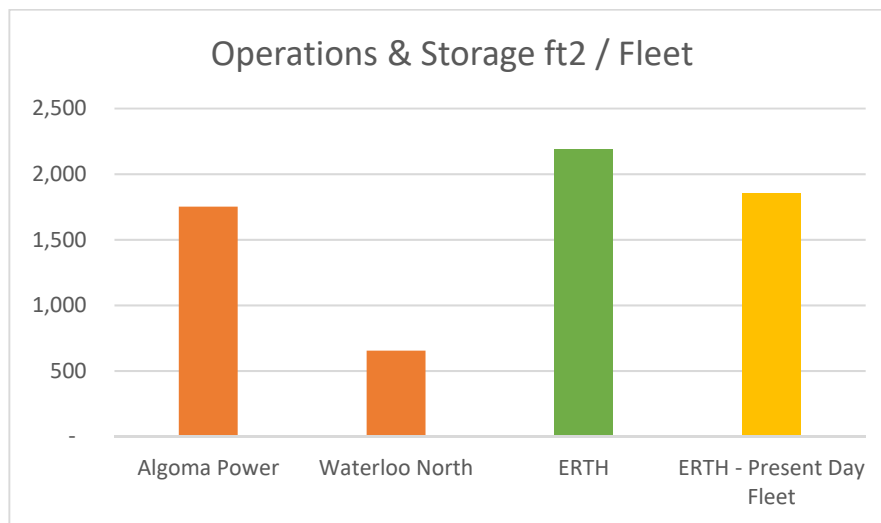


The reality of operating in a broad, dispersed, rural environment is the need to have a healthy fleet, with a higher proportion of vehicles ready for dispatch in extreme weather events. Unlike some of the suburban distributors included within the peer group, when ERTH Power dispatches a truck there is significant travel time from truck-roll to incident investigation. Naturally, dispatched trucks can only travel to one place at

one time, meaning that a widespread incident will require multiple vehicles to simultaneously dispatch in multiple directions. To the degree that one or more of the dispatched vehicles completes their investigation and/or work and are available to assist in other areas, more delays will ensue as they travel from one area of the service territory to another.

With the above in mind, there is a relationship between the size of a service territory, the size of a distributor's fleet, and the operational and indoor storage area required. Fleet size during the in-service year of new facilities was not relatively available for all members of the peer group, however the figure below shows Operations and Storage ft² relative to fleet size across a subset of the peer group. This analysis shows that ERTH Power's new building is comparable to Algoma Power's approved facility in this regard, as Algoma is another rural distributor which must dedicate facility space to the storage and staging of fleet vehicles to service a broad and diverse territory.

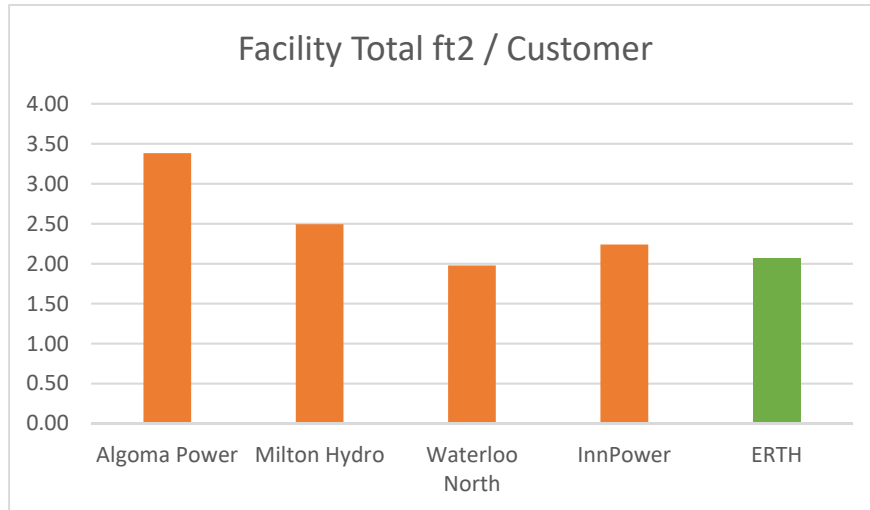
Figure 18: Operations & Storage ft² relative to Fleet Count⁹



Finally, an additional means to assess the appropriateness of a new distributor building is to compare it to the size of the customer base in question. The figure below shows Total ft² per Customer for each of the facilities analyzed, and demonstrates that ERTH Power is on the low end of this important metric:

⁹ ERTH figure assumes ERTH Power is able to reduce fleet by 1 heavy and 2 light vehicles through repatriation of Aylmer facility. ERTH – Present Day Fleet assumes this reduction is not possible or optimal

