EXHIBIT 2

RATE BASE AND CAPITAL

Table of Contents

TABLES

LIST OF ATTACHMENTS

Attachment1_OEB_Chapter2Appendices_BHI_04162025

Attachment4_2026_ACM_ICM_Model_BHI_04162025

EXHIBIT 2 – RATE BASE AND CAPITAL

2.1 RATE BASE

Exhibit 2 includes information on BHI's rate base, capital expenditures and provides an explanation of variances for the 2021 to 2024 Actuals, the 2025 Bridge Year and the 2026 Test Year.

The rate base used for the purpose of determining the 2026 Test Year revenue requirement in this Application is calculated in accordance with the *Filing Requirements for Electricity Distribution Rate Applications – 2025 Edition for 2026 Rate Applications – Chapter 2 Cost of Service*, dated December 09, 2024 ("Chapter 2 Filing Requirements"). BHI has calculated the 2026 Test Year rate base as an average of the net capital balances at the beginning and the end of the 2026 Test Year, plus a Working Capital Allowance ("WCA"), which is 7.5% of the sum of the Cost of Power ("COP") and controllable expenses. The use of a 7.5% rate is consistent with the OEB's letter of June 3, 2015[1] and the Chapter 2 Filing Requirements as issued by the OEB. BHI has not completed a lead-lag study to support a different rate and submits this Application using the default value of 7.5%.

Capital assets are referred to as "fixed assets" throughout this evidence and include property, plant and equipment and intangible assets. Distribution assets refer to assets used to deliver electricity throughout BHI's distribution system. General plant assets include assets which are not part of BHI's distribution system and are used to support day to day business and operations activities, including tools and equipment, computer hardware and software, vehicles, and buildings.

Capital expenditures are equivalent to in-service additions. . BHI provides a variance analysis of rate base in Section 2.1.1, and a variance analysis for capital additions in Section 2.2.1 of this Exhibit 2.

[1] OEB Letter: *Allowance for Working Capital for Electricity Distribution Rate Applications*, June 3, 2015

2.1.1 Overview

Table 1 below illustrates BHI's rate base calculation for the 2021 to 2024 Actuals, the 2025 Bridge Year and the 2026 Test Year. This includes the opening and closing balances for each year, and the average of the opening and closing balances for gross fixed assets and accumulated depreciation.

Table 2 identifies the components of BHI's OEB-approved rate base, its proposed test year rate base and the variances. BHI's proposed rate base in the 2026 Test Year is $184,600,382, which is $37,315,038 or 25.3% higher than the 2021 OEB-approved rate base of $147,285,343.

The variance between the 2026 Test Year and 2021 OEB-approved rate base is driven by: i) an increase in average net fixed assets of $36,681,148 as a result of capital additions over the 2021 to 2026 period; and ii) an increase in WCA of $633,891 attributed to higher COP, and distribution expenses such as operations and maintenance, billing, collections and administration expenses ("OM&A"). Further details on capital additions and WCA are provided in Sections 2.2 and 2.5 of this Exhibit 2 respectively. Further details on distribution expenses are provided in Exhibit 4.

Table 1 – Rate Base Summary 2021-2026

Description	2021 CoS (EB-2020-0007)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
Gross Fixed Assets							
Opening Balance	$301,698,267	$301,614,889	$314,770,845	$324,651,982	$335,930,276	$350,333,324	$364,073,800
Ending Balance	$317,373,942	$314,770,845	$324,651,982	$335,930,276	$350,333,324	$364,073,800	$393,107,989
Accumulated Depreciation							
Opening Balance	$173,884,635	$173,659,439	$180,234,413	$185,993,054	$192,423,637	$198,482,807	$205,666,089
Ending Balance	$180,634,252	$180,234,413	$185,993,054	$192,423,637	$198,482,807	$205,666,089	$213,600,083
Net Fixed Assets							
Opening Balance	$127,813,632	$127,955,450	$134,536,432	$138,658,927	$143,506,639	$151,850,517	$158,407,711
Ending Balance	$136,739,690	$134,536,432	$138,658,927	$143,506,639	$151,850,517	$158,407,711	$179,507,906
Net Fixed Assets (Average)	**$132,276,661**	**$131,245,941**	**$136,597,680**	**$141,082,783**	**$147,678,578**	**$155,129,114**	**$168,957,808**
Working Capital Allowance	$15,008,682	$13,566,809	$13,957,322	$14,192,327	$14,884,289	$15,623,742	$15,642,573
Total Rate Base	**$147,285,343**	**$144,812,750**	**$150,555,001**	**$155,275,110**	**$162,562,867**	**$170,752,856**	**$184,600,382**

Table 2 – 2021 OEB-approved vs. 2026 Test Year Rate Base

Description	2021 CoS (EB-2020-0007)	2026 Test Year	Variance $ Incr/(Decr)	Variance % Incr/(Decr)
Net Fixed Assets				
Gross Fixed Assets (Average)	$309,536,105	$378,590,894	$69,054,790	22.3 %
Accumulated Depreciation (Average)	$177,259,444	$209,633,086	$32,373,642	18.3 %
Net Fixed Assets (Average)	**$132,276,661**	**$168,957,808**	**$36,681,148**	**27.7 %**
Allowance for Working Capital				
Cost of Power	$179,216,197	$178,151,648	$(1,064,548)	(0.6)%
Distribution Expenses	$20,899,565	$30,415,993	$9,516,428	45.5 %
Total CoP/Distribution Expenses	**$200,115,762**	**$208,567,641**	**$8,451,879**	**4.2 %**
Working Capital Allowance %	7.5%	7.5%		
Working Capital Allowance	**$15,008,682**	**$15,642,573**	**$633,891**	**4.2 %**
Rate Base				
Total Rate Base	**$147,285,343**	**$184,600,382**	**$37,315,038**	**25.3 %**

2.1.1.1 Materiality Threshold

BHI defines its materiality threshold in Section 1.2.5 of Exhibit 1. The change in rate base, WCA and capital expenditures that would result in a change in distribution base revenue requirement of 0.5% ($242,000) are identified as $6,700,000, $52,000,000 and $3,000,000 respectively. However, using these materiality thresholds in this Exhibit 2 would not enable the OEB to properly assess and deliberate on this Application, particularly for capital expenditures. As such, BHI has chosen to use $242,000 as the amount above which it will justify, and explain variances for, capital expenditures.

In appropriate circumstances, BHI's variance analysis also discusses certain rate base, WCA and capital expenditure variances below the threshold.

2.2 FIXED ASSET CONTINUITY SCHEDULE

BHI provides Fixed Asset Continuity Schedules for each of the 2021 to 2024 Actuals, the 2025 Bridge Year and the 2026 Test Year in Tab “App.2-BA_Fixed Asset Cont” of the OEB Chapter 2 Appendices filed as Attachment1_OEB_Chapter2Appendices_BHI_04162025 , and as a summary in Table 3 below.

BHI does not capitalize interest during construction.

Table 3 - Fixed Assets 2021 Cost of Service application to the 2026 Test Year

Description	2021 CoS	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
Distribution Assets							
1805 - Land	$202,703	$202,703	$202,703	$202,703	$202,703	$202,703	$202,703
1808 - Buildings and Fixtures	$2,598,554	$2,593,662	$2,614,695	$2,621,177	$2,678,104	$2,698,104	$2,722,584
1815 - Transformer Station Equipment >50kV	$0	$0	$0	$0	$0	$0	$0
1820 - Distribution Station Equipment <50kV	$15,828,473	$14,824,296	$15,430,721	$15,592,031	$16,443,171	$17,488,171	$18,589,771
1830 - Poles, Towers & Fixtures	$55,329,215	$50,017,963	$51,388,336	$55,313,831	$60,837,491	$64,030,718	$73,932,706
1835 - Overhead Conductors & Devices	$60,857,952	$63,826,254	$67,134,271	$78,377,595	$83,180,903	$85,567,638	$92,472,511
1840 - Underground Conduit	$30,383,319	$29,938,611	$30,901,216	$32,562,999	$34,662,126	$38,340,317	$43,704,650
1845 - Underground Conductors & Devices	$57,692,898	$44,693,683	$48,550,461	$56,275,651	$59,840,233	$66,790,223	$73,231,448
1850 - Line Transformer	$62,507,401	$61,075,575	$61,854,842	$63,221,500	$64,857,137	$66,530,213	$68,653,098
1855 - Services (Overhead & Underground)	$51,389,560	$45,594,681	$48,078,329	$50,590,553	$54,157,608	$60,318,843	$70,986,879
1860 - Meters	$22,444,536	$22,309,862	$22,680,815	$24,122,274	$25,235,435	$26,790,935	$30,949,103
Gross Distribution Assets	**$359,234,611**	**$335,077,290**	**$348,836,389**	**$378,880,314**	**$402,094,909**	**$428,757,863**	**$475,445,452**
General Plant							
1609 - Capital Contributions Paid	$6,886,402	$6,633,722	$6,633,722	$6,633,722	$6,633,722	$6,857,122	$6,857,122
1611 - Computer Software (Formally known as Account 1925)	$13,388,261	$14,220,309	$14,565,061	$15,182,165	$15,679,111	$16,313,311	$16,880,431
1612 - Land Rights (Formally known as Account 1906)	$189,351	$245,044	$245,044	$245,044	$245,044	$245,044	$245,044
1905 - Land	$96,300	$96,300	$1,016,276	$1,016,276	$1,016,276	$1,016,276	$1,016,276
1908 - Buildings & Fixtures	$11,470,405	$11,581,910	$11,656,083	$11,701,024	$12,028,211	$12,390,211	$13,236,811
1910 - Leasehold Improvements	$0	$0	$0	$0	$0	$0	$0
1915 - Office Furniture & Equipment (10 years)	$1,933,592	$2,227,283	$2,238,278	$2,278,556	$2,373,616	$2,393,616	$2,414,016
1920 - Computer Equipment - Hardware	$1,456,588	$1,508,463	$1,626,126	$1,827,164	$2,081,628	$2,159,628	$2,274,888
1930 - Transportation Equipment	$5,107,601	$4,935,076	$4,797,579	$5,107,197	$5,238,082	$6,178,082	$7,199,102
1935 - Stores Equipment	$272,397	$272,397	$272,397	$272,397	$272,397	$272,397	$272,397
1940 - Tools, Shop & Garage Equipment	$1,547,087	$1,531,878	$1,588,144	$1,607,760	$1,627,758	$1,647,758	$1,668,158
1945 - Measurement & Testing Equipment	$454,916	$435,851	$442,620	$448,403	$459,138	$469,138	$479,338
1950 - Power Operated Equipment	$0	$0	$0	$0	$0	$0	$0
1955 - Communications Equipment	$362,813	$362,813	$362,813	$362,813	$362,813	$362,813	$362,813

Table 3 continued - Fixed Assets 2021 Cost of Service application to the 2026 Test Year

Description	2021 CoS	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
1960 - Miscellaneous Equipment	$26,607	$22,593	$22,593	$55,296	$67,974	$77,974	$88,174
1980 - System Supervisor Equipment	$4,547,572	$4,399,512	$4,685,407	$4,990,906	$5,550,196	$5,800,196	$6,243,896
1990 - Other Tangible Property	$0	$0	$0	$0	$0	$0	$0
Gross General Plant	**$47,739,891**	**$48,473,152**	**$50,152,142**	**$51,728,725**	**$53,635,969**	**$56,183,569**	**$59,238,469**
Contributions and Grants							
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$(29,277,060)	$(29,277,060)	$(29,277,060)	$(29,277,060)	$(29,277,060)
2440 - Deferred Revenue	$(60,323,499)	$(39,502,536)	$(45,059,488)	$(65,401,703)	$(76,120,494)	$(91,590,572)	$(112,298,872)
Gross Contributions and Grants	**$(89,600,559)**	**$(68,779,597)**	**$(74,336,549)**	**$(94,678,763)**	**$(105,397,555)**	**$(120,867,633)**	**$(141,575,933)**
Gross Assets for Rate Base Purposes	**$317,373,942**	**$314,770,845**	**$324,651,982**	**$335,930,276**	**$350,333,324**	**$364,073,800**	**$393,107,989**
Accumulated Depreciation	$(180,634,252)	$(180,234,413)	$(185,993,054)	$(192,423,637)	$(198,482,807)	$(205,666,089)	$(213,600,083)
Total Net Assets for Rate Base Purposes	**$136,739,690**	**$134,536,432**	**$138,658,927**	**$143,506,639**	**$151,850,517**	**$158,407,711**	**$179,507,906**
Total Average Assets for Rate Base Purposes		**$135,638,061**	**$136,597,680**	**$141,082,783**	**$147,678,578**	**$155,129,114**	**$168,957,808**

2.2.1 Variance Analysis - Fixed Asset Continuities

BHI provides year-over-year variances for gross assets, and contributions and grants in Table 4 to Table 9. Variance explanations for each year are provided below. Further details on depreciation and amortization are provided in Section 2.4 of this Exhibit 2.

