Exhibit 2:

Rate Base and Capital

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2.1 RATE BASE

2.1.1 OVERVIEW

EPI has prepared its rate base for the purposes of calculating its revenue requirement in this Application following Chapter 2 of the "Filing Requirements for Electricity Distribution Rate Applications – 2025 Edition for 2026 Rates Applications" issued on May 7, 2025. In accordance with the Filing Requirements, EPI has calculated its rate base on the average 2026 Test Year opening and 2026 Test Year closing balances of gross fixed assets net of accumulated depreciation, plus a Working Capital Allowance ("WCA") of 7.5% of the sum of the cost of power and controllable expenses.

EPI has not completed a lead-lag study or equivalent analysis to support a utility-specific WCA rate and has submitted this Application using the default value of 7.5%. The use of a 7.5% rate is consistent with the Chapter 2 Filing Requirements issued by the OEB.

Net fixed assets include those distribution assets that are in-service and associated with activities that enable the conveyance of electricity for distribution purposes. The rate base calculation excludes any non-distribution assets. EPI's capital expenditures are equivalent to in-service additions, and the variance analysis below is based on these in-service additions.

To date, EPI has not filed any Incremental Capital Module ("ICM") applications. EPI does not currently plan to file any ICM applications during the 2026-2030 period. However, given evolving provincial energy policies and increasing load at EPI's 36 supply points, capacity needs may arise that require the filing of an ICM application. EPI expressly reserves the right to do so if needed.

EPI has calculated 2026 Test Year rate base at $190,347,116, representing a 64% increase over the 2016 OEB Approved Proxy rate base of $116,219,190. This growth is primarily attributable to the increase in the average net book value of capital assets over the period, as further described in this evidence.

2.1.2 CALCULATION OF 2016 OEB APPROVED PROXY

On April 1, 2018, EPI amalgamated with the former St. Thomas Energy Inc. ("STEI"), with the amalgamated utility continuing as EPI.

The last OEB Approved amounts for each utility were established through the following rate rebasing applications:

- Legacy EPI – 2016 Cost of Service ("COS"), EB-2015-0061
- Former STEI – 2015 COS, EB-2014-0113

As a result of the amalgamation, and because each of the former utilities had different rate rebasing years, EPI has developed 2016 OEB Approved Proxy figures for comparative purposes. For the purposes of this Exhibit, the 2016 OEB Approved Proxy was calculated as the aggregate of:

- Legacy EPI OEB Approved rate base, as approved in EB-2015-0061; and
- Former STEI OEB Approved rate base for 2015, as approved by EB-2014-0113, inflated to 2016 amounts by STEI's 2016 OEB Approved Incentive Rate-making Mechanism ("IRM") net price cap index adjustment of 1.8%.

LEGACY ENTEGRUS POWERLINES INC.

Table 2-1 below provides a breakdown of Legacy EPI rate base components as approved in EB-2015-0061.

TABLE 2-1: LEGACY ENTEGRUS 2016 OEB APPROVED RATE BASE

Line No.	Description	2016 OEB Approved
1	Closing Gross Fixed Assets	$ 147,235,260
2	Closing Accumulated Depreciation	$ (68,938,301)
3	Net Book Value	$ 78,296,959
4	**Average Net Book Value**	**$ 76,597,077**
5	Working Capital	$ 130,441,743
6	**Working Capital Allowance**	**$ 9,783,131**
7	**Rate Base**	**$ 86,380,208**

ST. THOMAS ENERGY INC.

Table 2-2 below provides a breakdown of Legacy STEI rate base components as approved in EB-2014-0013 and applies the IRM net price cap adjustment as explained above to inflate to 2016.

TABLE 2-2: STEI 2016 INFLATED RATE BASE

Line No.	Description	2015 STEI OEB Approved	2016 Inflated
1	Inflation Rate		1.018
2	Closing Gross Fixed Assets	$ 51,489,233	$ 52,416,039
3	Closing Accumulated Depreciation	$ (25,273,625)	$ (25,728,550)
4	Net Book Value	$ 26,215,608	$ 26,687,489
5	**Average Net Book Value**	**$ 25,762,737**	**$ 26,226,465**
6	Working Capital	$ 36,396,320	$ 37,051,454
7	**Working Capital Allowance**	**$ 3,548,641**	**$ 3,612,517**
8	**Rate Base**	**$ 29,311,378**	**$ 29,838,982**

CALCULATION OF 2016 OEB APPROVED PROXY

The 2016 OEB Approved Proxy for rate base is $116,219,190 as calculated below in Table 2-3. This OEB Approved Proxy rate base is used for comparative purposes throughout this Application.