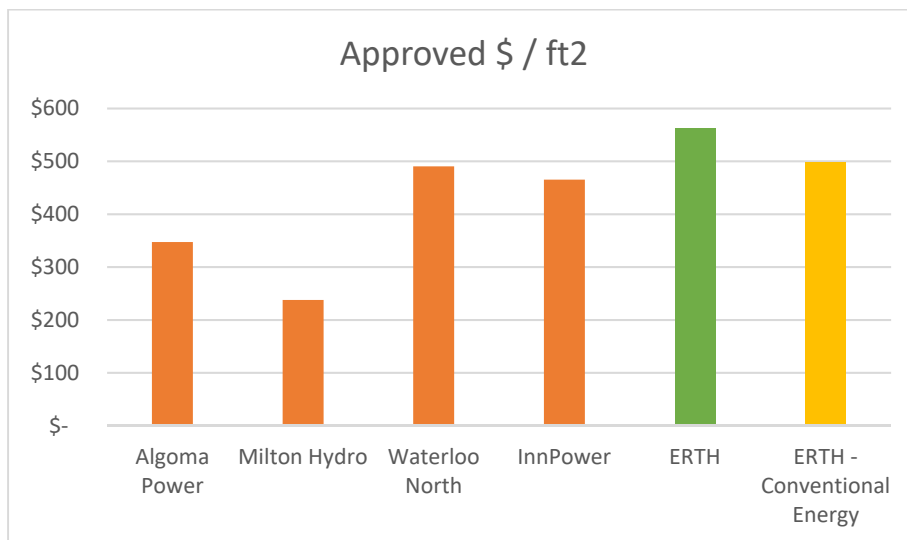
Figure 19: Operations & Storage ft2 relative to Fleet Count¹⁰



The combined analysis above indicates that ERTH Power’s New Facility is reasonable and appropriate in its size and composition to service the needs of its territory and customers. However, the essential question to answer in benchmarking a new building to an OEB-approved peer group is whether ratepayers are receiving fair value for capital expenditures incurred.

First, an analysis of cost per ft2 of facility indicates that ERTH Power’s capital expenditures are on the high end of range relative to the peer group:

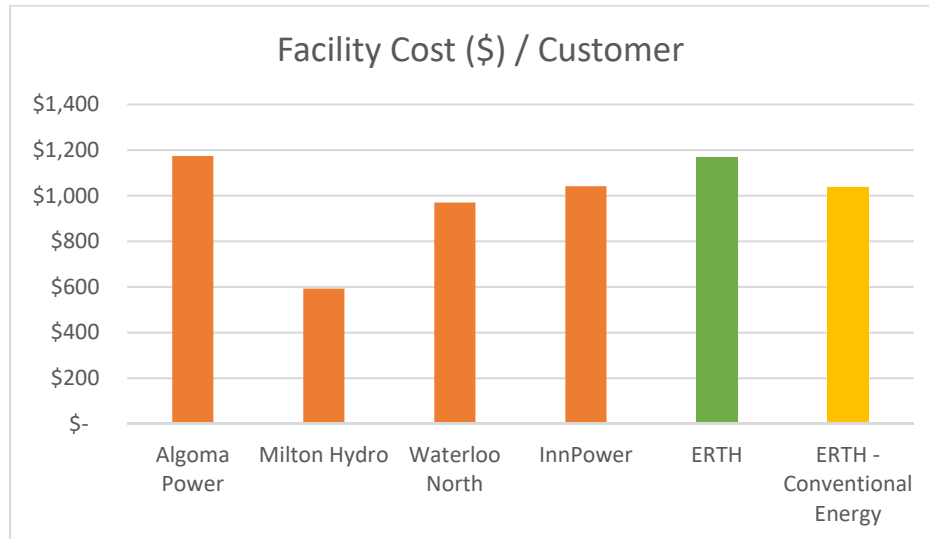
Figure 20: OEB-Approved Capital Expenditures relative to Total ft2



¹⁰ ERTH figure assumes ERTH Power is able to reduce fleet by 1 heavy and 2 light vehicles through repatriation of Aylmer facility. ERTH – Present Day Fleet assumes this reduction is not possible or optimal

Second, an analysis of facility cost per customer indicates that when viewed alongside ERTH's customer count, the new ERTH Power building is on the high end of range, though not the highest in the peer group:

Figure 21: OEB-Approved Capital Expenditures relative to Total Number of Customers



As seen in the cost benchmarking above, two important facility investments drive ERTH Power's position in a relative cost comparison to the peer group. The first, is the decision to serve the building's heating and cooling needs with a ground-source heat pump system, at an estimated cost of \$3 million. Second, is the decision to install a solar photovoltaic system at an estimated cost of \$1.5 million. The added comparator above shows ERTH Power's position against the peer group in a scenario where no solar photovoltaic system is installed, and conventional HVAC equipment (i.e. natural gas heating and conventional electric A/C) are installed.

What a capital expenditure benchmarking analysis cannot fully capture is the ongoing operational savings of these decisions,¹¹ in addition to their importance as timely 'no regrets' decisions to facilitate the energy transition during the one-time opportunity of new building construction. The positive financial impacts of these decisions on revenue requirement, through solar and ground-source heat pump operating cost reductions, are reflected in the Options Analysis below. In addition, these technologies are subject to preferably Capital Cost Allowance rates, further reducing their impact on revenue requirement through reduced Payment-in-Lieu of Taxes (PILs).

In conclusion, benchmarking against 4 other OEB-regulated, mid-sized distributor facilities, ERTH Power's New Facility appears reasonable and appropriate in its size, composition, and cost.