Table 4 – 2021 OEB-approved vs. 2021 Actuals

Description	2021 CoS	2021 Actuals	Variance $ Incr(Decr)	Variance % Incr/(Decr)
Distribution Assets				
1805 - Land	$202,703	$202,703	$0	— %
1808 - Buildings and Fixtures	$2,598,554	$2,593,662	$(4,893)	(0.2)%
1815 - Transformer Station Equipment >50kV	$0	$0	$0	— %
1820 - Distribution Station Equipment <50kV	$15,828,473	$14,824,296	$(1,004,176)	(6.3)%
1830 - Poles, Towers & Fixtures	$55,329,215	$50,017,963	$(5,311,252)	(9.6)%
1835 - Overhead Conductors & Devices	$60,857,952	$63,826,254	$2,968,302	4.9 %
1840 - Underground Conduit	$30,383,319	$29,938,611	$(444,708)	(1.5)%
1845 - Underground Conductors & Devices	$57,692,898	$44,693,683	$(12,999,215)	(22.5)%
1850 - Line Transformer	$62,507,401	$61,075,575	$(1,431,826)	(2.3)%
1855 - Services (Overhead & Underground)	$51,389,560	$45,594,681	$(5,794,879)	(11.3)%
1860 - Meters	$22,444,536	$22,309,862	$(134,674)	(0.6)%
Gross Distribution Assets	**$359,234,611**	**$335,077,290**	**$(24,157,321)**	**(6.7)%**
General Plant				
1609 - Capital Contributions Paid	$6,886,402	$6,633,722	$(252,680)	100.0 %
1611 - Computer Software (Formally known as Account 1925)	$13,388,261	$14,220,309	$832,049	6.2 %
1612 - Land Rights (Formally known as Account 1906)	$189,351	$245,044	$55,693	29.4 %
1905 - Land	$96,300	$96,300	$0	— %
1908 - Buildings & Fixtures	$11,470,405	$11,581,910	$111,505	1.0 %
1910 - Leasehold Improvements	$0	$0	$0	— %
1915 - Office Furniture & Equipment (10 years)	$1,933,592	$2,227,283	$293,692	15.2 %
1920 - Computer Equipment - Hardware	$1,456,588	$1,508,463	$51,875	3.6 %
1930 - Transportation Equipment	$5,107,601	$4,935,076	$(172,525)	(3.4)%
1935 - Stores Equipment	$272,397	$272,397	$0	— %
1940 - Tools, Shop & Garage Equipment	$1,547,087	$1,531,878	$(15,208)	(1.0)%
1945 - Measurement & Testing Equipment	$454,916	$435,851	$(19,065)	(4.2)%
1950 - Power Operated Equipment	$0	$0	$0	— %
1955 - Communications Equipment	$362,813	$362,813	$0	— %
1960 - Miscellaneous Equipment	$26,607	$22,593	$(4,014)	— %
1980 - System Supervisor Equipment	$4,547,572	$4,399,512	$(148,060)	(3.3)%
1990 - Other Tangible Property	$0	$0	$0	n/a
Gross General Plant	**$47,739,891**	**$48,473,152**	**$733,261**	**1.5 %**
Contributions and Grants				
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$0	— %
2440 - Deferred Revenue	$(60,323,499)	$(39,502,536)	$20,820,963	100.0 %
Gross Contributions and Grants	**$(89,600,559)**	**$(68,779,597)**	**$20,820,963**	**(23.2)%**
Gross Assets for Rate Base Purposes	**$317,373,942**	**$314,770,845**	**$(2,603,097)**	**(0.8)%**
Accumulated Depreciation	$(180,634,252)	$(180,234,413)	$399,840	(0.2)%
Total Net Assets for Rate Base Purposes	**$136,739,690**	**$134,536,432**	**$(2,203,258)**	**(1.6)%**

Gross assets were $(2,603,097) or (0.8)% lower than the OEB-approved amounts in 2021 due to:

- Distribution asset additions (net of disposals), which were $(24,157,321) lower than planned, primarily driven by System Access and System Service.
    - Lower System Access expenditures were driven by lower than expected customer-initiated projects (e.g., new connections, upgrades, suite metering, and relocations); and delays in the implementation of third-party infrastructure relocation projects including the Dundas St. Road Widening project, the Burloak Grade Separation project, and the underground portion of the Waterdown Rd. Road Widening project;
    - Lower System Service expenditures were driven by the deferral of an intelligent switch installation due to procurement delays related to the COVID-19 pandemic ("COVID-19"); partially offset by
    - Higher than planned System Renewal expenditures, including replacements of failed or faulted underground cables and emergency replacements of distribution transformers. Renewal of certain asset renewal categories was deferred in 2020 due to COVID-19. 2021 included expenditures to address some of the back-log.
- Contribution and grants, which were $20,820,963 lower than planned due to (i) the delayed implementation of third-party infrastructure relocation projects mentioned above; and (ii) lower than planned expenditures for customer funded projects associated with connections, upgrades and subdivision developments; and
- General plant additions (net of disposals), which were $733,261 higher than planned driven by:
    i. an increase in Computer Software expenditures due to:
        - the delayed implementation of BHI's new Customer Information System ("CIS"). The cutover was postponed from January 1 to July 1, 2021 due to COVID-19; and
        - the integration of BHI's Geographic Information System ("GIS") with its Outage Management System ("OMS") to enhance GIS functionality.
    ii. higher building expenditures for necessary renovations at 1328 Brant Street, which houses one of BHI's substations. These renovations included replacing the flat tar roof and installing new exterior stucco to address spalling bricks that were

beyond economic repair. Additional facility expenditures were incurred to remodel areas of the head office at 1340 Brant Street to accommodate BHI's growing workforce.; partly offset by

iii. a favorable final true-up of the Capital Contribution Recovery Agreement ("CCRA") associated with the construction of two breaker positions by Hydro One Networks Inc. at the Tremaine TS as actual project costs were lower than anticipated.

Further details are provided in Table 5.4-3 of BHI's DSP filed as Appendix A to this Exhibit 2.

1 **Table 5 – 2021 Actuals vs. 2022 Actuals**

Description	2021 Actuals	2022 Actuals	Variance $ Incr(Decr)	Variance % Incr/(Decr)
Distribution Assets				
1805 - Land	$202,703	$202,703	$0	— %
1808 - Buildings and Fixtures	$2,593,662	$2,614,695	$21,034	0.8 %
1815 - Transformer Station Equipment >50kV	$0	$0	$0	— %
1820 - Distribution Station Equipment <50kV	$14,824,296	$15,430,721	$606,425	4.1 %
1830 - Poles, Towers & Fixtures	$50,017,963	$51,388,336	$1,370,373	2.7 %
1835 - Overhead Conductors & Devices	$63,826,254	$67,134,271	$3,308,017	5.2 %
1840 - Underground Conduit	$29,938,611	$30,901,216	$962,605	3.2 %
1845 - Underground Conductors & Devices	$44,693,683	$48,550,461	$3,856,778	8.6 %
1850 - Line Transformer	$61,075,575	$61,854,842	$779,266	1.3 %
1855 - Services (Overhead & Underground)	$45,594,681	$48,078,329	$2,483,648	5.4 %
1860 - Meters	$22,309,862	$22,680,815	$370,953	1.7 %
Gross Distribution Assets	**$335,077,290**	**$348,836,389**	**$13,759,099**	**4.1 %**
General Plant				
1609 - Capital Contributions Paid	$6,633,722	$6,633,722	$0	— %
1611 - Computer Software (Formally known as Account 1925)	$14,220,309	$14,565,061	$344,751	2.4 %
1612 - Land Rights (Formally known as Account 1906)	$245,044	$245,044	$0	— %
1905 - Land	$96,300	$1,016,276	$919,977	955.3 %
1908 - Buildings & Fixtures	$11,581,910	$11,656,083	$74,173	0.6 %
1910 - Leasehold Improvements	$0	$0	$0	— %
1915 - Office Furniture & Equipment (10 years)	$2,227,283	$2,238,278	$10,994	0.5 %
1920 - Computer Equipment - Hardware	$1,508,463	$1,626,126	$117,663	7.8 %
1930 - Transportation Equipment	$4,935,076	$4,797,579	$(137,496)	(2.8)%
1935 - Stores Equipment	$272,397	$272,397	$0	— %
1940 - Tools, Shop & Garage Equipment	$1,531,878	$1,588,144	$56,265	3.7 %
1945 - Measurement & Testing Equipment	$435,851	$442,620	$6,768	1.6 %
1950 - Power Operated Equipment	$0	$0	$0	— %
1955 - Communications Equipment	$362,813	$362,813	$0	— %
1960 - Miscellaneous Equipment	$22,593	$22,593	$0	100.0 %
1980 - System Supervisor Equipment	$4,399,512	$4,685,407	$285,895	6.5 %
1990 - Other Tangible Property	$0	$0	$0	— %
Gross General Plant	**$48,473,152**	**$50,152,142**	**$1,678,989**	**3.5 %**
Contributions and Grants				
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$0	— %
2440 - Deferred Revenue	$(39,502,536)	$(45,059,488)	$(5,556,952)	14.1 %
Gross Contributions and Grants	**$(68,779,597)**	**$(74,336,549)**	**$(5,556,952)**	**8.1 %**
Gross Assets for Rate Base Purposes	**$314,770,845**	**$324,651,982**	**$9,881,137**	**3.1 %**
Accumulated Depreciation	$(180,234,413)	$(185,993,054)	$(5,758,641)	3.2 %
Total Net Assets for Rate Base Purposes	**$134,536,432**	**$138,658,927**	**$4,122,495**	**3.1 %**

2

Gross assets increased by $9,881,137 or 3.1% from 2021 to 2022 due to:

- Distribution asset additions (net of disposals) of $13,759,099, driven by System Renewal, System Access and System Service projects.
  - System Renewal expenditures included (i) the replacement of a station transformer equipped with an On Load Tap Changer at Lowville MS to accommodate the station's size and load as further identified in Table 5.4-4 of the DSP; and (ii) replacements of deteriorated distribution assets (e.g., distribution transformers, wood poles, underground cable and other MS assets) to mitigate failure risk and ensure the reliability and safety of BHI's distribution system. In addition, BHI experienced a severe wind and thunderstorm (derecho) on May 21, 2022, which necessitated the emergency replacement of damaged equipment as further discussed in Tables 5.4-4 and 5.2-10 of the DSP.
  - System Access expenditures included customer driven projects (e.g., connections, upgrades, and relocations), the Metrolinx GO Corridor Electrification project and the Fairview Street relocation project.
  - System Service expenditures included installation of three intelligent switches to enable grid modernization and improve network flexibility. The benefits to BHI's distribution system of installing intelligent switches are discussed in Sections 5.4.1.2.3 and 5.4.1.3.4 of the DSP.
- General plant additions (net of disposals) of $1,678,989, driven by
  - Information Technology ("IT") upgrades, including accessibility improvements to BHI's website, replacement of end-of-life servers that were no longer supported, and the replacement of personal computers and laptops based on a five-year life cycle;
  - Vehicle expenditures for the replacement of eight small vans and trucks based on their deteriorated condition. BHI had deferred these purchases in 2021 due to supply chain challenges caused by COVID-19; and
  - The acquisition of a parcel of land for continued use in service of BHI's electricity distribution operations.
- Contribution and grants of $(5,556,952), primarily driven by contributions from the Metrolinx GO Corridor Electrification project, the Fairview Street relocation project and customer funded connections and upgrades.

Table 6 – 2022 Actuals vs. 2023 Actuals

Description	2022 Actuals	2023 Actuals	Variance $ Incr(Decr)	Variance % Incr/(Decr)
Distribution Assets				
1805 - Land	$202,703	$202,703	$0	— %
1808 - Buildings and Fixtures	$2,614,695	$2,621,177	$6,481	0.2 %
1815 - Transformer Station Equipment >50kV	$0	$0	$0	— %
1820 - Distribution Station Equipment <50kV	$15,430,721	$15,592,031	$161,310	1.0 %
1830 - Poles, Towers & Fixtures	$51,388,336	$55,313,831	$3,925,495	7.6 %
1835 - Overhead Conductors & Devices	$67,134,271	$78,377,595	$11,243,324	16.7 %
1840 - Underground Conduit	$30,901,216	$32,562,999	$1,661,783	5.4 %
1845 - Underground Conductors & Devices	$48,550,461	$56,275,651	$7,725,190	15.9 %
1850 - Line Transformer	$61,854,842	$63,221,500	$1,366,659	2.2 %
1855 - Services (Overhead & Underground)	$48,078,329	$50,590,553	$2,512,224	5.2 %
1860 - Meters	$22,680,815	$24,122,274	$1,441,459	6.4 %
Gross Distribution Assets	**$348,836,389**	**$378,880,314**	**$30,043,926**	**8.6 %**
General Plant				
1609 - Capital Contributions Paid	$6,633,722	$6,633,722	$0	— %
1611 - Computer Software (Formally known as Account 1925)	$14,565,061	$15,182,165	$617,104	4.2 %
1612 - Land Rights (Formally known as Account 1906)	$245,044	$245,044	$0	— %
1905 - Land	$1,016,276	$1,016,276	$0	— %
1908 - Buildings & Fixtures	$11,656,083	$11,701,024	$44,942	0.4 %
1910 - Leasehold Improvements	$0	$0	$0	— %
1915 - Office Furniture & Equipment (10 years)	$2,238,278	$2,278,556	$40,279	1.8 %
1920 - Computer Equipment - Hardware	$1,626,126	$1,827,164	$201,038	12.4 %
1930 - Transportation Equipment	$4,797,579	$5,107,197	$309,618	6.5 %
1935 - Stores Equipment	$272,397	$272,397	$0	— %
1940 - Tools, Shop & Garage Equipment	$1,588,144	$1,607,760	$19,617	1.2 %
1945 - Measurement & Testing Equipment	$442,620	$448,403	$5,783	1.3 %
1950 - Power Operated Equipment	$0	$0	$0	— %
1955 - Communications Equipment	$362,813	$362,813	$0	— %
1960 - Miscellaneous Equipment	$22,593	$55,296	$32,703	— %
1980 - System Supervisor Equipment	$4,685,407	$4,990,906	$305,500	6.5 %
1990 - Other Tangible Property	$0	$0	$0	— %
Gross General Plant	**$50,152,142**	**$51,728,725**	**$1,576,584**	**3.1 %**
Contributions and Grants				
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$0	— %
2440 - Deferred Revenue	$(45,059,488)	$(65,401,703)	$(20,342,215)	45.1 %
Gross Contributions and Grants	**$(74,336,549)**	**$(94,678,763)**	**$(20,342,215)**	**27.4 %**
Gross Assets for Rate Base Purposes	**$324,651,982**	**$335,930,276**	**$11,278,295**	**3.5 %**
Accumulated Depreciation	$(185,993,054)	$(192,423,637)	$(6,430,583)	3.5 %
Total Net Assets for Rate Base Purposes	**$138,658,927**	**$143,506,639**	**$4,847,712**	**3.5 %**

Gross assets increased $11,278,295 or 3.5% from 2022 to 2023 due to:

- Distribution asset additions (net of disposals) of $30,043,926, driven by System Access, System Renewal and System Service investments.
  - System Access expenditures included customer driven projects (e.g., connections, upgrades, and relocations), the Metrolinx GO Corridor Electrification project, the underground portion of the Waterdown Rd. Road Widening project, the Fairview Street relocation project and revenue metering transformer upgrades at the Burlington TS, which were non-discretionary and required by Hydro One Networks Inc. ("HONI") to comply with safety regulations as discussed in Table 5.4-5 of the DSP.
  - System Renewal expenditures included (i) underground primary cable replacement in the Brant Hills area due to recurring faults and customer complaints as discussed in Table 5.4-5 of the DSP; (ii) the ongoing replacement of deteriorated distribution assets (e.g., transformers, wood poles, switches and other MS assets) to mitigate failure risk and ensure the reliability and safety of BHI's distribution system; and (iii) reactive replacement to address unexpected equipment faults and failures.
  - System Service expenditures included the installation of four intelligent switches to enable grid modernization and improve network flexibility. The benefits to BHI's distribution system of installing intelligent switches are discussed in Sections 5.4.1.2.3 and 5.4.1.3.4 of the DSP.
- General plant additions (net of disposals) of $1,576,584, driven by (i) the replacement of end-of-life servers that were no longer supported; (ii) the replacement of seven small vans and trucks based on their deteriorated condition; and (iii) the implementation of Green Button and Regulated Price Plan ("RPP") Customer Choice. Further details on the Green Button program are provided in Section 5.3.1.2 and Table 5.4-5 of the DSP.
- Contribution and grants of $(20,342,215), primarily driven by contributions from the Metrolinx GO Corridor Electrification project, customer funded connections and upgrades, the Fairview Street relocation project and the underground portion of the Waterdown Rd. Road Widening project.