TABLE 2-3: EPI 2016 OEB APPROVED RATE BASE PROXY

Line No.	Description	Legacy Entegrus 2016 OEB Approved	STEI 2016 Inflated OEB Approved Proxy	Total EPI 2016 OEB Approved Proxy
1	Closing Gross Fixed Assets	$ 147,235,260	$ 52,416,039	$ 199,651,299
2	Closing Accumulated Depreciation	$ (68,938,301)	$ (25,728,550)	$ (94,666,851)
3	Net Book Value	$ 78,296,959	$ 26,687,489	$ 104,984,448
4	**Average Net Book Value**	**$ 76,597,077**	**$ 26,226,465**	**$ 102,823,542**
5	Working Capital	$ 130,441,743	$ 37,051,454	$ 167,493,197
6	**Working Capital Allowance**	**$ 9,783,131**	**$ 3,612,517**	**$ 13,395,647**
7	**Rate Base**	**$ 86,380,208**	**$ 29,838,982**	**$ 116,219,190**

2.1.3 PRESENTATION OF CONSOLIDATED RATE BASE

For comparative purposes, and throughout this Exhibit, the actual results for 2016 and 2017 represent the combined actual results for legacy EPI and former STEI. The 2018 through 2026 Test Year figures reflect the results for the merged entity that continued as EPI.

2.1.4 SUMMARY OF RATE BASE

Table 2-4 below compares EPI's 2016 OEB Approved Proxy to the proposed 2026 Test Year Rate Base. The calculated 2016 OEB Approved Proxy Working Capital Allowance ("WCA") Factor was 8%, which represents the weighted average of legacy EPI's 2016 OEB Approved Proxy WAC Factor of 7.5% and former STEI's 2015 OEB Approved Proxy WAC Factor of 9.75% The proposed rate base for the 2026 Test Year is $190,347,116. This represents an increase of 64% relative to the 2016 OEB Approved Proxy rate base figure presented in Table 2-3, or a compound annual growth rate ("CAGR") of 5.1%.

TABLE 2-4: EPI 2016 OEB APPROVED PROXY VS. 2026 TEST YEAR RATE BASE

Line No.	Description	2016 OEB Approved Proxy	2026 Test	Variance Incr/(Decr)
1	Gross Fixed Assets	$ 199,651,299	$ 259,868,290	$ 60,216,991
2	Accumulated Depreciation	$ (94,666,851)	$ (76,705,179)	$ 17,961,672
3	Net Book Value	$ 104,984,448	$ 183,163,111	$ 78,178,663
4	**Average Net Book Value**	**$ 102,823,542**	**$ 177,937,537**	**$ 75,113,994**
5	Total Working Capital	$ 167,493,197	$ 165,461,051	$ (2,032,145)
6	Working Capital Allow. Factor	8.0%	7.5%	
7	**Working Capital Allowance**	**$ 13,395,647**	**$ 12,409,579**	**$ (986,069)**
8	**Rate Base**	**$ 116,219,190**	**$ 190,347,116**	**$ 74,127,926**

The drivers of the increase in rate base for the 2026 Test Year include capital additions made during the 2016 to 2024 period, as well as capital additions forecasted for the 2025 Bridge Year and the 2026 Test Year, partially offset by a reduction to WCA.

Table 2-5 and Table 2-6 below compare the historical actuals for 2016 through 2024, the 2025 Bridge Year, and the 2026 Test Year. The 2025 Bridge Year and 2026 Test Year amounts are based on forecasted costs.

TABLE 2-5: RATE BASE CONTINUITY SCHEDULE (2016 OEB APPROVED – 2020 ACTUAL)

Line No.	Description	2016 OEB Approved Proxy	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
1	Gross Fixed Assets	$ 199,651,299	$ 120,117,294	$ 130,843,341	$ 135,988,350	$ 146,387,815	$ 159,447,712
2	Accumulated Depreciation	$ (94,666,851)	$ (14,955,525)	$ (20,626,557)	$ (21,670,137)	$ (27,377,311)	$ (33,700,150)
3	Net Book Value	$ 104,984,448	$ 105,161,769	$ 110,216,784	$ 114,318,213	$ 119,010,504	$ 125,747,562
4	**Average Net Book Value**	**$ 102,823,542**	**$ 103,898,863**	**$ 107,689,276**	**$ 112,267,498**	**$ 116,664,358**	**$ 122,379,033**
5	Total Working Capital	$ 167,493,197	$ 172,557,715	$ 159,334,437	$ 154,178,113	$ 159,574,112	$ 178,040,122
6	Working Capital Allow. Factor	8.0%	7.50%	7.50%	7.50%	7.50%	7.50%
7	**Working Capital Allowance**	**$ 13,395,647**	**$ 12,941,829**	**$ 11,950,083**	**$ 11,563,358**	**$ 11,968,058**	**$ 13,353,009**
8	**Rate Base**	**$ 116,219,190**	**$ 116,840,692**	**$ 119,639,359**	**$ 123,830,857**	**$ 128,632,417**	**$ 135,732,042**

TABLE 2-6: RATE BASE CONTINUITY SCHEDULE (2021 ACTUAL – 2026 TEST YEAR)