¹¹ A complete and accurate benchmarking of revenue requirement / annual costs of the peer group was not possible due to the potential for significant unknowns and variances over time (e.g. site-specific operational costs, changes in tax law)

Options Analysis

In order to demonstrate the reasonableness and prudence of ERTH Power's decision to pursue a new building to meet its operational needs, an assessment of available alternatives is necessary. The table below compares costs and outcomes across three Options:

- 1) **Do-Nothing Option:** ERTH Power continues to headquarter operations at the Bell St. Property under lease from ERTH CORP, and ERTH Power continues to make rental payments to ERTH CORP for its primary operations and administrative centre. The Aylmer Property continues to be utilized/rented at 100% capacity.
- 2) **Lease Option:** ERTH Power pursues a lease arrangement at the only available commercial / industrial space in Ingersoll at 100 Newman St. Use/rental of the Aylmer Property is down-sized to 50%, and is used for storage and operational staging in the region. ERTH Power receives rental payments from ERTH CORP for use of a portion of its new operations and administrative centre. HVAC choices are assumed to be conventional (i.e. natural gas heating and conventional electric A/C).
- 3) **New Build Option:** ERTH Power procures the new property at 385 Thomas St., and constructs the new building described in this Business Case. Use/rental of the Aylmer Property is down-sized to 50%, and is used for storage and operational staging in the region. ERTH Power receives rental payments from ERTH CORP for use of a portion of its new operations and administrative centre. Solar photovoltaics and a ground-source heat pump system are installed, reducing operating costs.

The following table compares these three options across essential metrics of cost and outcomes:

Table 8: Facility Options Analysis

Metric	Option 1: Do Nothing	Option 2: Lease	Option 3: New Build
2025 Capital Expenditures	\$0 ¹²	\$7,963,200 ¹³	\$28,500,000 ¹⁴
2025 to 2044 NPV of Revenue Requirement¹⁵	\$8,311,334	\$29,613,327	\$28,308,333
Acres¹⁶	4	9	6
ft²¹⁷	30,963	118,732	55,902
Fleet Accommodation	Fleet maintenance and staging capabilities are disbursed across two buildings on the property. Some maintenance activities must be completed outdoors. Highly constrained mobility of heavy fleet due to lack of open space, resulting in lost time for turnarounds and heavy wear on yard surfaces due to multi-point turns. Limited opportunity for indoor storage of fleet	Fleet maintenance and staging capabilities are centralized and optimized. All maintenance can be completed indoors where safe to do so. Reasonable mobility of heavy fleet within small yard available, with limited lost time for turnarounds or wear on yard surfaces due to multi-point turns. Optimal opportunity for indoor fleet storage, increasing EUL of fleet and improving fleet readiness in cold conditions	Fleet maintenance and staging capabilities are centralized and optimized. All maintenance can be completed indoors where safe to do so. Optimal mobility of heavy fleet within ideally sized yard, with no lost time for turnarounds or wear on yard surfaces due to multi-point turns. Optimal opportunity for indoor fleet storage, increasing EUL of fleet in cold conditions
Outdoor Storage	Highly constrained outdoor storage for large components such as poles and transformers. Conditions result in sub-optimal access and delays in crew staging, as well as	Highly constrained outdoor storage for large components such as poles and transformers. Increased leverage of offsite storage will be required, increasing lost time. Conditions result	Optimal size and organization of outdoor storage for large components such as poles and transformers. Access to required materials is optimal, with no unnecessary lost time and minimized

¹² No inclusion of near-term need for new roof, new HVAC, reconfiguration of grid connection for electrification, or health and safety related upgrades

¹³ Assumes cost to retrofit shell building for operations is 40% cost of new build at Thomas St. given large size of available lease building

¹⁴ Forecast cost of land and new building

¹⁵ See 20yr NPV assumptions

¹⁶ Including 100% of Aylmer Property in Option 1, and 50% of Aylmer Property in Options 2 and 3

¹⁷ Excluding ft² rented by ERT Corp where applicable in Options 2 and 3. Includes 100% of Aylmer ft² in Option 1, and 50% of Aylmer ft² in Options 2 and 3