Table 7 – 2023 Actuals vs. 2024 Actuals

Description	2023 Actuals	2024 Actuals	Variance $ Incr(Decr)	Variance % Incr/(Decr)
Distribution Assets				
1805 - Land	$202,703	$202,703	$0	— %
1808 - Buildings and Fixtures	$2,621,177	$2,678,104	$56,927	2.2 %
1815 - Transformer Station Equipment >50kV	$0	$0	$0	— %
1820 - Distribution Station Equipment <50kV	$15,592,031	$16,443,171	$851,139	5.5 %
1830 - Poles, Towers & Fixtures	$55,313,831	$60,837,491	$5,523,660	10.0 %
1835 - Overhead Conductors & Devices	$78,377,595	$83,180,903	$4,803,307	6.1 %
1840 - Underground Conduit	$32,562,999	$34,662,126	$2,099,126	6.4 %
1845 - Underground Conductors & Devices	$56,275,651	$59,840,233	$3,564,583	6.3 %
1850 - Line Transformer	$63,221,500	$64,857,137	$1,635,636	2.6 %
1855 - Services (Overhead & Underground)	$50,590,553	$54,157,608	$3,567,055	7.1 %
1860 - Meters	$24,122,274	$25,235,435	$1,113,161	4.6 %
Gross Distribution Assets	**$378,880,314**	**$402,094,909**	**$23,214,595**	**6.1 %**
General Plant				
1609 - Capital Contributions Paid	$6,633,722	$6,633,722	$0	— %
1611 - Computer Software (Formally known as Account 1925)	$15,182,165	$15,679,111	$496,946	3.3 %
1612 - Land Rights (Formally known as Account 1906)	$245,044	$245,044	$0	— %
1905 - Land	$1,016,276	$1,016,276	$0	— %
1908 - Buildings & Fixtures	$11,701,024	$12,028,211	$327,187	2.8 %
1910 - Leasehold Improvements	$0	$0	$0	— %
1915 - Office Furniture & Equipment (10 years)	$2,278,556	$2,373,616	$95,060	4.2 %
1920 - Computer Equipment - Hardware	$1,827,164	$2,081,628	$254,465	13.9 %
1930 - Transportation Equipment	$5,107,197	$5,238,082	$130,885	2.6 %
1935 - Stores Equipment	$272,397	$272,397	$0	— %
1940 - Tools, Shop & Garage Equipment	$1,607,760	$1,627,758	$19,998	1.2 %
1945 - Measurement & Testing Equipment	$448,403	$459,138	$10,736	2.4 %
1950 - Power Operated Equipment	$0	$0	$0	— %
1955 - Communications Equipment	$362,813	$362,813	$0	— %
1960 - Miscellaneous Equipment	$55,296	$67,974	$12,678	— %
1980 - System Supervisor Equipment	$4,990,906	$5,550,196	$559,290	11.2 %
1990 - Other Tangible Property	$0	$0	$0	— %
Gross General Plant	**$51,728,725**	**$53,635,969**	**$1,907,244**	**3.7 %**
Contributions and Grants				
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$0	— %
2440 - Deferred Revenue	$(65,401,703)	$(76,120,494)	$(10,718,791)	16.4 %
Gross Contributions and Grants	**$(94,678,763)**	**$(105,397,555)**	**$(10,718,791)**	**11.3 %**
Gross Assets for Rate Base Purposes	**$335,930,276**	**$350,333,324**	**$14,403,048**	**4.3 %**
Accumulated Depreciation	$(192,423,637)	$(198,482,807)	$(6,059,170)	3.1 %
Total Net Assets for Rate Base Purposes	**$143,506,639**	**$151,850,517**	**$8,343,878**	**5.8 %**

Gross assets increased by $14,403,048 or 4.3% from 2023 to 2024 due to:

- Distribution asset additions (net of disposals) of $23,214,595, driven by System Access and System Renewal investments.
    - System Access expenditures included customer driven projects (e.g., connections, upgrades, suite metering and relocations), the Metrolinx GO Corridor Electrification project, the Burloak Grade Separation project, subdivision developments, a meter resealing and reverification project to comply with Measurement Canada regulations, and revenue metering transformer upgrades at the Burlington TS, which were non-discretionary and required by HONI to comply with safety regulations as further discussed in Table 5.4-6 of the DSP.
    - System Renewal expenditures included (i) the replacement of a transformer at Howard MS based on its deteriorated condition, (ii) the ongoing replacement of end-of-life distribution assets such as transformers, wood poles, underground cables, switches, and other MS assets to mitigate failure risks and ensure the reliability and safety of BHI's distribution system; and (iii) reactive replacements to address unexpected equipment faults and failures as further discussed in Table 5.4-6 of the DSP.
- General plant additions (net of disposals) of $1,907,244, driven by building expenditures, IT upgrades, and vehicle replacements.
    - Building expenditures included the replacement of a leaking section of the roof at BHI's head office, identified in Table 5.4-6 of the DSP, and renovations and upgrades to accommodate BHI's workforce.
    - IT upgrades included the replacement and upgrade of BHI's OMS to improve outage management and customer communications, as well as the upgrade of BHI's Enterprise Resource Planning ("ERP") to better support business operations. Replacement of BHI's OMS is discussed further in Sections 5.2.1.3 and 5.4.2 and Table 5.4-6 of the DSP.
    - Vehicle replacements were carried out based on condition assessments to ensure reliability and operational effectiveness.
- Contribution and grants of $(10,718,791), driven by contributions from the Metrolinx GO Corridor Electrification project, customer funded connections and upgrades, the Burloak Grade Separation project and subdivision developments.

1 **Table 8 – 2024 Actuals vs. 2025 Bridge Year**

Description	2024 Actuals	2025 Bridge Year	Variance $ Incr(Decr)	Variance % Incr/(Decr)
Distribution Assets				
1805 - Land	$202,703	$202,703	$0	— %
1808 - Buildings and Fixtures	$2,678,104	$2,698,104	$20,000	0.7 %
1815 - Transformer Station Equipment >50kV	$0	$0	$0	— %
1820 - Distribution Station Equipment <50kV	$16,443,171	$17,488,171	$1,045,000	6.4 %
1830 - Poles, Towers & Fixtures	$60,837,491	$64,030,718	$3,193,227	5.2 %
1835 - Overhead Conductors & Devices	$83,180,903	$85,567,638	$2,386,735	2.9 %
1840 - Underground Conduit	$34,662,126	$38,340,317	$3,678,192	10.6 %
1845 - Underground Conductors & Devices	$59,840,233	$66,790,223	$6,949,990	11.6 %
1850 - Line Transformer	$64,857,137	$66,530,213	$1,673,076	2.6 %
1855 - Services (Overhead & Underground)	$54,157,608	$60,318,843	$6,161,235	11.4 %
1860 - Meters	$25,235,435	$26,790,935	$1,555,500	6.2 %
Gross Distribution Assets	**$402,094,909**	**$428,757,863**	**$26,662,954**	**6.6 %**
General Plant				
1609 - Capital Contributions Paid	$6,633,722	$6,857,122	$223,400	3.4 %
1611 - Computer Software (Formally known as Account 1925)	$15,679,111	$16,313,311	$634,200	4.0 %
1612 - Land Rights (Formally known as Account 1906)	$245,044	$245,044	$0	— %
1905 - Land	$1,016,276	$1,016,276	$0	— %
1908 - Buildings & Fixtures	$12,028,211	$12,390,211	$362,000	3.0 %
1910 - Leasehold Improvements	$0	$0	$0	— %
1915 - Office Furniture & Equipment (10 years)	$2,373,616	$2,393,616	$20,000	0.8 %
1920 - Computer Equipment - Hardware	$2,081,628	$2,159,628	$78,000	3.7 %
1930 - Transportation Equipment	$5,238,082	$6,178,082	$940,000	17.9 %
1935 - Stores Equipment	$272,397	$272,397	$0	— %
1940 - Tools, Shop & Garage Equipment	$1,627,758	$1,647,758	$20,000	1.2 %
1945 - Measurement & Testing Equipment	$459,138	$469,138	$10,000	2.2 %
1950 - Power Operated Equipment	$0	$0	$0	— %
1955 - Communications Equipment	$362,813	$362,813	$0	— %
1960 - Miscellaneous Equipment	$67,974	$77,974	$10,000	— %
1980 - System Supervisor Equipment	$5,550,196	$5,800,196	$250,000	4.5 %
1990 - Other Tangible Property	$0	$0	$0	— %
Gross General Plant	**$53,635,969**	**$56,183,569**	**$2,547,600**	**4.7 %**
Contributions and Grants				
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$0	— %
2440 - Deferred Revenue	$(76,120,494)	$(91,590,572)	$(15,470,078)	20.3 %
Gross Contributions and Grants	**$(105,397,555)**	**$(120,867,633)**	**$(15,470,078)**	**14.7 %**
Gross Assets for Rate Base Purposes	**$350,333,324**	**$364,073,800**	**$13,740,476**	**3.9 %**
Accumulated Depreciation	$(198,482,807)	$(205,666,089)	$(7,183,283)	3.6 %
Total Net Assets for Rate Base Purposes	**$151,850,517**	**$158,407,711**	**$6,557,193**	**4.3 %**

2

Gross assets are expected to increase by $13,740,476 or 3.9% from 2024 to 2025 due to:

- Distribution asset additions (net of disposals) of $26,662,954, driven by planned investments in System Access and System Renewal.
  - System Access expenditures include customer driven projects (e.g., connections, upgrades, and relocations), suite metering projects driven by an increase in condominium construction, and mandatory relocation of distribution assets required for road widening work on Dundas St. Other key projects include subdivision developments, the Burloak Grade Separation project, meter resealing and reverification projects to comply with Measurement Canada regulations, and system expansions to accommodate load growth related to Major Transit Station Area ("MTSA") developments (e.g. Aldershot GO). Further details on MTSA developments are provided in Section 5.4.1.2.1 of the DSP.
  - System Renewal expenditures include the ongoing replacement of end-of-life distribution assets, including transformers, wood poles, underground cables, switches, and MS assets, to mitigate failure risks and ensure the reliability and safety of BHI's distribution system.
- General plant additions (net of disposals) of $2,547,600, driven by planned investments in building expenditures, IT upgrades, and vehicle replacements.
  - Planned building expenditures include replacing the receiving dock to address safety concerns, [redacted], and renovations and upgrades to accommodate BHI's workforce.
  - IT upgrades include the planned replacement of end-of-life servers that will no longer be supported, implementation of Business Continuity and Disaster Recovery planning tools, and the scheduled replacement of personal computers and laptops based on a five-year life cycle.
  - Vehicle expenditures for the planned replacement of large and small trucks based on condition assessments to ensure reliability and operational effectiveness.
- Contribution and grants of $(15,470,078), driven by contributions from expected customer-funded connections and upgrades, the Burloak Grade Separation project, the Dundas St. Road Widening project, anticipated subdivision developments and the

expected 10-year true-up payment for the Tremaine TS CCRA as further discussed in Table 5.4-7 of the DSP.

Table 9 – 2025 Bridge Year vs. 2026 Test Year

Description	2025 Bridge Year	2026 Test Year	Variance $ Incr(Decr)	Variance % Incr/(Decr)
Distribution Assets				
1805 - Land	$202,703	$202,703	$0	— %
1808 - Buildings and Fixtures	$2,698,104	$2,722,584	$24,480	0.9 %
1815 - Transformer Station Equipment >50kV	$0	$0	$0	— %
1820 - Distribution Station Equipment <50kV	$17,488,171	$18,589,771	$1,101,600	6.3 %
1830 - Poles, Towers & Fixtures	$64,030,718	$73,932,706	$9,901,988	15.5 %
1835 - Overhead Conductors & Devices	$85,567,638	$92,472,511	$6,904,873	8.1 %
1840 - Underground Conduit	$38,340,317	$43,704,650	$5,364,333	14.0 %
1845 - Underground Conductors & Devices	$66,790,223	$73,231,448	$6,441,225	9.6 %
1850 - Line Transformer	$66,530,213	$68,653,098	$2,122,885	3.2 %
1855 - Services (Overhead & Underground)	$60,318,843	$70,986,879	$10,668,037	17.7 %
1860 - Meters	$26,790,935	$30,949,103	$4,158,168	15.5 %
Gross Distribution Assets	**$428,757,863**	**$475,445,452**	**$46,687,589**	**10.9 %**
General Plant				
1609 - Capital Contributions Paid	$6,857,122	$6,857,122	$0	— %
1611 - Computer Software (Formally known as Account 1925)	$16,313,311	$16,880,431	$567,120	3.5 %
1612 - Land Rights (Formally known as Account 1906)	$245,044	$245,044	$0	— %
1905 - Land	$1,016,276	$1,016,276	$0	— %
1908 - Buildings & Fixtures	$12,390,211	$13,236,811	$846,600	6.8 %
1910 - Leasehold Improvements	$0	$0	$0	— %
1915 - Office Furniture & Equipment (10 years)	$2,393,616	$2,414,016	$20,400	0.9 %
1920 - Computer Equipment - Hardware	$2,159,628	$2,274,888	$115,260	5.3 %
1930 - Transportation Equipment	$6,178,082	$7,199,102	$1,021,020	16.5 %
1935 - Stores Equipment	$272,397	$272,397	$0	— %
1940 - Tools, Shop & Garage Equipment	$1,647,758	$1,668,158	$20,400	1.2 %
1945 - Measurement & Testing Equipment	$469,138	$479,338	$10,200	2.2 %
1950 - Power Operated Equipment	$0	$0	$0	— %
1955 - Communications Equipment	$362,813	$362,813	$0	— %
1960 - Miscellaneous Equipment	$77,974	$88,174	$10,200	— %
1980 - System Supervisor Equipment	$5,800,196	$6,243,896	$443,700	7.6 %
1990 - Other Tangible Property	$0	$0	$0	— %
Gross General Plant	**$56,183,569**	**$59,238,469**	**$3,054,900**	**5.4 %**
Contributions and Grants				
1995 - Contributions & Grants	$(29,277,060)	$(29,277,060)	$0	— %
2440 - Deferred Revenue	$(91,590,572)	$(112,298,872)	$(20,708,300)	22.6 %
Gross Contributions and Grants	**$(120,867,633)**	**$(141,575,933)**	**$(20,708,300)**	**17.1 %**
Gross Assets for Rate Base Purposes	**$364,073,800**	**$393,107,989**	**$29,034,189**	**8.0 %**
Accumulated Depreciation	$(205,666,089)	$(213,600,083)	$(7,933,993)	3.9 %
Total Net Assets for Rate Base Purposes	**$158,407,711**	**$179,507,906**	**$21,100,196**	**13.3 %**

