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.

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 %**

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.

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 %**

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). However, Appendix 2-BB of it's last rebasing application indicated a service life of 5 years for USoA 1611 – Computer Software. This was an error and should have

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

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. As such BHI has completed Appendix 2-BB - Service Life Comparison to document this change. BHI has made no other changes to Appendix 2-BB since its last rebasing application.

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:

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

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

Appendix C – Capitalization Policy