Metric	Option 1: Do Nothing	Option 2: Lease	Option 3: New Build
	increased possibility of safety incidents such as recent pole-storage related near-miss. Lost time due to coordination of basic heavy fleet movement and material staging activities. Sub-optimal leverage of offsite storage required, creating lost time	in sub-optimal access and delays in crew staging, as well as increased possibility of safety incidents. Lost time due to coordination of basic heavy fleet movement and material staging activities. Sub-optimal leverage of offsite storage required, creating lost time	opportunities for safety incidents. Coordination between heavy fleet movement and material staging is not required. Offsite storage is not required, aside from instances where it is more effective due to job proximity
Control Room	Control room is functional. Physical restrictions and security are not possible due to structural building layout. No ability to structure adjacent war room for emergency events	Control room is optimal. Optimal physical restrictions and security are in place, and build-for-purpose war room is available for emergency events	Control room is optimal. Optimal physical restrictions and security are in place, and build-for-purpose war room is available for emergency events
Field Staff Space	Field staff locker rooms, lunchroom and washrooms are inadequate and uninviting for a growing workforce. No opportunity for expansion or meaningful retrofit due to structural restrictions	Field staff locker rooms, lunchroom and washrooms are optimal, with opportunity to expand facilities as needed for a growing workforce	Field staff locker rooms, lunchroom and washrooms are optimal, with opportunity to expand facilities as needed for a growing workforce
Training Space	Challenging environment to facilitate training necessary for safe and effective operations. Full-scale training requires use of heavy truck bays, or use of third-party institutional space	Ample opportunity to design, build and utilize optimal training space	Ample opportunity to design, build and utilize optimal training space
Office Staff Space	Raw ft2 available to administrative staff is sufficient. Layout is disjointed, impacting collaboration and productivity. No opportunity for greenspace or similar to facilitate retention	Raw ft2 available to administrative staff is sufficient, and layout is optimally designed. Limited opportunity for greenspace or similar to facilitate retention	Raw ft2 available to administrative staff is sufficient, and layout is optimally designed. Ample opportunity for greenspace or similar to facilitate retention
Fleet Electrification	Grid connection is disparate across 3 differently configured connection points, with insufficient capacity to allow for electrification of light or heavy fleet. Reconfiguration of connection and capacity expansion is understood to be costly	Grid connection is ideal and capacity is sufficient for full electrification of fleet if and when required	Grid connection is ideal and capacity is sufficient for full electrification of fleet if and when required

Metric	Option 1: Do Nothing	Option 2: Lease	Option 3: New Build
Expansion Opportunities	No opportunity for expansion. Current staff and fleet contingent exceed capabilities of facility	Opportunity for expansion. Expansion will come at the expense of fleet or material storage, which could necessitate additional offsite storage or additional fleet centres in the future	Opportunity for expansion. Expansion will come at the expense of outdoor material storage space, which is ample

Based on a comparison of the Options outlined above, **Option 1: Do Nothing is not a viable solution** to meet ERTH Power's facility needs moving forward. Reasons for the exclusion of this option as viable include, but are not limited to:

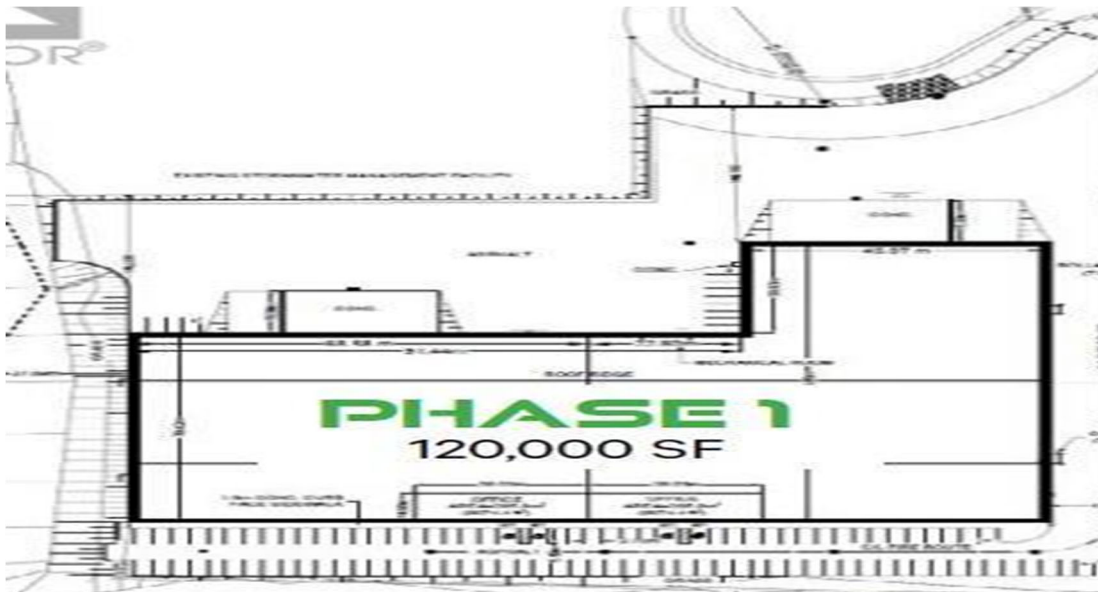
- **Operational effectiveness** will continue to be hindered indefinitely if ERTH Power continues to maintain primary operations and administration from the Bell St. Property. Fleet storage, maintenance, and readiness are severely hindered at the Bell St. Property, which collectively impacts ERTH Power's ability to respond to emergency and non-emergency incidents in a timely manner, and negatively impacts the EUL of both fleet vehicles and yard surfaces; increasing maintenance costs on both fronts. Similarly, sub-optimal outdoor storage for large distribution components negatively impacts job staging, which creates lost time.
- **Safety** is sub-optimal, and in some cases compromised, continuing to operate out of the Bell St. facility. The tight outdoor space available at the Bell St. Property creates opportunities for lost-time incidents, including the recent occurrence of a near-miss relating to sub-optimal storage conditions for distribution poles. Lack of maneuverability and visibility for large fleet creates opportunities for dangerous employee-to-vehicle contact, which can be exacerbated where third-party deliveries are attempted in the constrained yard. While ERTH Power does not anticipate a physical security breach relating to its control room, the current physical layout does not allow for good utility practice of creating physical restrictions to critical system controls, as well as ready access to a functional war room for emergency events.
- **Staffing** has increasingly become a challenge for many distributors in Ontario, with little sign of workforce alleviation as peak baby boomer retirement trends continue. In order to maintain a sufficient and capable workforce, ERTH Power requires facilities which meet the basic expectations of employees in the 2020's. This includes locker rooms, washrooms, and common areas with basic levels of functionality and appeal to retain field workers, as well as functional and collaboratively-designed office spaces for administrative workers. Similarly, ERTH Power requires adequate training facilities to maintain a workforce that is educated and prepared to respond to the present-day challenges of electricity distribution, which requires adequate training facilities to accommodate.