Line No.	Description	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Bridge	2026 Test
1	Gross Fixed Assets	$ 173,276,411	$ 187,240,684	$ 201,862,877	$ 218,741,773	$ 241,315,290	$ 259,868,290
2	Accumulated Depreciation	$ (40,367,345)	$ (47,118,870)	$ (54,072,335)	$ (60,902,185)	$ (68,603,327)	$ (76,705,179)
3	Net Book Value	$ 132,909,066	$ 140,121,814	$ 147,790,542	$ 157,839,588	$ 172,711,963	$ 183,163,111
4	**Average Net Book Value**	**$ 129,328,314**	**$ 136,515,440**	**$ 143,956,178**	**$ 152,815,065**	**$ 165,275,775**	**$ 177,937,537**
5	Total Working Capital	$ 160,647,517	$ 163,593,445	$ 161,406,725	$ 180,118,371	$ 165,850,747	$ 165,461,051
6	Working Capital Allow. Factor	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
7	**Working Capital Allowance**	**$ 12,048,564**	**$ 12,269,508**	**$ 12,105,504**	**$ 13,508,878**	**$ 12,438,806**	**$ 12,409,579**
8	**Rate Base**	**$ 141,376,878**	**$ 148,784,948**	**$ 156,061,682**	**$ 166,323,943**	**$ 177,714,581**	**$ 190,347,116**

The opening and closing balances of gross fixed assets and accumulated depreciation used in the calculation of the fixed asset component of rate base align with the corresponding balances presented in Appendix 2-BA (Fixed Asset Continuity Statements) of the OEB Chapter 2 Appendices, included with this Application as a standalone excel file (EPI_2026_Filing_Requirements_Chapter2_Appendices_1.0_20250829).

EPI's assets are categorized into two main groups. The first is the Distribution Plant, which includes assets such as distribution and substation buildings, poles, conductors, overhead and underground distribution infrastructure, transformers, meters, and substation equipment. In the DSP (Attachment 2-C), distribution plant is further divided into the following categories: System Access, System Service and System Renewal. The second category of assets is General Plant, encompassing assets such as the operations/service building, office furniture, transportation equipment, communications technology, computer equipment and software, and tools.

In addition, EPI owns two non-distribution assets: a 10 kW rooftop solar generation asset located in Chatham and a 250 kW biogas generation facility at the Chatham Landfill. For the purposes of this Application, all associated amounts (including assets, accumulated depreciation, revenues, and costs) related to these non-distribution assets have been excluded from the rate base and all other calculations. The accounting for these assets is in accordance with the OEB's Guidelines for Regulatory and Accounting Treatments for Distributor-Owned Generation Facilities (G-2009-0300).

2.1.5 RATE BASE VARIANCE ANALYSIS

Table 2-7 below illustrates the rate base variances between the 2016 OEB Approved Proxy and the 2026 Test Year. The overall changes in rate base can be attributed to fluctuations in gross assets and/or WCA. OEB Appendix 2-BA provides a fixed asset continuity schedule demonstrating the capital accounts driving variances year over year, as further explained in Section 2.2.3. Further, Section 5.1.1 of the DSP provides a variance analysis of capital expenditures from 2021 to 2025.