Gross assets are expected to increase $29,034,189 or 8.0% from 2025 to 2026 due to:

- Distribution asset additions (net of disposals) of $46,687,589, driven by planned investments in System Access, System Renewal, and System Service.
    - System Access expenditures include customer driven projects (e.g., connections, upgrades, and relocations), suite metering projects driven by increased condominium construction, and mandatory relocation of distribution assets required for road widening work on Dundas Street. Other key projects include the large-scale replacement of smart meters approaching end-of-life in 2026, subdivision developments, the Burloak Grade Separation project, the Metrolinx Onxpress corridor project (as part of the Metrolinx GO Expansion), and system expansions to accommodate load growth related to MTSA developments (Aldershot, Burlington and Appleby GO Stations). Further details are provided in Section 5.4.1.2.1 of the DSP.
    - System Renewal expenditures focus on the ongoing replacement of end-of-life distribution assets, including transformers, wood poles, underground cables, switches, and MS assets, to mitigate failure risks and ensure the reliability and safety of BHI's distribution system. BHI plans to increase the pace of replacement for specific assets, such as protective relays, poles, and underground cables, to reduce the percentage of these assets in very poor and poor condition, based on the BHI's most recent Asset Condition Assessment ("ACA")[2]. Further details are provided in Section 5.4.1.2.2 of the DSP.
    - System Service investments include the installation of intelligent switches and the AMI collector upgrade to advance grid modernization and enhance network flexibility. Further details are provided in Section 5.4.1.2.3 of the DSP.
- General plant additions (net of disposals) of $3,054,900, driven by planned investments in building expenditures, IT upgrades, and vehicle replacements.
    - Planned building expenditures include renovations of deteriorated areas of BHI's head office, replacing end of life HVAC units, [redacted], and expansion and paving of the south parking lot .

[2] Distribution System Plan, Appendix I

- ◦ IT upgrades include the planned replacement of end-of-life servers that will no longer be supported, implementation of efficiency tools such as SharePoint, inventory management software and accounting and budgeting software, and the scheduled replacement of personal computers and laptops based on a five-year life cycle.
- ◦ Vehicle expenditures for the planned replacement of large and small trucks based on condition assessments to ensure reliability and operational effectiveness.

Further details are provided in Section 5.4.1.2.4 of the DSP.

- Contribution and grants of $(20,708,300), driven by contributions from customer-funded connections and upgrades, the Burloak Grade Separation project, the Dundas St Road Widening project, the Metrolinx Onxpress corridor project, system expansion projects related to MTSA developments (Aldershot, Burlington and Appleby GO stations) and subdivision developments.

2.4 DEPRECIATION, AMORTIZATION AND DEPLETION

In accordance with the Chapter 2 Filing Requirements this Section demonstrates that the proposed levels of depreciation/amortization in this Application appropriately reflect the useful lives of BHI's assets and the OEB's policies.

The asset useful lives that BHI uses for depreciation purposes were derived from a report conducted by Kinetrics[3] specifically for BHI in conjunction with Enersource, Oakville Hydro, Milton Hydro and Halton Hills Hydro ("LDC Specific Kinectrics Report"). This report was filed and approved by the OEB in BHI's 2014 Cost of Service application (EB-2013-0115).

2.4.1 Depreciation/Amortization Policy

BHI depreciates/amortizes the cost of items of Property, Plant and Equipment ("PP&E") using the straight-line method over their estimated useful lives. Depreciation is recorded at one-half of the annual rate for assets placed into service or acquired in the current year, in accordance with section 2.2.4 of the Chapter 2 Filing Requirements. Depreciation of an asset begins in the year when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended. Depreciation of an asset ceases when the asset is retired from active use, sold or is fully depreciated.

BHI does not have any Asset Retirement Obligations ("AROs") and therefore no associated depreciation or accretion expense has been recorded.

BHI depreciates the significant parts or components of each item of PP&E separately, in accordance with IFRS.

BHI has not made any changes to its depreciation/amortization policy since its last rebasing application (EB-2020-0007), and as such has not completed Appendix 2-BB - Service Life Comparison. However, Appendix 2-BB of it's last rebasing application indicated a service life of 5

[3] Kinectrics Inc. Report No. K-418022-RA-0001-R003, December 10, 2009, Exhibit 4, Attachment 2 Typical Useful Lives Study, EB-2013-0115

years for USoA 1611 – Computer Software. This was an error and should have indicated a service life of 5-10 years as BHI had, at its last rebasing application, and still has, assets in USoA account 1611 that are depreciated over 10 years, specifically its GIS and CIS.

2.4.2 Depreciation, Amortization and Depletion by Asset Group

BHI provides a summary of its depreciation and amortization expense in Table 10 below, for its 2021 Cost of Service application , the 2021 to 2024 Actuals, the 2025 Bridge Year and the 2026 Test Year. The associated asset amounts are provided in in Table 4 to Table 9 above.

BHI files the OEB's Chapter 2 Appendix 2-C in Tab "App.2-C_DepExp" of the OEB Chapter 2 Appendices. BHI confirms that the depreciation expense identified in Table 10 below reconciles with the Fixed Asset Continuity Schedules filed in Tab "App.2-BA_Fixed Asset Cont" of the OEB Chapter 2 Appendices and is consistent with the depreciation in the OEB Chapter 2 Appendix 2-C.

Table 10 – Total Depreciation by Major Plant Account (2021-2026)

USoA	Description	2021 CoS	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
Reporting Basis		MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
1609	Capital Contributions Paid	$71,973	$110,454	$110,454	$110,454	$110,454	$112,316	$114,177
1611	Computer Software (Formally known as Account 1925)	$1,215,942	$1,280,619	$814,508	$810,452	$876,760	$911,292	$1,000,302
1612	Land Rights (Formally known as Account 1906)	$2,520	$3,913	$3,913	$3,913	$3,913	$3,913	$3,913
1805	Land	$0	$0	$0	$0	$0	$0	$0
1808	Buildings	$63,337	$61,948	$60,710	$58,696	$58,310	$60,089	$60,419
1810	Leasehold Improvements	$0	$0	$0	$0	$0	$0	$0
1815	Transformer Station Equipment >50 kV	$0	$0	$0	$0	$0	$0	$0
1820	Distribution Station Equipment <50 kV	$246,043	$218,002	$214,454	$212,777	$217,023	$232,167	$250,668
1825	Storage Battery Equipment	$0	$0	$0	$0	$0	$0	$0
1830	Poles, Towers & Fixtures	$1,019,402	$926,086	$984,123	$1,050,662	$1,168,963	$1,309,530	$1,473,220
1835	Overhead Conductors & Devices	$908,252	$904,315	$993,127	$1,131,658	$1,292,708	$1,403,685	$1,533,003
1840	Underground Conduit	$374,713	$366,177	$398,270	$420,145	$451,486	$499,630	$574,984
1845	Underground Conductors & Devices	$1,199,272	$934,950	$1,008,388	$1,148,917	$1,281,591	$1,414,800	$1,605,421
1850	Line Transformers	$1,016,966	$990,612	$1,016,782	$1,051,392	$1,091,426	$1,132,466	$1,179,916
1855	Services (Overhead & Underground)	$557,616	$506,661	$515,793	$557,920	$609,573	$703,348	$853,256
1860	Meters	$1,065,222	$1,041,040	$1,049,220	$1,149,305	$1,102,475	$799,409	$794,615
1860	Meters (Smart Meters)	$0	$0	$0	$0	$0	$0	$0
1905	Land	$0	$0	$0	$0	$0	$0	$0
1908	Buildings & Fixtures	$343,008	$315,278	$315,655	$312,315	$318,284	$327,532	$356,489
1910	Leasehold Improvements	$0	$0	$0	$0	$0	$0	$0
1915	Office Furniture & Equipment (10 years)	$61,801	$80,084	$82,801	$79,699	$82,422	$84,429	$82,787
1915	Office Furniture & Equipment (5 years)	$0	$0	$0	$0	$0	$0	$0
1920	Computer Equipment - Hardware	$137,302	$139,372	$148,678	$161,453	$146,858	$151,761	$162,143
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$0	$0	$0	$0	$0	$0	$0
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$0	$0	$0	$0	$0	$0	$0
1930	Transportation Equipment	$267,085	$285,186	$286,817	$306,218	$320,078	$332,664	$394,363
1935	Stores Equipment	$0	$0	$0	$0	$0	$0	$0
1940	Tools, Shop & Garage Equipment	$21,778	$20,569	$21,884	$23,342	$18,986	$14,909	$16,550

USoA	Description	2021 CoS	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
1945	Measurement & Testing Equipment	$6,097	$5,053	$5,220	$5,721	$6,477	$7,445	$7,106
1950	Power Operated Equipment	$0	$0	$0	$0	$0	$0	$0
1955	Communications Equipment	$17,095	$17,095	$17,095	$17,095	$17,095	$17,095	$17,095
1955	Communication Equipment (Smart Meters)	$0	$0	$0	$0	$0	$0	$0
1960	Miscellaneous Equipment	$2,661	$2,628	$2,260	$5,530	$10,473	$13,361	$15,005
1970	Load Management Controls Customer Premises	$0	$0	$0	$0	$0	$0	$0
1975	Load Management Controls Utility Premises	$0	$0	$0	$0	$0	$0	$0
1980	System Supervisor Equipment	$41,965	$58,188	$63,660	$74,545	$89,938	$104,075	$108,711
1985	Miscellaneous Fixed Assets	$0	$0	$0	$0	$0	$0	$0
1990	Other Tangible Property	$0	$0	$0	$0	$0	$0	$0
1995	Contributions & Grants	$(563,966)	$(563,966)	$(563,966)	$(563,504)	$(562,635)	$(560,244)	$(557,257)
2440	Deferred Revenue	$(1,198,080)	$(771,811)	$(921,624)	$(1,195,728)	$(1,529,431)	$(1,828,616)	$(2,240,436)
2005	Property Under Capital Leases	$0	$0	$0	$0	$0	$0	$0
Total Depreciation Amount		**$6,878,004**	**$6,932,453**	**$6,628,222**	**$6,932,979**	**$7,183,226**	**$7,247,054**	**$7,806,450**
(Deduct)/Add back								
Fully allocated depreciation in OM&A		$1,225,748	$996,771	$1,257,803	$1,300,290	$1,529,431	$1,828,616	$2,240,436
ICM depreciation recorded/(adjusted) in continuity for OEB purposes			$85,600				$(63,772)	
Total Depreciation Rate Setting Purposes		**$8,103,753**	**$8,014,824**	**$7,886,025**	**$8,233,269**	**$8,712,657**	**$9,011,899**	**$10,046,886**

2.4.3 Asset Disposals

BHI identifies its asset disposals in its Fixed Asset Continuity Schedules for the 2021 to 2024 Actuals, the 2025 Bridge Year and the 2026 Test Year, filed as Appendix 2-BA in the OEB Chapter 2 Appendices.

2.5 ALLOWANCE FOR WORKING CAPITAL

In accordance with the OEB policy for the calculation of the allowance for working capital[4], applicants are permitted to take one of two approaches for the calculation of its allowance for working capital: (1) use the default allowance of 7.5% of the sum of COP and OM&A, or (2) file a lead/lag study. BHI has used the default allowance of 7.5% for the purpose of calculating its WCA for the 2026 Test Year. BHI did not conduct a lead/lag study, nor was it directed to by the OEB.

BHI provides the calculation of the WCA for each of the 2021 to 2024 Actuals, the 2025 Bridge Year and the 2026 Test Year in Table 11 below. BHI is proposing a deemed WCA of $15,642,573 for the 2026 Test Year, based on a forecast of COP and OM&A expenses. . Further details on the calculation of the COP are provided in Section 2.5.1 of this Exhibit 2. Further details on OM&A expenses are provided in Exhibit 4 of this Application.

[4] OEB Letter, *Allowance for Working Capital for Electricity Distribution Rate Applications,* June 3, 2015

Table 11 – Working Capital Allowance

Description	2021 CoS (EB-2020-0007)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
Distribution Expenses							
Operations	$3,850,665	$4,894,442	$4,640,425	$4,968,442	$5,043,595	$5,385,844	$5,859,812
Maintenance	$5,536,747	$5,763,352	$5,766,819	$6,939,651	$6,298,065	$7,368,774	$8,043,725
Customer Services	$2,999,028	$2,691,397	$2,887,167	$2,711,403	$2,865,186	$3,195,522	$3,363,904
Community Relations	$36,800	$14,800	$21,050	$14,392	$23,911	$21,000	$31,300
Administration	$8,087,535	$7,646,912	$8,369,564	$8,627,771	$9,556,897	$10,741,832	$12,676,360
Donations - LEAP	$47,000	$47,000	$47,000	$47,000	$47,000	$47,000	$65,000
Property Taxes	$341,790	$341,940	$343,675	$361,048	$355,468	$365,427	$375,892
Less Allocated Depreciation in OM&A	$0	$0	$0	$0	$0	$0	$0
Total Distribution Expenses	**$20,899,565**	**$21,399,843**	**$22,075,701**	**$23,669,708**	**$24,190,123**	**$27,125,399**	**$30,415,993**
Power Supply Expenses	$179,216,197	$159,490,944	$164,021,920	$165,561,318	$174,267,063	$181,191,162	$178,151,648
Total Expenses for Working Capital	**$200,115,762**	**$180,890,787**	**$186,097,620**	**$189,231,025**	**$198,457,185**	**$208,316,561**	**$208,567,641**
Working Capital Factor	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total Working Capital Allowance	**$15,008,682**	**$13,566,809**	**$13,957,322**	**$14,192,327**	**$14,884,289**	**$15,623,742**	**$15,642,573**

2.5.1 Calculation of Cost of Power

BHI has calculated the COP for the 2026 Test Year based upon the 2026 Load Forecast adjusted for the impact of Conservation Demand Management ("CDM") activities and in accordance with the Chapter 2 Filing Requirements. A summary of the total COP expenses is identified in Table 12 below. Further details on the 2026 Load Forecast are provided in Exhibit 3.