- **Future** needs of ERTH Power are anticipated to continue to evolve. Expanded facility needs could be driven by natural customer growth as immigration to Canada continues at historic highs, or acquisition-driven growth as the Government of Ontario continues to express interest in further distributor consolidation. Similarly, whether in response to customer preferences, business decisions, or government mandates, ERTH Power anticipates the electrification of increasing proportions of its fleet over time. The primary facility of ERTH Power must be able to accommodate changing circumstances moving forward, and the Bell St. Property has exhausted all opportunities to grow and evolve with the utility.

In assessing potential options to meet ERTH Power's facility needs, **Option 2: Lease** presents itself as a technically viable, but clearly sub-optimal solution. Reasons detracting from selection of this option include, but are not limited to:

- **Yard availability** at the potential lease property is highly limited. While the property appears to allow for ample maneuverability of heavy fleet as needed, there is little opportunity for outdoor storage of large distribution components such as poles and transformers. To accommodate storage of these materials, ERTH Power would be required to constrain the available yard in a manner that returns the utility to a position of yard restriction, negating one of the primary benefits of relocating from the Bell St. Property. This restriction also has implications for **expansion opportunities**, as the current outdoor space is sub-optimal even at current operational requirements. The figure below depicts the available yard relative to the lease building analyzed:

Figure 22: 100 Newman Building & Property Layout¹⁸



¹⁸ MLS Listing# 40333329

- **Available options** for appropriate lease properties are highly limited to ERTH Power. ERTH Power does not operate in an urban or suburban environment in which multiple, appropriate properties are available for lease by the utility. The property analyzed is the only somewhat viable property available for lease in Ingersoll¹⁹ which meets some (but not all) of the needs of a mid-sized electricity distributor. Unsurprisingly, the only somewhat viable available lease property to ERTH Power in Ingersoll is not optimally designed for an electricity distributor, with far too much indoor space (120,000ft²) and too little outdoor space. While in theory ERTH Power could extend its search beyond Ingersoll, its location close to the 401 highway and centralized location relative to ERTH Power's service territory necessitates that a central, administrative and operational centre be located in Ingersoll.
- **Cost:** In large part due to the issue of Available Options outlined above, the Lease Option is the most expensive option for ratepayers, despite providing sub-optimal outcomes on numerous fronts. This is a 120,000ft² facility, which is more than double the New Build option planned. The size of this facility drives significant costs which render it the most costly option analyzed.

In contrast to Options 1 and 2, **Option 3: New Build** meets all of ERTH Power's facility needs, at a reasonable expense to ratepayers relative to the alternatives, while yielding improved capabilities to the benefit of ratepayers. Option 3: New Build responds to all of the limitations of Options 1 and 2, in the following ways:

- **Operational effectiveness and yard availability** will be maximized through a purpose-built administrative and operational headquarters for ERTH Power. Where ERTH Power's needs are explicitly incorporated into design, optimal outcomes are ensured with respect to outdoor storage, indoor fleet maintenance and storage, and an overall maximization of job staging efficiency to improve response time.
- **Safety** is maximized through Option 3: New Build, as operational facilities will be designed to explicitly limit opportunities for safety incidents, be they related to vehicles or the storage and handling of distribution components. Similarly, a custom-built control room and adjacent war room will allow for the realization of utility best practice in this area.
- **Staffing** can be optimally retained and enhanced where ERTH Power purpose-builds a facility which provides adequate facilities for both field and administrative staff, such that their place of work is competitive with other opportunities available to them. Similarly, a new build which explicitly contemplates adequate training facilities will ensure the education and effectiveness of ERTH Power's workforce in the long-term.
- **Future growth and expansion opportunities** can be optimally planned for through the construction of the new building planned by ERTH Power. With an appropriate and adequate grid connection, ERTH Power's Thomas St. facility will be capable of accommodating fleet

¹⁹ See Appendix A which includes a high level overview of additional opportunities reviewed by ERTH Power, which were even less acceptable than the 100 Newman property described above

electrification as this becomes necessary for the utility. Similarly, should customer growth or acquisition-related growth require it, the Thomas St. property will allow for prudent facility expansion in a manner than does not compromise operational outcomes.