TABLE 2-7: RATE BASE VARIANCE SUMMARY

Line No.	Description	2016 OEB Approved Proxy	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Bridge	2026 Test
1	Gross Fixed Assets	$ 199,651,299	$ 120,117,294	$ 130,843,341	$ 135,988,350	$ 146,387,815	$ 159,447,712	$ 173,276,411	$ 187,240,684	$ 201,862,877	$ 218,741,773	$ 241,315,290	$ 259,868,290
2	Accumulated Depreciation	$ (94,666,851)	$ (14,955,525)	$ (20,626,557)	$ (21,670,137)	$ (27,377,311)	$ (33,700,150)	$ (40,367,345)	$ (47,118,870)	$ (54,072,335)	$ (60,902,185)	$ (68,603,327)	$ (76,705,179)
3	Net Book Value	$ 104,984,448	$ 105,161,769	$ 110,216,784	$ 114,318,213	$ 119,010,504	$ 125,747,562	$ 132,909,066	$ 140,121,814	$ 147,790,542	$ 157,839,588	$ 172,711,963	$ 183,163,111
4	**Average Net Book Value**	**$ 102,823,542**	**$ 103,898,863**	**$ 107,689,276**	**$ 112,267,498**	**$ 116,664,358**	**$ 122,379,033**	**$ 129,328,314**	**$ 136,515,440**	**$ 143,956,178**	**$ 152,815,065**	**$ 165,275,775**	**$ 177,937,537**
5	Total Working Capital	$ 167,493,197	$ 172,591,306	$ 159,367,258	$ 154,210,891	$ 159,574,112	$ 178,040,122	$ 160,647,517	$ 163,593,445	$ 161,406,725	$ 180,118,371	$ 165,850,747	$ 165,461,051
6	Working Capital Allow. Factor	8.0%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
7	**Working Capital Allowance**	**$ 13,395,647**	**$ 12,944,348**	**$ 11,952,544**	**$ 11,565,817**	**$ 11,968,058**	**$ 13,353,009**	**$ 12,048,564**	**$ 12,269,508**	**$ 12,105,504**	**$ 13,508,878**	**$ 12,438,806**	**$ 12,409,579**
8	**Rate Base**	**$ 116,219,190**	**$ 116,843,211**	**$ 119,641,821**	**$ 123,833,315**	**$ 128,632,417**	**$ 135,732,042**	**$ 141,376,878**	**$ 148,784,948**	**$ 156,061,682**	**$ 166,323,943**	**$ 177,714,581**	**$ 190,347,116**
9			**2016 OEB Approved Proxy vs. 2016 Actual**	**2016 Actual vs. 2017 Actual**	**2017 Actual vs. 2018 Actual**	**2018 Actual vs. 2019 Actual**	**2019 Actual vs. 2020 Actual**	**2020 Actual vs. 2021 Actual**	**2021 Actual vs. 2022 Actual**	**2022 Actual vs. 2023 Actual**	**2023 Actual vs. 2024 Actual**	**2024 Actual vs. 2025 Bridge**	**2025 Bridge vs. 2026 Test**
10	Gross Fixed Assets		$ (79,534,005)	$ 10,726,047	$ 5,145,009	$ 10,399,465	$ 13,059,897	$ 13,828,699	$ 13,964,273	$ 14,622,193	$ 16,878,896	$ 22,573,517	$ 18,553,000
11	Accumulated Depreciation		$ 79,711,326	$ (5,671,033)	$ (1,043,580)	$ (5,707,175)	$ (6,322,839)	$ (6,667,196)	$ (6,751,525)	$ (6,953,465)	$ (6,829,850)	$ (7,701,142)	$ (8,101,852)
12	Net Book Value		$ 177,321	$ 5,055,014	$ 4,101,429	$ 4,692,290	$ 6,737,058	$ 7,161,503	$ 7,212,748	$ 7,668,728	$ 10,049,046	$ 14,872,375	$ 10,451,148
13	**Average Net Book Value**		**$ 1,075,321**	**$ 3,790,413**	**$ 4,578,222**	**$ 4,396,860**	**$ 5,714,674**	**$ 6,949,281**	**$ 7,187,126**	**$ 7,440,738**	**$ 8,858,887**	**$ 12,460,710**	**$ 12,661,762**
14	Total Working Capital		$ 5,098,110	$ (13,224,048)	$ (5,156,368)	$ 5,363,222	$ 18,466,010	$ (17,392,606)	$ 2,945,928	$ (2,186,720)	$ 18,711,646	$ (14,267,624)	$ (389,695)
15	Working Capital Allow. Factor		7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
16	**Working Capital Allowance**		**$ (451,299)**	**$ (991,804)**	**$ (386,728)**	**$ 402,242**	**$ 1,384,951**	**$ (1,304,445)**	**$ 220,945**	**$ (164,004)**	**$ 1,403,373**	**$ (1,070,072)**	**$ (29,227)**
17	**Rate Base**		**$ 624,021**	**$ 2,798,610**	**$ 4,191,494**	**$ 4,799,102**	**$ 7,099,625**	**$ 5,644,836**	**$ 7,408,071**	**$ 7,276,734**	**$ 10,262,260**	**$ 11,390,639**	**$ 12,632,535**

2016 ACTUAL VS. 2016 OEB APPROVED PROXY

Rate base for 2016 was $624,021 higher than the 2016 OEB Approved Proxy. The increase is primarily due to higher than planned spending on capital additions in 2016 Actuals compared to the 2016 OEB Approved Proxy, partially offset by a reduction in WCA due to a decrease in actual WCA default percentage compared to the weighted average WCA percentage used in the 2016 OEB Approved Proxy calculation.

2017 ACTUAL VS. 2016 ACTUAL

The 2017 rate base was $2,798,610 higher than in 2016, primarily due to capital additions during the year, partially offset by a reduction in WCA resulting from a lower cost of power in 2017.

2018 ACTUAL VS. 2017 ACTUAL

Rate base for 2018 was $4,191,494 higher than 2017 rate base. The increase is primarily due to capital additions in 2018.

2019 Actual vs. 2018 Actual

Rate base for 2019 was $4,799,102 higher than 2018 rate base. The increase is primarily due to capital additions in 2019.

2020 Actual vs. 2019 Actual

Rate base for 2020 was $7,099,625 higher than 2019 rate base. The increase is primarily due to capital additions in 2020, as well as an increase in WCA due to an increase in cost of power in 2020 versus 2019.

2021 Actual vs. 2020 Actual

Rate base for 2021 was $5,644,836 higher than 2020 rate base. The increase is primarily due to capital additions in 2021, offset by a reduction in WCA due to a decrease in cost of power in 2021 compared to 2020.

2022 Actual vs. 2021 Actual

Rate base for 2022 was $7,408,071 higher than 2021 rate base. The increase is primarily due to capital additions in 2022.

2023 Actual vs. 2022 Actual

Rate base for 2023 was $7,276,734 higher than 2022 rate base. The increase is primarily due to capital additions in 2023.

2024 Actual vs. 2023 Actual

Rate base for 2024 was $10,262,260 higher than 2023 rate base. The increase is primarily due to capital additions in 2024 and an increase in WCA due to an increase in cost of power in 2024.