Table 12 – Cost of Power

Description	2021 CoS (EB-2020-0007)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
4705 - Power Purchased	$104,672,331	$105,226,413	$119,337,932	$99,179,545	$114,738,620	$106,507,747	$107,290,082
4707 - Global Adjustment Charges	$65,241,290	$51,869,293	$35,163,014	$49,154,926	$45,945,585	$43,044,429	$42,297,885
4708 - Charges - WMS	$6,225,186	$5,931,595	$6,037,886	$6,523,483	$8,907,124	$9,231,474	$9,211,026
4710 - Cost of Power Adjustment	$(22,113,627)	$(27,665,070)	$(23,932,727)	$(18,719,765)	$(27,633,941)	$(13,720,880)	$(13,794,033)
4714 - Charges - Network	$14,013,242	$13,169,031	$15,302,521	$16,528,683	$18,164,477	$20,502,172	$18,693,132
4716 - Charges - Connection	$10,715,253	$10,531,591	$11,912,853	$12,681,512	$13,856,035	$15,280,591	$14,106,259
4730 - Rural Rate Assistance Expense	$0	$0	$0	$0	$0	$0	$0
4751 - Smart Metering Entity Charge	$462,521	$428,091	$200,439	$212,934	$289,162	$345,628	$347,296
Total	**$179,216,197**	**$159,490,944**	**$164,021,920**	**$165,561,318**	**$174,267,063**	**$181,191,162**	**$178,151,648**

The commodity price estimate used to calculate COP has been determined by the split between RPP and non-RPP Class A and Class B customers based on actual data and using the most current RPP Time-of-Use ("TOU") prices established for the November 1, 2024 to October 31, 2025 period. The RPP and non-RPP price was obtained from the OEB's Regulated Price Plan: Price Report November 1, 2024 to October 31, 2025, issued October 18, 2024. The COP calculation uses the most recently approved Uniform Transmission Rates ("UTRs"), Smart Metering Entity charge and regulatory charges. The credit amounts recorded in USoA 4710, and identified in Table 12 above, represent the Ontario Electricity Rebate ("OER"). As such, the 2026 Test Year includes the impact of the OER of 13.1%, as announced by the OEB on October 18, 2024 and effective November 1, 2024.

BHI provides Appendices 2-ZA and 2-ZB in Tabs "App.2Za_Comm. Exp. Forecast" and "App.2Zb_Cost of Power", respectively, of the OEB Chapter 2 Appendices.

2.6 DISTRIBUTION SYSTEM PLAN

In accordance with the Chapter 2 Filing Requirements, BHI is filing its consolidated Distribution System Plan ("DSP") as a stand-alone and self-sufficient document as Appendix A of this Exhibit 2. BHI has prepared its DSP in accordance with the OEB's *Filing Requirements For Electricity Distribution Rate Applications – 2025 Edition for 2026 Rate Applications – Chapter 5 Distribution System Plan*, dated December 09, 2024 (the "DSP Filing Requirements") as part of this Application. This DSP is organized using the same section headings indicated in the DSP Filing Requirements. Other relevant information is included in separately identified sections.

2.7 POLICY OPTIONS FOR THE FUNDING OF CAPITAL

On September 18, 2014, the OEB issued the *Report of the Board on New Policy Options for the Funding of Capital Investments: The Advanced Capital Module* (the "ACM Report"). The ACM reflects an evolution of the ICM adopted by the OEB in 2008.

The Advanced Capital Module ("ACM") expands the ICM concept to incorporate the concept of recovery for qualifying incremental capital investments during the Price Cap IR period with an opportunity to identify and pre-test such discrete capital projects documented in the DSP as part of the Cost of Service application.

On January 22, 2016, the OEB issued the *Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report*. This report made changes to the materiality threshold on which ICM and ACM proposals are assessed, but otherwise does not alter the requirements for ACM and ICM proposals by an applicant.

BHI is seeking OEB approval for advanced capital funding for the planned replacement of its Supervisory Control and Data Acquisition ("SCADA") system and procurement of a fully integrated Advanced Distribution Management System ("ADMS"), expected to commence in 2027 and be in service by the end of 2027. The ACM is available to electricity distributors filing under the Price Cap IR. These capital investment requirements are incremental to BHI's capital requirements within the context of its financial capacities underpinned by the proposed rates in this Application, and satisfy the eligibility criteria of materiality, need and prudence as set out in Section 4.1.5 of the ACM Report. These criteria are discussed below. The OEB's Capital Module Applicable to ACM and ICM (the "ICM Module") is filed as Attachment4_2026_ACM_ICM_Model_BHI_04162025

2.7.1 Eligibility Criteria

2.7.1.1 Materiality

The OEB states in the ACM report that "*A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental* *capital amount (as defined in the ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing.*"

The OEB-defined materiality threshold is represented by the following formula:

$$\boldsymbol{Threshold\,Value}\ (\%) = \mathbf{1} + \left[\left(\frac{\boldsymbol{RB}}{\boldsymbol{d}}\right) \times (\boldsymbol{g} + \boldsymbol{PCI} \times (\mathbf{1} + \boldsymbol{g}))\right] \times \left((\mathbf{1} + \boldsymbol{g}) \times (\mathbf{1} + \boldsymbol{PCI})\right)^{\boldsymbol{n}-\mathbf{1}} + \mathbf{10\%}$$

RB = rate base from the distributor's last cost of service

d = depreciation from the distributor's last cost of service

g = growth calculated based on the percentage difference in distribution revenues between the most recent complete year and the distribution revenues from the most recent approved test year in a cost of service application

PCI = Price Cap Index (IPI – stretch factor) from the distributor's most recent Price Cap IR application as a placeholder for the initial application filing to be updated when new information becomes available

n = number of years since the last rebasing

BHI provides a preliminary calculation of its materiality threshold using the proposed 2026 Test Year rate base and depreciation, an annual adjustment or price cap index ("PCI") of 3.30%, and a negative growth factor of (0.79)%. BHI has used the OEB's 2025 inflation factor of 3.60%, as issued by the OEB on June 20, 2024 to determine the PCI, subject to an update when a new inflation factor is available.

The annual negative growth factor of (0.79)% has been calculated in accordance with the ACM Report and is equal to the decrease in distribution revenue from 2024 to 2026. 2024 distribution revenue, for the purposes of calculating BHI's threshold capital expenditure, is based on BHI's 2024 actual demand at 2026 proposed rates to account for OEB-approved inflationary adjustments and proposed 2026 adjustments.

Table 13 below summarizes the calculation of the threshold capital expenditure amounts using the OEB's formula identified in the ACM Report. The threshold value for 2027 is 168% which results in a threshold capital expenditure value of $13,307,629.

Table 13 – Threshold Capital Expenditure Calculation

Description	Amount
Inflation Factor	3.60 %
Less: Productivity Factor	— %
Less: Stretch Factor	(0.30)%
Price Cap Index ("PCI")	3.30 %
Revenues Based on 2024 Actual Distribution Revenues	$49,713,972
Revenues Based on 2026 Test Year Distribution Revenues	$48,925,828
Number of Years	2
Growth Factor (negative)	(0.79)%
Year	2027
# of years since rebasing	1
Price Cap Index ("PCI")	3.30 %
Growth Factor	(0.79)%
Dead Band	10 %
Rate Base	$184,600,382
Depreciation	$7,933,993
Threshold Value - 2027	**168 %**
Threshold Capital Expenditure - 2027	**$13,307,629**

2.7.1.2 Eligible Capital Amount

Table 14 below identifies the maximum eligible incremental capital amount of $11,552,553 in 2027 . This amount is determined by deducting the applicable threshold capital expenditure from BHI's 2027 forecast of capital expenditures, identified in Tab "App.2-AA-Capital Projects" of the OEB Chapter 2 Appendices.

Table 14 – Maximum Eligible Incremental Capital

Description	2027
Capital Forecast	$24,860,182
Less: Materiality Threshold	$13,307,629
Maximum Eligible Incremental Capital	**$11,552,553**

Table 15 below identifies the eligible capital project for which BHI is seeking approval. The project is forecasted to cost $3,640,000 and as such is significant in relation to BHI's overall capital budget.

Table 15 – Eligible Capital Projects

Project Description	Category	2027
SCADA Replacement/ADMS Acquisition	General Plant	$3,640,000
Total		**$3,640,000**

2.7.1.3 Need

The distributor must satisfy the eligibility criteria of need, comprised of: (i) passing the means test; (ii) amounts to be incurred must be based on discrete projects; and (iii) amounts to be incurred must be outside of the base upon which rates were derived.

2.7.1.4 Means Test

The distributor must pass the Means Test as defined in the ACM Report. If a distributor's regulated return on equity ("ROE") exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, the funding for any incremental capital project will not be allowed. BHI's deemed ROE in effect for the 2026-2030 rate period, is expected to be 9.00%, based on the OEB's 2025 Cost of Capital Parameters.[5] BHI expects its ROE in 2027 to be within 300 basis points of 9.00%, and as such expects to meet the Means Test.

2.7.1.5 Discrete Projects

The project is distinct and unrelated to a recurring annual capital program. It is a general plant project involving the replacement of BHI's SCADA system and procurement of ADMS modules to ensure system reliability, support grid modernization, and optimize operations.

2.7.1.6 Inclusion in Base Rates

This project is not included in the proposed 2026 Test Year Rate Base in BHI's Cost of Service Application, and as such will not be funded through proposed rates. The projects included in proposed rates are identified in Tab "App.2-AA_Capital Projects" of the OEB Chapter 2 Appendices.

2.7.1.7 Prudence

The amounts for which BHI is seeking approval are prudent, meaning that BHI's decision to incur the amounts represent the most cost-effective option for rate payers. An analysis of options and assessment of prudence is provided in the business case attached as Appendix B.

[5] https://www.oeb.ca/industry/rules-codes-and-requirements/cost-capital-parameter-updates

2.7.2 Capital Project Description and Expected In-service Dates

BHI currently uses the Survalent SCADA system to monitor the performance and loading of its network. To enhance its capabilities, BHI plans to adopt a system that supports advanced ADMS and DMS applications, including Fault Location, Isolation, and Service Restoration (FLISR), Volt-VAR Optimization (VVO), and a Distributed Energy Resources Management System (DERMS). Building these capabilities will:

- Help reduce outage frequency and duration through advanced fault detection and automated restoration systems;
- Provide real-time updates and enhance communication with customers during power outages
- Support more granular reporting (e.g. feeder-level) and enhanced performance targets (enhanced approach to setting reliability performance targets) set by the OEB related to reliability;
- Prepare the grid for future requirements, including the integration of renewable energy sources, electric vehicles (EVs), and advanced customer energy management solutions including through alternative energy business models such as Distribution System Operator capabilities;
- Automate and optimize grid operations to reduce energy losses and enhance operational efficiency; and
- Enable BHI to more effectively evaluate non-wires solutions (e.g. demand response programs, energy storage) to address system needs.

To achieve these goals, BHI is proposing to replace its aging SCADA system and procure a fully integrated ADMS.

The project is forecasted to cost $3,640,000 and is eligible for an ACM as identified in Table 15. This does not include costs associated with integrating with existing BHI applications or the cost of field hardware, as BHI will be in a better position to accurately forecast these costs as part of the project preparation phase. BHI will file updated information on the forecast costs in its 2027 Price Cap IR application in accordance with the ACM Report.

The expected in-service date of the project is December 31, 2027.
Further details are included in the business case attached as Appendix B to this Exhibit 2.

2.7.3 Incremental Project’s Revenue Requirement offset by Other Means

The incremental project for which ACM treatment is proposed cannot be offset by revenue generated through other means (e.g., contributions in aid of construction).

2.7.4 Actions to be Taken in the Event that the ACM Application is not Approved

Should the OEB not approve the application for the ACM, BHI would need to reconsider its 2027 capital expenditures and consider deferring the project to its next rebasing application. Without funding for this project BHI would face a number of challenges and implications in the next rate period including:

- **Inability to support Smart Grid integration and future technologies**
  Without this investment, BHI will be unable to modernize the grid to accommodate Distributed Energy Resources (DERs), EVs, and advanced customer energy management solutions. The lack of smart grid capabilities will hinder future Distribution System Operator (DSO) functions.

- **Reduced operational efficiency**
  BHI’s current system lacks automated Fault Location, Isolation, and Service Restoration (FLISR), the lack of which could lead to longer restoration times and increased service disruptions. Without enhanced grid automation, voltage regulation and load balancing will be less efficient, raising operational costs and energy losses.

- **Increased outage duration and frequency in the face of increasing extreme weather**
  More frequent and severe weather events will increase the risk of prolonged outages. Without real-time monitoring and automation, BHI will struggle to quickly identify and isolate faults, leading to longer restoration times and reduced voltage stability and power quality.

- **Inability to efficiently manage DERs**
  As DER adoption grows, bidirectional power flows and increased variability require advanced grid management. Without this investment, BHI will lack the tools to optimize DER dispatch, voltage regulation, and system balancing, creating grid instability and reliability concerns.

- **Reduced customer service and satisfaction**
  Customers expect real-time outage updates, a reliable distribution system, and greater control over energy usage. Without the SCADA Replacement and ADMS Acquisition project, outage resolution times could increase, customer satisfaction could decline, and BHI could struggle to support evolving energy needs.

- **Difficulty complying with regulatory and safety standards**
  BHI must meet evolving OEB requirements, including feeder-level reliability standards, DSC amendments, and updated performance targets. Without acquiring enabling technologies, compliance will be challenging - adopting modern solutions is essential for long-term grid resilience and regulatory compliance.

- **Limited predictive analytics for grid optimization**
  The current SCADA system lacks advanced analytics to anticipate and mitigate grid failures. Without automated FLISR and optimization tools such as Volt/VAR management, dynamic load balancing, and automated switching, outages could take longer to resolve and reliability metrics (e.g., SAIDI, SAIFI) could be impacted.

Further details are included in the business case attached as Appendix B to this Exhibit 2.

2.7.5 Consideration of Other Projects for ACM Treatment

BHI has included the replacement of its ERP solution in the 2026-2030 DSP, but is still too early in the planning process for this project to develop a business case and meet all criteria of an ACM request. Therefore, BHI is not seeking ACM approval for this project in this Application but may consider applying for an ICM over the 2026 to 2030 period should it meet the ICM eligibility criteria.