Costs-Benefit Analysis

Options 1, 2 and 3 outlined above yield different operational outcomes for EARTH Power, but also yield different financial outcomes for ratepayers. This section compares the annual revenue requirement of the 3 options analyzed, as well as a 20-year net present value (NPV) of the three options on the same basis.

With respect to annual revenue requirement, the components of Options 1, 2, and 3 can be summarized as follows:

Table 9: Comparison of 2025 Revenue Requirement for Options 1, 2 and 3

2025 Full Year Revenue Requirement	Option 1 Do Nothing	Option 2 Lease	Option 3 New Build
Amortization / Depreciation	\$ -	\$ 280,812	\$ 694,093
Rate of Return	\$ -	\$ 499,202	\$ 1,806,828
Grossed-Up PILs	\$ -	\$ 38,139	-\$ 402,027
Rent	\$ 264,174	\$ 1,440,000	\$ 50,193
Revenue Offsets (Rent)	\$ -	-\$ 78,546	-\$ 78,546
O&M	\$ 382,465	\$ 416,553	\$ 366,553
Annual Revenue Requirement	\$ 646,639	\$ 2,596,159	\$ 2,437,093

The 20-year NPV of revenue requirement collected from ratepayers for each of the three options are as follows:

Table 10: Comparison of 20yr Net Present Value of Costs for Options 1, 2 and 3

	Option 1 Do Nothing	Option 2 Lease	Option 3 New Build
20 NPV of Costs (2025-2044)	\$8,311,334	\$29,613,327	\$28,308,333

On pure economics, Option 2: Lease is the most costly option for ratepayers, followed closely by Option 3: New Build. However, based on the analysis above it is reasonable to conclude that Option 3 also provides the highest value for ratepayers. Option 1, though analyzed, has been determined to be inadequate to meet the facility needs of EARTH Power in the near future. The costs of Options 2 and 3 are somewhat comparable on a 20-year NPV basis, and Option 3 provides considerable benefit over Option 2 as described above. Given the comparative economics of the 3 options, it is reasonable to conclude that Option 3: New Build is fiscally prudent as providing the greatest value to ratepayers in the long-term.