2025 Bridge Year vs. 2024 Actual

The 2025 Bridge Year rate base is forecasted to be $11,390,639 higher than the 2024 Actual Year. The increase is primarily due to capital asset additions in 2025 offset by a decrease in WCA.

2026 Test Year vs. 2025 Bridge Year

The 2026 Test Year rate base is forecasted to be $12,632,535 higher than the 2025 Bridge Year. The increase is primarily due to capital asset additions in 2026.

2.2 Fixed Asset Continuity Schedule

2.2.1 Fixed Asset Continuity Statements

EPI has completed the fixed asset continuity statements (OEB Appendix 2-BA) for the historical actuals for 2016 through 2024, the 2025 Bridge Year and the 2026 Test Year. These statements are provided in the standalone excel file EPI_2026_Filing_Requirements_Chapter2_Appendices_1.0_20250829.

Opening and closing balances of gross assets and accumulated depreciation correspond to the fixed asset continuity statements. The net book value balances, excluding construction work in progress, are the balances included in the calculation of rate base. EPI does not capitalize interest or overhead on projects in construction.

Fixed asset continuity statements reconcile to calculated depreciation expense which has been reduced for fully allocated transportation and non-regulated water asset depreciation. These statements are presented by asset account, and all asset disposals are clearly identified for all historical, 2025 Bridge, and 2026 Test years.

The Capital Cost Allowance ("CCA") class for the fixed assets agrees with the CCA Class used for tax purposes in EPI's tax returns.

Following the adoption of Modified International Financial Reporting Standards ("MIFRS"), customer contributions are no longer recorded in Account 1995, Contributions & Grants. Instead, these amounts are recognized in Account 2440, Deferred Revenue and are amortized to Other Revenue over the service life of the associated asset. Historical contributions recorded in Account 1995 prior to MIFRS adoption, were netted against the corresponding Property, Plant and Equipment ("PP&E") assets and are no longer presented separately as an offset to PP&E. EPI has included Account 2440 in the continuity statements to reflect contributed capital forecasts for the 2025 Bridge Year and the 2026 Test Year. The amortization of Account 2440, as shown on the continuity statements, is recognized as Other Revenue in the applicable accounting periods.

2.2.2 Breakdown by Function

Table 2-8 below classifies EPI's assets into three main categories: distribution plant, general plant, and contributions and grants. In accordance with the Uniform System of Accounts ("USoA"), EPI has reported gross assets as follows:

- Distribution Plant Assets – includes USoA accounts 1805 to 1860, which capture assets such as substation equipment, poles, wires, transformers and meters.
- General Plant Assets – includes USoA accounts 1905 to 2005, which capture assets such as administration buildings, computer hardware, transportation equipment, and tools.
- Contribution and Grants – includes USoA account 2440, which captures all capital contributions received or forecasted to be received in accordance with the Distribution System Code.

A detailed breakdown by USoA account is included in the variance analysis on gross assets in Section 2.2.3 below.

TABLE 2-8: GROSS PLANT BY FUNCTION BY YEAR

Line No.	Description	2016 OEB Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Bridge	2026 Test
1	Distribution Plant	$ 183,252,889	$ 102,453,306	$ 111,344,108	$ 117,934,818	$ 128,824,761	$ 142,368,578	$ 157,277,010	$ 174,855,965	$ 189,812,412	$ 205,799,238	$ 225,811,082	$ 242,647,440
2	General Plant	$ 32,986,469	$ 20,340,710	$ 23,538,138	$ 23,465,413	$ 26,332,360	$ 28,614,311	$ 30,376,422	$ 32,649,834	$ 35,383,824	$ 38,346,831	$ 42,453,434	$ 45,841,122
3	Contribution & Grants	$ (16,588,059)	$ (2,676,722)	$ (4,038,905)	$ (5,411,881)	$ (8,769,306)	$ (11,535,177)	$ (14,377,021)	$ (20,265,115)	$ (23,333,359)	$ (25,404,296)	$ (26,949,226)	$ (28,620,272)
4	**Total Gross Assets**	**$ 199,651,299**	**$ 120,117,294**	**$ 130,843,341**	**$ 135,988,350**	**$ 146,387,815**	**$ 159,447,712**	**$ 173,276,411**	**$ 187,240,684**	**$ 201,862,877**	**$ 218,741,773**	**$ 241,315,290**	**$ 259,868,290**

As further described below, Gross Plant componentization by function was impacted by the transition from Canadian Generally Accepted Accounting Principles ("CGAAP") to International Financial Reporting Standards ("IFRS") for the 2016 actuals vs. OEB Approved Proxy amounts.

2.2.3 VARIANCE ANALYSIS ON GROSS ASSET ADDITIONS

The following variance analysis has been prepared using EPI's materiality threshold of $195,000 as calculated and presented in Exhibit 1, Section 1.5.8 of this Application.

In line with its standard operational practices, EPI forecasts, reports, and monitors gross asset additions by project category. The variance analysis presented herein follows this same approach. Annual gross asset additions are first grouped by UsoA account, with further detail provided for material categories, including a description of significant individual projects where applicable.