2.8 ADDITION OF PREVIOUSLY APPROVED ACM AND ICM PROJECT ASSETS TO RATE BASE

BHI has approved ICM project assets from its 2025 IRM application (EB-2024-0010) in the amount of $4,762,343 related to the relocation of distribution assets as part of the Dundas St Road Widening project[6]. This project is expected to be completed by the end of 2025 and as such BHI has incorporated these ICM project assets into its rate base calculations and 2026 Fixed Asset Continuity Schedule.

[6] EB-2024-0010, Decision and Order, December 17, 2024, p1

2.9 CAPITALIZATION

2.9.1 Capitalization Policy

BHI's current capitalization policy is consistent with the OEB's regulatory accounting policies as set out for Modified International Reporting Standards ("MIFRS") as contained in the *Report of the Board on Transition to International Financial Reporting Standards* (EB-2008-0408) and the OEB's Accounting Procedures Handbook ("APH"). BHI transitioned to IFRS as of January 1, 2015. BHI has not changed its capitalization policy since its last rebasing application (EB-2020-0007).

BHI attaches its capitalization policy as Appendix C to this Exhibit 2.

2.9.2 Overhead Costs

BHI has not changed its policy regarding capitalization of overheads since its last rebasing application (EB-2020-0007). BHI's policy of capitalizing overheads through burden rates is described in its capitalization policy, attached as Appendix C to this Exhibit 2. BHI has completed Appendix 2-D of the OEB Chapter 2 Appendices regarding overhead costs on self-constructed assets. BHI provides a breakdown of OM&A before capitalization and a breakdown of capitalized OM&A in Table 16 below and in Tab "App.2-D_Overhead" of the OEB Chapter 2 Appendices.

Table 16 – Overhead Expense

OM&A Before Capitalization	2021	2022	2023	2024	2025	2026
	Historical Year	Historical Year	Historical Year	Historical Year	Bridge Year	Test Year
Operations and Maintenance	$12,780,344	$13,240,057	$14,431,347	$14,311,446	$15,140,798	$16,702,456
Billing and Collecting	$2,683,766	$2,878,417	$2,697,778	$2,865,187	$3,195,522	$3,363,904
Community Relations	$14,800	$21,050	$14,392	$23,911	$21,000	$31,300
Administrative and General (includes donations)	$7,737,404	$8,319,474	$8,674,003	$9,603,896	$10,788,832	$12,741,360
Total OM&A Before Capitalization (B)	**$23,216,314**	**$24,458,998**	**$25,817,521**	**$26,804,439**	**$29,146,152**	**$32,839,020**

Capitalized OM&A	2021	2022	2023	2024	2025	2026	Directly Attributable?	Explanation for Change in Overhead Capitalized
	Historical Year	Historical Year	Historical Year	Historical Year	Bridge Year	Test Year	(Yes/No)	
Direct Labour - Operations/Maintenance/ Engineering	$1,275,617	$1,681,483	$1,667,236	$1,901,072	$1,433,226	$1,705,793	Yes	Directly attributable to labour costs charged to capital
Employee Benefits - Operations Maintenance/Engineering	$509,804	$756,414	$752,321	$775,462	$652,955	$793,126	Yes	Directly attributable to labour costs charged to capital
Fleet	$303,493	$394,916	$318,529	$293,251	$300,000	$300,000	Yes	Directly attributable to labour costs charged to capital
Total Capitalized OM&A (A)	**$2,088,914**	**$2,832,813**	**$2,738,085**	**$2,969,785**	**$2,386,181**	**$2,798,919**		

% of Capitalized OM&A (=A/B)	**9 %**	**12 %**	**11 %**	**11 %**	**8 %**	**9 %**

Total OM&A After Capitalization (B-A)	**$21,127,400**	**$21,626,185**	**$23,079,436**	**$23,834,655**	**$26,759,971**	**$30,040,101**

2.9.3 Burden Rates

The methodology for calculating and applying burden rates has not changed since BHI's last rebasing application (EB-2020-0007). BHI's burden rates related to the capitalization of costs of self-constructed assets are described in its capitalization policy, attached as Appendix C to this Exhibit 2.

2.10 COSTS OF ELIGIBLE INVESTMENTS FOR THE CONNECTION OF QUALIFYING GENERATION FACILITIES

BHI confirms it has not identified any material eligible investments for which rate protection is required, as described in section 79.1 of the *Ontario Energy Board Act, 1998* ("OEB Act") and O.Reg. 330/09 under the OEB Act, nor is it already receiving rate protection as a result of a previous application and approval. As such, BHI has not completed Appendices 2-FA through 2-FC of the OEB Chapter 2 Appendices.

APPENDICES

Appendix A – Distribution System Plan

Appendix B – Business Case - SCADA Replacement/ADMS Acquisition

Business Case

for

Replacement of SCADA and Acquisition of Advanced Distribution Management System (ADMS)

Table of Contents

1. Executive Summary

The proposed business plan outlines the strategic rationale and implementation approach for replacing Burlington Hydro Inc.'s (BHI) aging Supervisory Control and Data Acquisition (SCADA) system and procuring a fully integrated Advanced Distribution Management System (ADMS). As energy demand grows, electrification accelerates, and distributed energy resources (DERs) become more prevalent, BHI must modernize its grid management capabilities to ensure system reliability, operational efficiency, and regulatory compliance.

A modern SCADA and ADMS solution will provide real-time monitoring and control, predictive analytics, and automated fault detection, enabling faster outage response, proactive grid optimization, and enhanced customer service capabilities. Additionally, ADMS will support integration and dispatching of renewable energy sources more effectively, optimizing voltage and load balancing, and facilitating demand response programs. With evolving energy transition and grid modernization mandates, this investment is essential to meeting regulatory expectations while maintaining a secure, flexible, and future-ready grid.

BHI's existing SCADA system, acquired in 2007, lacks enhanced functionality that modern SCADA systems can deliver when integrated with Outage Management Systems (OMS). By implementing an integrated SCADA and ADMS solution from the same vendor as its OMS provider, BHI will benefit from enhanced system interoperability, streamlined operations, and a more cohesive approach to grid management. This business base outlines the justification, benefits, and financial considerations supporting this investment, ensuring that BHI is well-positioned to meet the challenges and opportunities of the evolving energy landscape.

1.1 Purpose of the Document

This business case provides a comprehensive evaluation of the acquisition and implementation of an ADMS and replacement of SCADA for BHI. It outlines the strategic, operational, and financial justification for this initiative, demonstrating how modernizing grid operations will support reliability, efficiency, and long-term sustainability.

This business case seeks approval for budget allocation and phased implementation of the SCADA upgrade and ADMS solution, ensuring BHI is equipped to address current and future energy challenges effectively.

1.2 Key Objectives

The primary objectives of SCADA replacement and ADMS procurement are as follows:

- Enhance System Reliability: Improve grid performance by minimizing the impact from outages and reducing downtime through advanced fault detection and automated restoration systems. The system will work with smart devices in the field to quickly identify and isolate faults and automate restoration procedures, helping shorten the duration of outages and increasing overall system reliability. Additionally, integrating predictive maintenance technologies can help prevent equipment failures before they occur. This investment supports more granular reporting (e.g. feeder-level) and enhanced performance targets (enhanced approach to setting reliability performance targets) set by the Ontario Energy Board (OEB) related to reliability[1].

- Support Grid Modernization: Prepare the grid for future requirements, including the integration of renewable energy sources, electric vehicles (EVs), and advanced customer energy management solutions. This is aligned with the Minister of Energy and Electrification's pursuit of local and market opportunities for DERs, including through alternative energy business models such as Distribution System Operator capabilities[2].

- Optimize Operations: Automate and optimize grid operations to reduce energy losses and enhance operational efficiency. This involves utilizing advanced distribution management systems (ADMS) to monitor and control the flow of electricity more effectively. Advanced metering infrastructure (AMI) will also be deployed to provide detailed consumption data, allowing for better demand forecasting and load balancing. Building these capabilities will enable BHI to more effectively evaluate non-wires solutions (e.g. demand response programs, energy storage) to address system needs, consistent with the OEB's Non-Wires Solutions Guidelines and other DER-enablement and grid modernization activities.

- Improve Customer Service: Provide real-time updates and enhance communication with customers during power outages, along with offering tools for proactive energy management. ADMS will help maintain voltage stability and minimize power quality issues, leading to more reliable service for customers. Moreover, providing access to detailed energy usage information can empower customers to make informed decisions about their consumption patterns, potentially lowering their energy bills and contributing to overall grid stability.

- Ensure Compliance: Continue adhering to regulatory and safety standards established by the OEB, the Electrical Safety Authority (ESA), and other regulatory bodies. This involves regularly reviewing and updating practices to meet evolving regulations, conducting thorough safety assessments, and ensuring that all new installations comply with industry standards. This investment supports several activities and initiatives under the OEB's Reliability and Power Quality Review including distribution sector resilience and responsiveness, feeder-level reliability and reporting, minimum requirements for communicating with customers during widespread outages, and updated reliability performance targets.

Replacing the SCADA system and implementing an ADMS are foundational in BHI's ability to meet these objectives and position itself for the energy transition.

---

[1] Setting Reliability Performance Targets (Reliability and Power Quality Review EB-2021-0307), January 28, 2025

[2] Ministry of Energy and Electrification's Letter of Direction to the OEB, December 19, 2024, p7

1.3 Summary of Recommendations

To effectively manage growing energy demand and system complexity, BHI must upgrade its SCADA system and implement ADMS. This investment will enhance grid reliability, automation, and operational efficiency while ensuring compliance with evolving regulatory compliance. Based on the analysis in this business case, the following recommendations are proposed:

- Invest in the acquisition of ADMS and replacement of SCADA to improve overall grid management capabilities. Select a solution from BHI's existing OMS provider to maximize integration benefits, improve operational efficiency, streamline operations, and enhance interoperability.

- Opt for a scalable platform that can adapt to future requirements, such as electric vehicle (EV) integration, microgrid management, and additional DERMS capabilities.

- Engage stakeholders early in the process and provide training programs for operational staff to ensure full benefits of the new system are realized.

An assessment of two additional alternatives is provided in section 4.

2. Background and Context

The need to acquire ADMS and replace SCADA is driven by rapid technological advancements, evolving regulatory demands, and growing customer expectations. This will help BHI in maintaining a reliable, efficient, and sustainable grid and facilitate the integration of renewable energy sources, (DERs) such as solar panels, battery storage, and electric vehicles charging infrastructure.

2.1 Current State Analysis

The existing SCADA system, while historically adequate for monitoring and control in a traditional grid setup, faces several limitations in the context of modern grid demands and evolving industry standards. The current system lacks features of unified solutions when integrating to the recently acquired Hitachi OMS System, thus limiting BHI's ability to take advantage of two-way SCADA control to enable enhanced functionality such as automated Fault Location, Isolation and System Restoration (FLISR), Voltage and Reactive Power Optimization, and real-time monitoring and analytics.

The current SCADA system is not integrated with a functional ADMS and therefore, optimized grid operations and integrated features are not currently available. Implementing an ADMS will require an upgraded SCADA infrastructure capable of providing a fully integrated solution for enhanced efficiency, improved customer satisfaction and automation.

2.2 Industry Trends Driving Grid Modernization

The electricity sector is undergoing significant transformation as electrification, Distributed Energy Resources (DERs), extreme weather events, and evolving cybersecurity threats reshape how the grid is managed. As energy demand increases and customers expect more responsive service, BHI must modernize its systems to improve operational efficiency, grid resilience and customer experience.

- Electrification and Growing Energy Demand: The demand for electricity is rising due to transportation electrification, increased housing development, and industrial expansion. As more EVs, heat pumps, and energy-intensive industries come online, traditional grid management tools are becoming insufficient. Upgrading SCADA and integrating ADMS will provide real-time visibility, automated load balancing, and enhanced distribution system flexibility to manage this increasing demand.

- Integration of DERs: The rise of DERs introduce bidirectional power flows and variability that require advanced grid management tools. An ADMS can help optimize DER dispatch, voltage regulation, and system balancing, ensuring a more stable and reliable grid.

- Increasing Reliability and Resilience Requirements: Extreme weather events are becoming more frequent, posing new risks to grid infrastructure. At the same time, reliability expectations are increasing as customers become more dependent on electricity of heating, transportation, and daily life. Upgrading SCADA and integrating ADMS will enable BHI to minimize outage duration, improve restoration times, and enhance overall system resilience.

- Cybersecurity and Grid Protection: As interconnectivity and digitization increases, so does the probability of cyberattacks on Ontario's energy infrastructure. A modern SCADA system with enhanced security controls and advanced monitoring will help mitigate these risks while ensuring continuous and secure grid operations.

- Evolving Customer Needs and Expectations: As electrification accelerates, customers increasingly expect greater reliability, real-time communications, and more control over their energy usage. An upgraded SCADA system and ADMS provides the ability to meet these expectations by improving outage management and supporting future customer-driven energy solutions.

2.3 Regulatory Expectations and Policy Alignment

The OEB and Ministry of Energy and Mines (MOEM) have established clear expectations for grid modernization, operational efficiencies, and reliability improvements. BHI's investment in SCADA and ADMS upgrades are required to deliver on these expectations and support broader provincial energy objectives.

Ontario Energy Board Expectations

BHI's SCADA and ADMS investments support several key OEB initiatives:

- Reliability and Power Quality Review

- Distribution Sector Resilience and Responsiveness – The OEB identifies ADMS as a critical tool for improving system resilience, efficiency, and outage response, particularly in the face of increasing extreme weather events[3].
  - Feeder-Level Reliability Reporting – ADMS enhances real-time monitoring and reporting, allowing BHI to support the OEB's goal of increasing transparency and customer awareness of system reliability[4].
  - DSC Amendments – The OEB has introduced new minimum requirements for communication with customers during widespread outages, which ADMS will support[5].
  - Updated Reliability Performance Targets – As Ontario's energy transition accelerates, the OEB expects distributors to meet higher performance standards, ensuring grid reliability keeps pace with customer needs[6].

- Operational Efficiency and System Modernization: The OEB expects LDCs to strengthen governance, improve operational efficiencies, and modernize grid infrastructure to meet growing electrification demands and evolving system complexities. SCADA and ADMS upgrades will help BHI further automate outage management and response, optimize grid performance, and improve real-time decision-making to align with these efficiency goals.