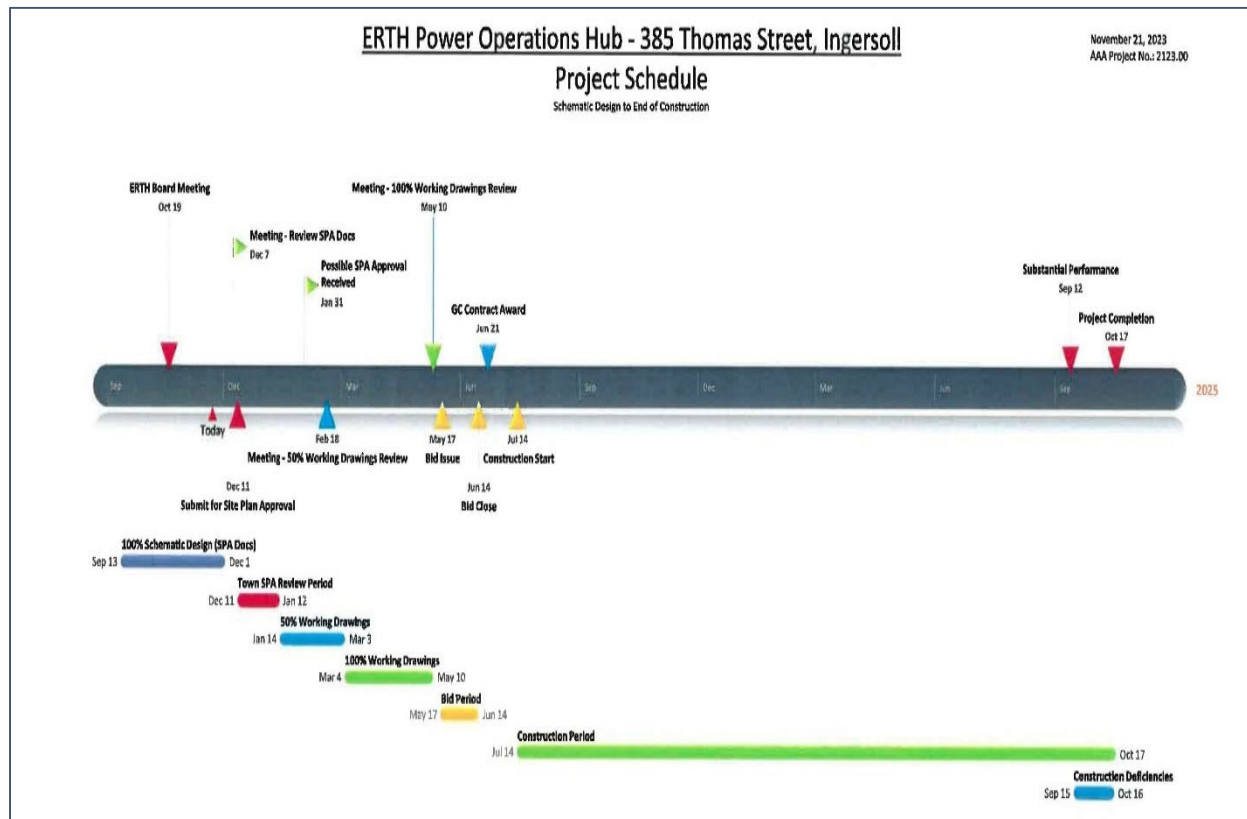
Assessment of Implementation Plan

ERTH Power is executing a comprehensive implementation plan (New Facility Plan) from the inception of its decision to proceed with the New Facility, to the asset being placed in-service. The New Facility Plan includes Board of Director and Shareholder approvals, issuance of detailed working drawings as the basis for the construction Request For Proposals (RFP), and an independently led procurement process. The following table 11 and figure 23 list out and depict the major milestones of the New Facility Plan.

Table 11: Draft ERTH Power New Facility Project Milestones

Project Milestone	Planned Completion Date
ERTH Power Board Meeting: Review & Approve New Facility Plan	October 19, 2023
ERTH Power Board Meeting: Review Site Plan Schedule and Budget	December 7, 2023
Submit Site Plan to City of Ingersoll for Approval	December 11, 2023
City of Ingersoll Site Plan Review Period Completed	January 12, 2024
ERTH Power Shareholder Site Plan Approval	January 31, 2024
Detailed Engineering and Construction Working Drawings Completed	May 10, 2024
New Facility Construction RFP Issued	May 17, 2024
New Facility Construction RFP Period Closed	June 14, 2024
New Facility General Construction Contract Awarded	June 21, 2024
New Facility Construction Commences	July 14, 2024
New Facility Construction Deficiency Remedy Period Commences	September 15, 2025
New Facility Project Completion	October 17, 2025

Figure 23: Draft ERTH Power New Facility Project Schedule



Risk Assessment

The undertaking to construct a New Facility as a green-field project entails several risks, which vary based on the segment of the project in question. A New Facility Plan can be segmented into three phases: a requirements phase, design phase, and a construction phase. The following section outlines the risks associated with each of these phases and provides a summary of findings:

New Facility Requirements Phase

The primary risk of the Requirements Phase is the establishment of inaccurate or inappropriate needs or requirements for the New Facility. The following inexhaustive list sets out areas where due-diligence should be exercised when gathering requirements:

Physical Inventory: Identify the current assets across the various facilities and incorporate future forecasts of staff, space and future physical assets. For an electricity distribution administrative and operations facility, this includes current and future staffing levels, fleet vehicle numbers and size, equipment and inventory amounts.

Space Requirements: Gather an understanding of the current available space and its current and future usage and utilization.

Industry Standards: Identify the current industry standards for office and operations space. These could include average square footage per employee and management, fleet vehicle space and equipment standards, environmental and ergonomic standards, amount of green space and energy consumption standards

Each of the assessed areas should include a gap analysis that articulates current deficiencies that can be mitigated in the new facility.

New Facility Design Phase

The design phase entails translating the output of the Requirements Phase into a cost-effective design. Design of a new facility is the domain of engineering and architectural firms and represents this phase's primary risk. Ensuring a due-diligent approach to selecting an appropriate engineering and architectural firm (Design Firms) sets the path to a cost-effective design. Once the Design Firms have been procured, the next risk is over-design. Over-design is taking the requirements and incorporating facility design and building features that are more expensive and not specifically tied or aligned with the requirements.

Evaluation of alternatives can be a key element to mitigate the risk of over-design. The first alternative to investigate is the investment in a new facility. This should include evaluation of:

- Leasing versus buying and building a new facility
- Renovating existing facilities versus building a new facility
- Evaluating sharing of the facility with third-parties
- A combination of sharing, leasing, renovating and building a new facility

Additional alternatives that could be investigated include evaluation of low carbon or green technologies versus conventional technologies, evaluation of different types of construction materials (e.g. ceramic tile versus marble), and consideration of how to incorporate future facility expansion (e.g. placement and the number of electrical supply points). The evaluation of alternatives should lead to prudent decisions that reflect in a cost effective design and budget for the new facility.

New Facility Construction Phase

The Construction Phase provides the greatest risk to a new facility project's actual design and budget. This phase includes the procurement process to select one or more construction firms, negotiation and finalizing of a favourable commercial agreement with the selected firms, and the execution of the construction plan for the new facility.

The procurement process risks may involve failing to include multiple qualified bidders, or failing to put in place a proposal review process that quantitatively assesses quality, price, commercial terms, and warranty provisions. Many of these risks can be mitigated through the use of a third-party firm to support management's selection by providing an independent report that assesses each proposal. It is management's decision in the end, and gathering multiple quantified perspectives can help mitigate risks with the procurement process.

The risk associated with finalizing the commercial agreement with the selected firms can be organized into two areas. First is the terms and provisions not prevalingly being favourable to the selected firms. The second area of risk is the change order mechanism and criteria. A balanced agreement will protect management from incurring additional costs for items that were not in their control. (e.g. a true change in a requirement versus a construction delay due to issues with the selected firm)

The risks associated with the execution of the construction plan are usually a result of changes in requirements or findings that necessitate alterations to the design that result in delays to the timeline and/or increases to the budget.