2016 OEB Approved versus 2016 Actual

As shown in Table 2-9 below, gross assets decreased by $74.2M between the 2016 OEB Approved Proxy and the 2016 Actuals. This variance is primarily due to the transition from CGAAP to IFRS in 2015. Under IFRS 1, *First-Time Adoption of IFRS*, entities are required to measure PP&E at deemed cost (i.e., net book value) at the start of the comparative period. As a result, both legacy EPI and the former STEI adjusted their PP&E balances to reflect the net book value as of January 1, 2014. This treatment contrasts with the approach used in each predecessor company's last COS applications filed under MIFRS, where accumulated depreciation as of January 1, 2014 was not deducted from gross asset values. Despite the significant reduction in gross assets, the change in net assets between the 2016 OEB Approved Proxy and 2016 Actuals was $177k, which is under EPI's materiality threshold.

Table 2-9: 2016 OEB Approved Proxy vs. 2016 Actual

USoA	Description	2016 OEB Approved Proxy	2016 Actual	Variance
Distribution Plant				
1805	Land	$ 455,485	$ 459,284	$ 3,799
1808	Buildings	$ 997,348	$ 655,771	$ (341,577)
1820	Distribution Station Equipment <50 kV	$ 2,874,874	$ 1,207,875	$ (1,666,999)
1830	Poles, Towers & Fixtures	$ 23,931,725	$ 15,031,905	$ (8,899,820)
1835	Overhead Conductors & Devices	$ 43,887,265	$ 26,607,166	$ (17,280,099)
1840	Underground Conduit	$ 10,848,373	$ 6,206,376	$ (4,641,997)
1845	Underground Conductors & Devices	$ 32,380,456	$ 14,555,100	$ (17,825,356)
1850	Line Transformers	$ 36,604,280	$ 17,076,231	$ (19,528,049)
1855	Services (Overhead & Underground)	$ 13,754,856	$ 8,314,500	$ (5,440,356)
1860	Meters	$ 17,518,228	$ 12,339,098	$ (5,179,130)
Sub-total		**$ 183,252,889**	**$ 102,453,306**	**$ (80,799,583)**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 4,875,841	$ 3,566,264	$ (1,309,577)
1905	Land	$ 1,094,223	$ 1,078,188	$ (16,035)
1908	Buildings & Fixtures	$ 8,400,790	$ 6,140,365	$ (2,260,425)
1915	Office Furniture & Equipment (10 years)	$ 855,409	$ 456,814	$ (398,595)
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 2,377,331	$ 1,156,885	$ (1,220,446)
1930	Transporation Equipment	$ 7,036,967	$ 3,258,126	$ (3,778,841)
1940	Tools, Shop & Garage Equipment	$ 1,932,035	$ 838,207	$ (1,093,828)
1955	Communicaiton Equipment (Smart Meters)	$ 18,563	$ 11,690	$ (6,873)
1960	Miscellaneous Equipment	$ 210,839	$ 182,442	$ (28,397)
1980	System Supervisor Equipment	$ 2,495,607	$ 1,293,935	$ (1,201,672)
1990	Other Tangible Property	$ 3,688,863	$ 2,357,794	$ (1,331,069)
Sub-total		**$ 32,986,469**	**$ 20,340,710**	**$ (12,645,759)**
Contribution and Grants				
1995	Contributions & Grants	$ (16,588,059)	$ -	$ 16,588,059
2440	Deferred Revenue	$ -	$ (2,676,722)	$ 2,676,722
Sub-total		**$ (16,588,059)**	**$ (2,676,722)**	**$ 19,264,781**
Grand Total		**$ 199,651,299**	**$ 120,117,294**	**$ (74,180,561)**

2016 ACTUAL VERSUS 2017 ACTUAL

As outlined in Table 2-10 below, EPI experienced an overall increase in gross assets of $10.7M between the 2016 and 2017 actuals.