<u>Ministry of Energy & Mines Expectations</u> The MOEM has set broader policy priorities to support Ontario's energy transition, economic growth, and affordability objectives. BHI's SCADA and ADMS investment aligns with these key priorities as follows:

- Ensuring System Reliability Amid Growth and Extreme Weather: The Ministry has emphasized that LDCs must modernize their grids to handle increasing electricity demand while maintaining reliability and resilience[7]. Upgraded SCADA and ADMS will provide enhanced grid automation, predictive maintenance, and outage response capabilities, ensuring a stable and efficient electricity system as demand grows.

- Supporting Housing and Economic Development: The Minister's most recent Letter of Direction to the OEB highlights the need for grid infrastructure investments that support housing expansion and industrial growth[8]. SCADA upgrades and ADMS will help BHI plan for and allocate capacity efficiently, ensuring the grid is prepared for future development.

---

[3] Distribution Sector Resilience and Responsiveness, December 4, 2024
[4] Implementing Voluntary Feeder-Level Reliability Reporting, January 30, 2024
[5] Proposed Amendments to the Distribution System Code to Set Minimum Requirements for Customer Communication Regarding Interruptions and Restoration of Service Following Severe Weather Events, December 16, 2024
[6] Setting Reliability Performance Targets, January 28, 2025
[7] The Ministry of Energy and Electrification's Ontario's Affordable Energy Future Paper, October 2024
[8] Ministry of Energy and Electrification's Letter of Direction to the OEB, December 19, 2024, p3

- Avoiding Under-Building & Proactively Expanding Grid Capabilities: The Ministry has cautioned against under-investing in grid capacity, urging LDCs to take a proactive approach to system expansion[9]. SCADA upgrades and ADMS will provide data-driven insights to support long-term planning and strategic infrastructure investments, ensuring BHI is well-positioned to meet Ontario's future energy needs.

- Affordability and Ratepayer Protection: The Keeping Energy Costs Down Act, 2024, reinforces the province's commitment to affordable electricity and prudent infrastructure investments[10]. SCADA upgrades and ADMS will help avoid operational costs through automation, predictive maintenance, and optimized outage management, supporting long-term cost savings and improved service for customers.

3. Business Needs and Requirements

3.1 Challenges with the Current SCADA System

- Isolated Systems: The existing SCADA operates with limited integration, confining its ability to integrate seamlessly with other essential platforms such as Outage Management Systems (OMS), Geographic Information Systems (GIS), and a future Distributed Energy Resource Management Systems (DERMS).

- Minimal Predictive Capabilities: The current SCADA lacks advanced analytics and predictive tools, making it challenging to anticipate and mitigate potential grid failures or inefficiencies. The system focuses on monitoring and control rather than proactive optimization, which limits its ability to adapt to dynamic grid conditions.

- Lack of Customization: Customization to address specific operational needs often requires significant manual effort and additional resources.

- Slow Fault Detection and Isolation: The system contains basic fault detection but it lacks advanced automated fault location, isolation, and service restoration (FLISR) capabilities, leading to longer outage durations and reduced reliability metrices (e.g., SAIDI, SAIFI).

- Minimal Automation Features: The system does not support advanced automation functions like Volt/VAR optimization, dynamic load balancing, or automated switching.

3.2 Operational Requirements

To ensure the successful implementation of an integrated SCADA system with ADMS, the new system must meet several key operational requirements. These requirements address scalability,

[9] Ministry of Energy and Electrification's Letter of Direction to the OEB, December 19, 2024, p4
[10] Ministry of Energy and Electrification's Letter of Direction to the OEB, December 19, 2024, p5

reliability, security, and interoperability, ensuring that the system can support modern grid demands and future advancements.

- Advanced Automation
  - The system must support automated fault detection, restoration (FLISR), and dynamic load management to improve grid efficiency and reduce outages.
  - Volt/VAR optimization (VVO & CVR) will ensure energy efficiency and voltage stability.

- Real-Time Monitoring and Data Collection
  - The new system must provide continuous real-time visibility into transformers, feeders, switches, and substations to enable early fault detection and proactive maintenance.
  - The new system must deliver data-driven insights to help operators anticipate and mitigate system issues before they escalate.

- Integrated Platform
  - The new system must seamlessly integrate with SCADA, OMS, and DERMs, ensuring a unified control environment that enhances grid situational awareness.
  - The new system must support industry-standard protocols (IES 61850, DNP, CIM) to facilitate smooth communication between all grid components.

- Emerging Technology Adaptability
  - The new system must be modular and future-proof, allowing for integration with microgrids, EV charging infrastructure, and smart meters as energy needs change.
  - The new system must incorporate edge computing, AI-driven analytics to improve predictive maintenance and support decision-making.

- Cybersecurity and System Protection
  - The new system must incorporate security by design, real-time threat detection, role based access control, encrypted communications, and multi-layered security to protect against cyber threats and unauthorized access.
  - The new system must comply with the evolving cybersecurity standards to ensure long-term grid security and resilience.

- User Interface and Operational Flexibility
  - The new system must feature a user-friendly interface with real-time geospatial overlays, power flow analytics, and customizable dashboards to improve operator efficiency.
  - The new system must enable secure mobile access for field crews, enhancing remote operations and outage management.

Meeting these operational requirements is critical to ensuring a scalable, resilient, and future-ready grid. A system that integrates automation, real-time analytics, and cybersecurity will allow BHI to modernize operations while adapting to evolving energy needs.

3.3 Overview of ADMS Solution

BHI's planned ADMS solution is an integrated software platform designed to enhance the management, monitoring, and optimization of electric distribution grids. By unifying multiple operational systems and leveraging real-time data, ADMS delivers improved efficiency, reliability, and adaptability to modern grid challenges. This solution is critical for BHI aiming to transition toward smart grids, integrate distributed energy resources (DERs), and meet evolving regulatory and customer expectations.

ADMS Architecture

ADMS architecture will integrate various functional components, data sources, and operational technologies to provide a unified platform for grid management.

1. The field layer consists of grid-connected devices and sensors that provide real-time data and execute control commands, for example, Remote Terminal Units (RTUs), Intelligent Electronic Devices (IEDs), Smart meters, Fault indicators, Distributed Energy Resources (DER) controllers and Grid sensors (voltage, current, and power quality), with functionality to provide Data collection (e.g., voltage, current, and outage data) and execution of control actions (e.g., switch operations, DER adjustments).

2. The communication layer ensures secure, reliable data exchange between field devices and the central ADMS platform using Wired (Fiber optics, Ethernet), Wireless (LTE, 5G, RF mesh, Wi-Fi), Protocols (DNP3, IEC 61850, MODBUS, MQTT) with functionality for real-time data transfer and secure communication with encryption and strong authentication.

3. The integration layer connects field devices, third-party systems, and the core ADMS modules, with components of Data integration middleware, Enterprise Service Bus (ESB), API gateways for third-party integration with data normalization and aggregation functionality.

4. The data layer consolidates and organizes all grid-related information for analytics, decision-making, and operational control, with real-time databases (SCADA data), Historical databases (fault and outage logs), data lakes for large-scale analytic components with centralized storage of operational and historical data, and integration with predictive analytics and machine learning models functionality.

5. The application layer contains the core modules and tools that enable ADMS functionalities, for example, SCADA for Real-time grid monitoring and control, DMS for Advanced grid management (e.g., FLISR, VVO, load flow analysis), DERMS for Integration and control of DERs, VVO for Voltage and reactive power optimization and forecasting tools for load and renewable generation forecasting.

The additional features of the ADMS listed below will provide increased efficiency and improve operational performance, enabling BHI to proactively manage the grid. By leveraging automation, real-time analytics, and optimization tools, the ADMS will support more effective grid operations while minimizing service disruptions. Key features include:

- Automated Fault Detection and Restoration (FLISR): The new ADMS will automatically detect faults, allowing for rapid restoration and minimizing the duration of outages.

- Voltage and Reactive Power Optimization: ADMS will optimize voltage and reactive power across the grid, reducing energy losses and improving overall grid efficiency.

- Real-Time Monitoring and Analytics: Continuous monitoring will provide data-driven insights into grid performance, enabling operators to anticipate and mitigate potential issues before they escalate.

4. Assessment of Alternatives

To justify the investment in SCADA and ADMS, it's important to evaluate alternative approaches, including maintaining the status quo and pursuing a SCADA upgrade without ADMS integration. Each alternative has implications for grid reliability, operational efficiency, and long-term cost effectiveness.

4.1 Option 1: Status Quo (Do Nothing)

Maintaining the existing SCADA system without upgrades or ADMS implementation would leave BHI with significant operational challenges and increasing risks as the grid evolves.

- Limited System Reliability and Resilience: The current SCADA system lacks advanced automation and real-time analytics, increasing the likelihood of longer outages and slower response times. Without predictive maintenance capabilities, equipment failures may go undetected until they escalate into service disruptions, affecting reliability.

- Inability to Support Grid Modernization and Growth: Rising electrification, DER adoption, and customer energy demands require a more dynamic and flexible grid management system. The existing SCADA system cannot effectively manage bidirectional power flows, dynamic load balancing, or DERs, leading to inefficiencies and reliability challenges.

- Regulatory and Compliance Risks: The OEB is raising performance expectations for LDCs, including feeder-level reliability reporting and improved outage communications. A failure to modernize could result in non-compliance with evolving regulatory standards.

- Increasing Maintenance and Cybersecurity Risks: The aging SCADA infrastructure is becoming more difficult and expensive to maintain, increasing the risk of service disruptions and exploitation of security vulnerabilities. Without sophisticated cybersecurity controls, the system remains at higher risk of compromise affecting service to customers.

The Do Nothing approach would lead to increasing operational inefficiencies, higher outage risks, cybersecurity vulnerabilities, and risk of regulatory non-compliance. As the grid evolves, the limitations of the current SCADA system would become more pronounced, affecting both operational performance and customer service.

4.2 Option 2: SCADA Upgrade Only

Upgrading the SCADA system without implementing ADMS would provide some incremental improvements in system monitoring and control, but would fail to deliver the full benefits of grid automation and optimization.

- Improved Monitoring but Limited Automation: A SCADA upgrade would enhance real-time visibility of grid operations, but it would not enable advanced automation just as fault location, isolation, and service restoration (FLISR) or optimized voltage regulation (VVO & CVR). Outage restoration would still rely on manual intervention, limiting efficiency gains and prolonging service disruptions.

- Partial Grid Modernization without Full DER Integration: While a new SCADA system could provide better data collection and situational awareness, it would not support full DERMs integration, making it difficult to manage DERs effectively. Without ADMS, the system would lack dynamic load balancing and predictive grid management, leaving BHI unable to fully optimize its grid.

- Operational Efficiencies Would Remain Limited: A SCADA-only upgrade would not provide advanced analytics, limited BHI's ability to proactively identify grid issues and optimize asset performance. Maintenance improvements would be incremental rather than predictive, leading to continued inefficiencies in workforce deployment and outage coordination.

- Regulatory and Compliance Considerations: A SCADA-only upgrade would help improve system monitoring and reporting, but it would not meet the OEB's evolving expectations for outage response and performance transparency. Without ADMS, BHI would still face challenges meeting regulatory performance targets.

A SCADA-only upgrade would provide marginal improvements in system monitoring and control but would fail to deliver key operation, reliability, and efficiency benefits. Without ADMS, BHI would miss the opportunity to modernize its grid, integrate DERs, and enhance automation, limiting the long-term value.

5. Operational and Customer Outcomes

The implementation of an upgraded SCADA and ADMS will enhance system reliability, modernize the grid, optimize operations, improve customer service, and ensure regulatory compliance, delivering long-term value for both BHI and its customers.

5.1 Operational Benefits

- Improved Grid Stability and Reliability: New planned systems can automatically detect faults in the network and isolate affected sections to prevent widespread outages. This functionality is crucial for reducing downtime and improving system reliability. By analyzing historical and real-time data, new systems can predict equipment failures and schedule maintenance, reducing unplanned outages and extending the lifespan of assets.

- Real-Time Monitoring and Data Collection: ADMS will provide continuous real-time visibility into key distribution network components, including transformers, feeders, switches, and substations, allowing operations to detect abnormalities such as voltage sags, harmonics or equipment malfunctions. This proactive monitoring will enable early fault detection and intervention, preventing certain minor issues from escalating into major outages.

- Grid Automation and System Optimization: Automating grid operations will optimize workforce deployment, reduce manual interventions, and enhance outage coordination, leading to lower operational costs and extended infrastructure lifespan. Additionally, voltage and reactive power optimization (VVO & CVR) can improve energy efficiency and reduce system losses, making the grid more cost-effective and sustainable.

- Load Management and Demand Response: New solution will help in balancing loads across the network by monitoring consumption patterns and redistributing power as needed to prevent overloading and inefficiencies. By integrating with Advanced Metering Infrastructure (AMI) and demand response systems, new unified solutions can enable BHI to better manage peak demand periods in the future.

- Cybersecurity and System Protection: The SCADA upgrade will include advanced cybersecurity safeguards, to reduce risk to operations and compliance with evolving industry standards.

- Future Scalability & Operational Flexibility: Planned systems will be designed to be modular and scalable, allowing BHI to easily expand its networks and integrate new technologies without significant overhauls. With interoperability and support for open communication protocols the system will more seamlessly integrate with other systems.

- Ensuring Compliance and Regulatory Alignment: ADMS will help BHI comply with updated OEB reliability performance targets and feeder-level reporting requirements, ensuring transparency and accountability. Additionally, the SCADA upgrade will incorporate modern cybersecurity safeguards to reduce risk to critical infrastructure.

5.2 Customer Benefits

The implementation of a new SCADA system and ADMS will not only enhance BHI's grid operations but also deliver direct, tangible benefits to customers. Key customer benefits include:

- Improved Service Reliability: The new system will support reduced outage frequency and durations, leading to enhanced customer satisfaction. Advanced analytics will enable more proactive operational responses, allowing BHI to identify trends, predict system vulnerabilities, and implement targeted solutions. For example, analytics could identify recurring outages caused by tree contacts, prompting strategic infrastructure upgrades to mitigate future risks and improve overall grid resilience.

- Enhanced Communication: Real-time outage notifications and more accurate estimated restoration times will keep customers informed and prepared.

- Energy Efficiency Tools: By integrating demand response capabilities and supporting energy efficiency programs, customers will have greater ability to manage their energy usage and costs.

- Greater Choice Through DER Integration: Customers will benefit from better grid integration of customer-owned DERs, allowing for more choice and flexibility in energy solutions.

- Long-Term Cost Stability: Optimized grid operations reduce inefficiencies, contributing to avoided outage response and related costs over the long term.