Risk Assessment Findings

ERTH Power is currently in the New Facility Design Phase of its project. It has established a list of requirements, and is evaluating alternatives as it is finalizing its preliminary new facility design. The project team has selected a local engineering and architectural firm with specific experience with administrative and operation facilities.

The ERTH Power implementation plan incorporates checkpoints with its Board of Directors and Shareholders where they will seek approval to proceed with the new facility project. Management is also planning to utilize its third-party engineering firm to execute the construction RFP process and provide independent evaluation of the vendor proposals.

ERTH Power's plans are for the contracts to be executed and managed by a third party consultant with approvals being provided by ERTH Power's management. The intent is for the contract's change order management process to follow a similar governance model. Deficiency reports will be the responsibility of the third party consultant to continuously review.

Recommendation (NTD: Completed prior to final draft submission)

Summary recommendation that the Proposed Project represents the best value-for-money for ratepayers, and is the optimal solution to meet ERTH's present and future needs.

Appendix A: Assessment of Available Near Vicinity Properties

In addition to Option 2 noted above, ERTH Power's real estate firm has shared the following properties that are on the market as of December, 2023. None of these properties meet ERTH's requirements due to open land space limitations restricting utility vehicle traffic, usable storage and build-out of operational requirements.

All other properties on the market as of December, 2023 were deemed not viable because of the property size being less than 3 acres, the existing buildings needed a full tear down which is cost prohibitive, or the location was outside of ERTH's strategic geographic boundaries.

Below is a summary assessment of each additional property:

Property	Assessment Summary
Clarke Rd:	<p>Location – Excellent – 401 profile</p> <p>Attraction / Retention of staff – ideal location close to the 401</p> <p>Availability Timelines – Excellent 2024/2025</p> <p>Outside of ERTH's service territory – Hydro One territory – not desirable</p> <p>Hydro Electric Servicing – Hydro One Service Territory – reliability concerns overtime – single radial fed 27.6 KV feeder with no redundancy of supply</p> <p>New construction - Free Standing steel construction – 30 year life expectancy – no ability to add Green Technologies</p> <p>Building Size – 233,619 SF – lease rate estimated to be \$12 SF = \$2.8M / year</p> <p>Building is oversized which would require being divided up into multiple tenants creating a hazard for utility operations and large fleet traffic movement</p> <p>Property does not allow outside storage or operational fleet movement on the site creating a hazard for staff and other occupants – not conducive for Utility Operations (this is a storage warehouse)</p> <p>Office space is too small requiring significant upgrades to the building for Utility Operation (inside and outside) – estimated to cost upwards of \$10m or more</p>
Oxford West Industrial Park:	<p>NO tangible benefits to this location over our 385 Thomas Street</p> <p>Attraction / Retention of staff – ideal location close to the 401</p> <p>Costs are estimated to be the same as preferred location 385 Thomas Street (building on Green Space)</p> <p>Outside of ERTH's service territory – Hydro One territory – not desirable</p> <p>Hydro Electric Servicing – Hydro One Service Territory – reliability / response time concerns – 27.6 KV feeder loop fed from Hydro One supply with no control through ERTH Power</p>

100 Newman Street Ingersoll (Option 2):	<p>Location – Excellent – 401 profile Attraction / Retention of staff – ideal location close to the 401 Availability Timelines – Excellent 2024/2025 Outside of ERTH’s service territory – Hydro One territory – not desirable Hydro Electric Servicing – Hydro One Service Territory – reliability concerns overtime – single radial fed 27.6 KV feeder with no redundancy of supply New construction - Free Standing steel construction – 30 year life expectancy – no ability to add Green Technologies</p> <ul style="list-style-type: none"> · Building Size – 233,619 SF – lease rate estimated to be \$12 SF = \$2.8M / year · Building is oversized which would require being divided up into multiple tenants creating a hazard for utility operations and large fleet traffic movement · Property does not allow outside storage or operational fleet movement on the site creating a hazard for staff and other occupants – not conducive for Utility Operations (this is a storage warehouse) · Office space is too small requiring significant upgrades to the building for Utility Operation (inside and outside) – estimated to cost upwards of \$10m or more
385 Thomas Street (Preferred location):	<p>Location – Excellent – good profile by way of Ingersoll street – easy access to 401 and other Highways to service ERTH Shareholder communities Attraction / Retention of staff – ideal location close to the 401 Low volume traffic – ideal for staff and operations street access (safety) Green Space Land Size – Optimized at 6 acres determined by ERTH Power through severance purchase offer Adequate yard space for Utility operations and green technologies (geo thermal field) Building Design through consultants can design the ideal Utility Operations from conception and incorporate operational efficiencies and energy efficient concept reducing overall operating costs Hydro Electric Servicing – through ERTH Power 27.6 KV looped system (multiple supply ability through automated switching) – automation on existing feeder to support better reliability over time (lower cost utility) ERTH’s service territory</p>