TABLE 2-10: 2016 ACTUAL VS. 2017 ACTUAL

USoA	Description	2016 Actual	2017 Actual	Variance
Distribution Plant				
1612	Land Rights (Formally known as Account 1906)	$ 11,574	$ 11,574	$ -
1805	Land	$ 447,710	$ 447,710	$ -
1808	Buildings	$ 655,771	$ 667,609	$ 11,838
1820	Distribution Station Equipment <50 kV	$ 1,207,875	$ 1,232,911	$ 25,036
1830	Poles, Towers & Fixtures	$ 15,031,905	$ 16,890,767	$ 1,858,862
1835	Overhead Conductors & Devices	$ 26,607,166	$ 28,497,869	$ 1,890,703
1840	Underground Conduit	$ 6,206,376	$ 6,599,989	$ 393,613
1845	Underground Conductors & Devices	$ 14,555,100	$ 15,989,777	$ 1,434,677
1850	Line Transformers	$ 17,076,231	$ 18,460,461	$ 1,384,230
1855	Services (Overhead & Underground)	$ 8,314,500	$ 8,986,084	$ 671,584
1860	Meters	$ 12,339,098	$ 13,559,357	$ 1,220,259
Sub-total		**$ 102,453,306**	**$ 111,344,108**	**$ 8,890,802**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 3,566,264	$ 4,524,026	$ 957,762
1905	Land	$ 1,078,188	$ 1,078,188	$ -
1908	Buildings & Fixtures	$ 6,140,365	$ 6,221,808	$ 81,443
1910	Leasehold Improvements	$ -	$ 93,140	$ 93,140
1915	Office Furniture & Equipment (10 years)	$ 456,814	$ 473,872	$ 17,058
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 1,156,885	$ 1,542,061	$ 385,176
1930	Transporation Equipment	$ 3,258,126	$ 4,203,775	$ 945,649
1940	Tools, Shop & Garage Equipment	$ 838,207	$ 976,727	$ 138,520
1955	Communicaiton Equipment (Smart Meters)	$ 11,690	$ 11,690	$ -
1960	Miscellaneous Equipment	$ 182,442	$ 182,442	$ -
1980	System Supervisor Equipment	$ 1,293,935	$ 1,427,217	$ 133,282
1990	Other Tangible Property	$ 2,357,794	$ 2,803,192	$ 445,398
Sub-total		**$ 20,340,710**	**$ 23,538,138**	**$ 3,197,428**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (2,676,722)	$ (4,038,905)	$ (1,362,183)
Sub-total		**$ (2,676,722)**	**$ (4,038,905)**	**$ (1,362,183)**
Grand Total		**$ 120,117,294**	**$ 130,843,341**	**$ 10,726,047**

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWER & FIXTURES, VARIANCE $1,858,862

The variance in this account can be attributed to the following investment categories:

- In 2017, the voltage conversion program incurred costs of $397k, which were recorded in Account 1830. These conversion projects involve upgrading service from the legacy 2.4/4.16 kV system to the modern 16/27.6 kV standard. The program supports system modernization, improves power quality, and helps reduce the frequency and duration of outages.

- General pole replacement activities incurred total costs of $112k. These costs include the removal of existing poles and the installation of new ones, as part of EPI's ongoing investment in asset management and system optimization initiatives.

- Engineering, Operation and Control Room support accounted for $441k of the variance in Account 1830. These costs represent directly attributable expenditures related to engineering design, operational oversight, and control room functions required to support the execution of capital projects and to ensure their safe and reliable operation.

- Commercial and Residential investments and expansions accounted for $298k of the variance in Account 1830. These costs relate to work completed to add, upgrade or replace assets to service new or existing residential, commercial or industrial customers.

- Emergency response accounted for $183k in capital costs in 2017. These costs relate to major repairs and replacements required due to damage incurred by weather events or other non-planned emergencies or failures. The large windstorm on March 8, 2017 caused $101k of damage to the EPI system. Other emergency repairs made up the balance.

- The mapping project was a specialized project to update distribution system maps across the then 16 Legacy Entegrus communities, which accumulated costs of $387k. This project started in 2017 and was broken down into three phases. This was a significant project and involved experienced field staff inspecting all assets and assisting with the upload of the new information into an enhanced GIS system which supported real time visualization of the distribution system. The field staff were required to numerically tag each pole they inspected.

ACCOUNT 1835 – OVERHEAD CONDUCTORS & DEVICES, VARIANCE $1,890,703

The variance in this account can be attributed to investments in the following categories:

- Voltage conversion projects contributed $481k in costs to Account 1835.

- Engineering, operations and control room support accumulated $779k in directly attributable costs.

- Commercial/Industrial and Residential investment and expansion accumulated $306k in costs in 2017.
- Emergency response accounted for $197k in costs. This included the windstorm on March 8, 2017, and general emergency response costs.
- Overhead conductor and device replacements/upgrades accounted for $48k of the variance in Account 1835
- Smart Grid program accumulated $45k in overhead conductor and device costs.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $393,613

The variance in Account 1840 was primarily driven by commercial and residential investments and expansions which accounted for $297k in costs. This included the construction of various subdivisions and a condominium building.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS & DEVICES, VARIANCE $1,434,677

The variance in Account 1845 can be attributed to the following investment categories:

- Commercial/Industrial and Residential investment and expansion accounted for $666k of capital additions in Account 1845. These costs included various subdivision projects, a new condo building, a school rebuild, and two new commercial buildings in St. Thomas.
- Engineering, operations and control room support had $358k of directly attributable costs.
- Voltage conversion projects had $260k of costs.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $1,384,230

This variance in Account 1850 can be attributed to the following investments:

- Commercial and residential investment and expansion accounted for $575k of variance in Account 1850. Commercial investment and expansions were $391k, which included a large

agricultural building in Chatham, an upgrade to a commercial building in Tilbury, a water treatment plant, school upgrades and various commercial rebuilds. Residential investments and expansions were $184k.

- Conversion projects accounted for $463k of the variance in Account 1850.
- Line transformer replacements and upgrades accounted for $153k of the variance in Account 1850. Transformer replacement projects represent the costs associated with the replacement of defective or failed transformers throughout the distribution system.