6. Capital and Operational Cost Breakdown

The investment for SCADA replacement and ADMS acquisition is estimated to be around $3.5M CAD, subject to exchange rate fluctuations to the time the project is executed. This includes software and hardware procurement, testing, and deployment. This does not include costs associated with integrating with existing BHI applications or the cost of field hardware, as BHI will be in a better position to accurately forecast these costs as part of the project preparation phase. A detailed breakdown of Implementation and Licenses have been provided by the vendor as per below.

Identified costs are specific to a single vendor solution since BHI's existing OMS solution will be integrated with the SCADA / ADMS solution provided by the same vendor for reasons mentioned in this business case.

Project Scope and Licenses Estimated Price (USD) Hitachi Energy SCADA License, perpetual	[redacted]
HE Network Manager ADMS Core Apps:	
FLISR	[redacted]

Fault Location	[redacted]
Volt VAR Optimization	[redacted]
Restoration Switch Analysis	[redacted]
Initial Substation SCADA Implementation by Siena (Data Engineering, Pictures, PCU, Alarming, UDW, Tag, Commissioning)	[redacted]
Rest of System Buildout - SCADA Implementation by Siena (Data Engineering, Pictures, PCU, Alarming, UDW, Tag, Commissioning)	[redacted]
Initial Substation DMS Apps (Commissioning, Switching Orders, Short Circuit, Fault Location, UBLF)	[redacted]
Rest of System Buildout - DMS Apps (Commissioning, Switching Orders, Short Circuit, Fault Location, UBLF)	[redacted]
Initial Substation ADMS Apps (Line Uploading, VVO, FLISR, RSA)	[redacted]
Rest of System Buildout - ADMS Apps (Line Uploading, VVO, FLISR, RSA)	[redacted]
Maintenance and Support Project Scope	
HE Network Manager – ADMS Maintenance year 1, recurring payment*	[redacted]
HE Network Manager – ADMS Maintenance, year 2	[redacted]
HE Network Manager – ADMS Maintenance, year 3	[redacted]
HE Network Manager – ADMS Maintenance, year 4	[redacted]
HE Network Manager – ADMS Maintenance, year 5	[redacted]
HE Network Manager – ADMS Maintenance, year 6	[redacted]
HE Network Manager – ADMS Maintenance, year 7	[redacted]
HE Network Manager – ADMS Maintenance, year 8	[redacted]
HE Network Manager – ADMS Maintenance, year 9	[redacted]
Siena Maintenance and Support for SCADA	[redacted]
Siena Maintenance and Support for ADMS	[redacted]

Source: HE pricing provided by Siena Tech

7. Implementation Plan

This implementation plan outlines the steps for acquiring, deploying, and operationalizing an ADMS. The plan ensures that the project meets the utility's technical, operational, and business requirements while minimizing risks and disruptions.

<u>Phase 1: Project Preparation</u>

- Stakeholder Engagement: Identify key stakeholders, including executive leadership, IT teams, operations, and field crews. Conduct initial workshops to align objectives, expectations, and key outcomes.

- Requirements Definition: Gather functional, technical, and business requirements, integration with existing systems, (e.g., GIS, OMS, CIS, SCADA) and develop a comprehensive scope of work.

- Initial Planning: Create a project charter, define timelines, milestones and allocation budget and resources.

Phase 2: Design and Development

- System Architecture Design: Design the ADMS architecture, including communication networks, servers, and software components.

- Data Preparation: Validate and clean existing data, including asset data, GIS data, and historical outage records. Map data to the new ADMS structure and implement a data migration plan.

- Customization and Configuration: Configure the ADMS to meet BHI's specific needs and implement advanced modules such as FLISR, VVO, and DERMS.

Phase 3: Testing and Validation

- System Testing: Conduct unit, integration, and system-wide tests to validate functionality. Test communication links between field devices and the central ADMS.

- Performance and Scalability Testing: Test system performance under peak load conditions. Validate scalability for future expansion, including DER integration and EV management.

Phase 4: Deployment and Rollout

- Phased Deployment: Begin with parallel setup and switch over the field devices to the new SCADA / ADMS system. Gradually expand to the entire service area, incorporating lessons learned.

- Training and Change Management: Conduct training sessions for operators, engineers, and field crews. Manage organizational change to ensure smooth adoption of new workflows.

- System Go-Live: Monitor system performance and address initial issues promptly.

Phase 5: Post-Implementation

- Monitoring and Optimization: Continuously monitor system performance and user feedback. Optimize algorithms and configurations based on operational data.

- Evaluation and Reporting: Evaluate project success against predefined KPIs (e.g., SAIDI/SAIFI improvements, operational cost reductions). Generate reports for stakeholders highlighting outcomes and ROI.

8. Risk Management

The implementation of a new SCADA and ADMS involves potential risks including integration challenges, cybersecurity threats, and operational disruptions. BHI will employ a proactive risk management strategy to mitigate these risks, ensuring a smooth transition and long-term system stability.

Key Risks and Mitigation Strategies

Risk	Mitigation Strategy
Implementation Delays	Establish a detailed project timeline, engage in regular progress tracking, and conduct pilot deployments before full implementation.
Data Migration Issues	Perform thorough validation, system backups, and testing before migrating critical data to ensure accuracy and minimize downtime.
System Integration Challenges	Work closely with vendors, leverage middleware tools, and engaged experienced consultants to ensure seamless integration with existing infrastructure.
Cybersecurity Threats	Deploy multi-layered cybersecurity measures and conduct regular security audits to ensure compliance with evolving standards.
User Resistance and Change Management	Implement a comprehensive training and change management program, emphasizing the new system's advantages over the existing one. Engage stakeholders early and continuously communicate system benefits.

Through careful planning, stakeholder engagement, and phased implementation, BHI will mitigate risk while ensuring a seamless transition to the new system. Working closely with vendors, consultants, and internal teams, these proactive strategies will minimize operational disruptions and maximize long-term reliability and efficiency.

9. Conclusion and Recommendations

The acquisition and implementation of an ADMS and SCADA upgrade is a critical investment for BHI to enhance grid reliability, operational efficiency, and regulatory compliance while preparing BHI for the future of energy distribution. As the electricity sector evolves with increasing electrification, DERs, and customer expectations, modernizing the grid is essential to maintaining service levels and long-term resilience.

By integrating real-time automation, predictive analytics, and enhanced grid management capabilities, BHI will improve outage response, load management, and overall system performance. The new system will enable proactive decision-making, optimize energy distribution, and support the seamless integration of new technologies, ensuring the grid remains flexible and adaptable. This investment also aligns with OEB requirements, ensuring compliance with evolving performance and reliability standards while enhancing transparency and customer communication.

Investing in grid modernization today will drive sustainable growth, operational excellence, and long-term resilience, ensuring BHI remains a leader in safe, reliable, and innovative energy distribution.

Appendix C – Capitalization Policy

Burlingtonhydro inc.

CAPITALIZATION POLICY

Final

Purpose

This Capitalization Policy ("the Policy") describes the accounting policy and specific criteria used to determine the appropriate classification of expenditures, in particular, whether expenditures should be capitalized on the balance sheet or expensed to operations in the period incurred. The purpose of recording expenditures as capital assets is to provide for an equitable allocation of cost among current and future periods. As capital assets are expected to provide future economic benefits for more than one year, expenditures incurred for the acquisition, construction or development of capital assets should be capitalized and allocated over the estimated useful lives of the associated capital assets in the form of depreciation/amortization expense.

The Policy is in compliance with International Financial Reporting Standards ("IFRS") which Burlington Hydro Inc. ("BHI") adopted effective January 1, 2015.

Scope

The Policy applies to the capitalization of assets for BHI.

The materiality threshold consideration for capitalizing assets is $1,000, with the exception of meters, which are always capitalized. Individual expenditures greater than or equal to $1,000 and with a useful life of over one year are eligible for capitalization. Transactions that do not meet this threshold are charged to an expense account in the period incurred.

Definitions

Capitalization – Recording of an asset, either in the Asset Under Construction ("AUC") or specific PP&E or intangible asset account or Capital lease on the balance sheet.

Expenditure – A cash outflow from the company.

1340 Brant Street, Burlington, ON · L7R 3Z7 burlingtonhydro.com 905·332·1851

Distribution Plant – Comprised of municipal station ("MS") land, buildings, and equipment; and the cables, wires, poles, meters and transformers used to distribute electricity throughout BHI's service territory.

Non-Distribution Plant – Comprised of assets used to support BHI's day to day business and operations activities and include tools and equipment, computer hardware and software, vehicles, and buildings.

Intangible assets – Assets that lack physical substance, such as computer software and capital contributions paid.

Capital lease – Assets acquired on a contract and treated as capital lease under IFRS.

Property plant and equipment ("PP&E") – An asset that is purchased, constructed, developed or otherwise acquired and has the following characteristics:

a) It is held for the production or supply of goods/services or delivery of service;
b) It has a useful life beyond one fiscal year and is intended to be used on a continuing basis; and
c) It is not intended for resale in the ordinary course of operations.

Tangible assets – Assets that have physical substance.

Useful life – The period over which an asset is expected to be available for use and/or in service.

Procedural Requirements

Recognition

Capital assets are comprised of property plant and equipment (PP&E) and intangible assets, and are expected to be in use for more than one year. PP&E typically consists of long lived tangible assets used in the supply of

1340 Brant Street, Burlington, ON · L7R 3Z7 burlingtonhydro.com 905·332·1851

goods or services, for rental to others, or for administrative purposes, such as distribution assets, equipment, land and buildings.

Expenditures are accounted for and reported as PP&E or an intangible asset when:

a) It is probable that future economic benefits will flow to the company;
b) The value of the expenditure meets or exceeds the threshold limit of $1,000;
c) The estimated useful life of the asset extends beyond one year; and
d) The cost of the asset can be measured reliably.

Distribution plant expenditures that qualify as PP&E must be recorded as an AUC. Related costs accumulate in the AUC account on the balance sheet until the asset enters service. At that time, the asset is recorded in a PP&E asset account and depreciation commences subject to the half-year rule identified on page 6.

Non-distribution plant expenditures that qualify as PP&E are recorded as PP&E when the expenditure is incurred, however depreciation does not commence until the asset enters service. Depreciation is subject to the half-year rule identified on page 6.

<u>Asset Cost</u>

Asset cost is the amount of consideration given to acquire, construct or develop a capital asset and includes all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital lease cost is its present value calculated over its term of use.

The directly attributable cost for a self-constructed asset is determined using the same principle as an acquired asset.

The capital asset cost includes purchase price and other acquisition costs such as commissions, all directly attributable costs such as installation

1340 Brant Street, Burlington, ON · L7R 3Z7 burlingtonhydro.com 905·332·1851

costs, labour costs, design and engineering costs, legal fees, survey costs and site preparation costs.

When expenditures are incurred relating to existing capital assets, they are evaluated against the recognition criteria and capitalized only if they meet the criteria. Otherwise, the cost is expensed. The service potential of existing assets is considered to be enhanced if:

a) The useful life is extended;
b) The quality of output is improved; or
c) There is an increase in the previously assessed service capacity or physical output.

Burden Rates Eligible for Capitalization

BHI segregates its labour, material handling, engineering and vehicle costs into those which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management and those which are not directly attributable. Expenses identified as directly attributable are included in the capital burden rates. Expenses that are not directly attributable are only included in the burden rates applied to operations, maintenance and billable work orders.

Material Handling Burden – A material handling burden is not capitalized as the stores' department administrative and general overhead costs are not considered directly attributable.

Direct Labour Burden – The direct labour burden is comprised of employee benefits including CPP, EI, medical and health benefits for operations and maintenance staff who perform capital work and operating functions. The direct labour burden rate is the budgeted direct employee benefit cost as a percentage of the budgeted total direct labour cost. The direct labour burden included in capital is calculated as the direct labour burden rate multiplied by the labour dollars charged to capital.

1340 Brant Street, Burlington, ON · L7R 3Z7 burlingtonhydro.com 905·332·1851

Supervisory Labour Burden – The supervisory labour burden is comprised of employee benefits including CPP, EI, medical and health benefits of supervisors who directly supervise capital work. The supervisory labour burden rate is the budgeted supervisory employee benefit cost as a percentage of the budgeted total supervisory labour cost. The supervisory labour burden included in capital is calculated as the supervisory labour burden rate multiplied by the supervisory labour dollars charged to capital.

Engineering Labour Burden – The Engineering labour burden is comprised of employee benefits including but not limited to CPP, EI, medical and health benefits for engineering staff. The engineering labour burden is comprised of benefits and rate is the budgeted engineering employee benefit cost as a percentage of the budgeted total engineering labour cost. The engineering labour burden included in capital is calculated as the engineering burden rate multiplied by the engineering labour dollars charged to capital.

Vehicle Burden – The vehicle burden is comprised of vehicle operations costs including depreciation, repair and maintenance, insurance, fuel, and licensing. A vehicle burden rate is calculated for each class of vehicle based on the budgeted costs of operating each class of vehicle and the associated budgeted hours of usage. The hourly burden rate is calculated as the total annual operational cost divided by the number of hours the vehicle is expected to be used on an annual basis. The vehicle cost included in capital is calculated as the hourly burden rate multiplied by the number of hours that each vehicle is used on a capital project. BHI records the number of hours that each vehicle is used by work order - a subset of a capital project - which ensures that vehicle cost is directly attributable to an item of PP&E.

Any over or under applied burdens at the end of the year are trued up with a revised burden rate and allocated accordingly.

1340 Brant Street, Burlington, ON · L7R 3Z7 burlingtonhydro.com 905·332·1851

Burlington**hydro** inc.

<u>Componentization</u>

BHI depreciates the significant parts or components of each item of PP&E separately, in accordance with IFRS.

<u>Asset Retirement Obligation</u>

It is BHI's normal practice to decommission an asset only when it is to be replaced with another asset. The perpetual nature of the assets requires that Burlington Hydro be prepared to provide service on an ongoing basis and results in new assets being placed into service when old assets are removed from service.

No financial provision is made for the cost of removal or for the removal of the net book value of the asset; rather, all costs related to removal and to replacement are capitalized or expensed as is appropriate at the time of replacement. This practice and the associated financial provisions are consistent with industry practice; specifically, that no asset retirement obligations exist because of this perpetual replacement process and that there would be no legal or construction requirement to remove, as an example, the very last pole if another pole was not being erected.

<u>Depreciation</u>

The depreciation of capital assets is based on the straight line method over its estimated useful lives in accordance with International Financial Reporting Standards ("IFRS").

BHI applies the half-year rule to assets entering service in their first year i.e. capital additions in the first year of service attract six months of depreciation expense.

1340 Brant Street, Burlington, ON · L7R 3Z7 **burlingtonhydro.com** 905·332·1851