ACCOUNT 1855 – SERVICES (OVERHEAD & UNDERGROUND), VARIANCE $671,584

Commercial and residential investments and expansions contributed $433k to the variance in Account 1855, with $81k attributable to commercial activities and $352k to residential. Engineering and operations support accounted for $104k in directly attributable capital costs. Additionally, the Conversion Program contributed $68k to the variance.

ACCOUNT 1860 – METERS, VARIANCE $1,220,259

The variance in Account 1860 can be attributed to the following investment categories:

- The Retail Meter Replacement program accounted for $758k of the variance in this account. This program includes all costs related to the deployment and upgrade of retail meters. Of this amount, $88k was related to meter reverification and $69k to residential meter replacements.
- Commercial and residential investments and expansions contributed $282k to the variance. Commercial-related costs totaled $238k. Additional commercial metering work included support for a hospital upgrade in St. Thomas and the water treatment plant in Chatham. Residential investments and upgrades accounted for the remaining $44k.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $957,762

The software component of the previously referenced mapping project contributed $236k to the variance in Account 1611. Asset management software accounted for an additional $230k. Automation software related to Smart Grid investments contributed $67k, while a fixed asset module for EPI's financial system accounted for $81k. IT support costs directly attributable to these software additions totaled $207k.

ACCOUNT 1920 – COMPUTER EQUIPMENT – HARDWARE, VARIANCE $385,176

Storage lifecycle hardware replacements accounted for the majority of the variance in Account 1920, totaling $199k. A Virtual Private Network appliance contributed $48k, while telephone system hardware costs amounted to $33k. Network upgrades represented $21k of the variance. The remaining balance was related to computer peripherals and personal computers.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $945,649

The capital expenditures recorded in Account 1930 – Transportation Equipment reflect the purchase of two 2017 Ford F150s totaling $93k, a 2017 Jeep at a cost of $43k, a 2017 Silverado at a cost of $45k and a 2017 Chevrolet totaling $82k. Additional investments included a new Freightliner bucket truck at $347k, a 2017 Ford F550 bucket truck at $187k, and a Ford F250 at $55k. All vehicle acquisitions were made in accordance with EPI's fleet policy governing the replacement of transportation equipment.

ACCOUNT 1990 – OTHER TANGIBLE PROPERTY, VARIANCE $445,398

The Mapping Project triggered the need to enhance the GIS and migrate it fully in-house to support digitization and real-time visualization. The GIS Migration project accounted for $369k; the majority of variance in Account 1990. An additional $30k was related to investments under the Smart Grid program.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 – DEFERRED REVENUE, VARIANCE $1,362,183

Between 2011 and 2016, legacy EPI and former STEI received average annual capital contributions of approximately $969k. In 2017, contributions increased by $300k, primarily due to large commercial projects and the development of several major subdivisions within EPI's service area.

2017 ACTUAL VERSUS 2018 ACTUAL

EPI experienced an overall increase in gross assets between 2017 and 2018 of $10.4M as shown in Table 2-11 below.

TABLE 2-11: 2017[1] VS. 2018 ACTUALS

USoA	Description	2017 Actual	2018 Actual	Variance
Distribution Plant				
1805	Land	$ 620,572	$ 620,572	$ -
1808	Buildings	$ 667,610	$ 676,967	$ 9,357
1820	Distribution Station Equipment <50 kV	$ 1,412,647	$ 1,458,527	$ 45,880
1830	Poles, Towers & Fixtures	$ 16,425,924	$ 18,817,741	$ 2,391,817
1835	Overhead Conductors & Devices	$ 28,246,441	$ 30,734,741	$ 2,488,300
1840	Underground Conduit	$ 6,605,903	$ 6,999,411	$ 393,508
1845	Underground Conductors & Devices	$ 14,753,242	$ 15,696,624	$ 943,382
1850	Line Transformers	$ 18,061,447	$ 19,428,378	$ 1,366,931
1855	Services (Overhead & Underground)	$ 9,178,776	$ 9,816,560	$ 637,784
1860	Meters	$ 12,558,836	$ 13,685,297	$ 1,126,461
Sub-total		**$ 108,531,398**	**$ 117,934,818**	**$ 9,403,420**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 4,192,595	$ 4,676,483	$ 483,888
1905	Land	$ 916,900	$ 916,900	$ -
1908	Buildings & Fixtures	$ 5,995,474	$ 6,491,903	$ 496,429
1910	Leasehold Improvements	$ 93,140	$ 96,797	$ 3,657
1915	Office Furniture & Equipment (10 years)	$ 437,685	$ 523,346	$ 85,661
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 1,303,827	$ 1,854,746	$ 550,919
1930	Transporation Equipment	$ 3,854,705	$ 4,103,850	$ 249,145
1940	Tools, Shop & Garage Equipment	$ 927,872	$ 1,068,833	$ 140,961
1980	System Supervisor Equipment	$ 845,484	$ 1,006,541	$ 161,057
1990	Other Tangible Property	$ 2,630,538	$ 2,726,014	$ 95,476
Sub-total		**$ 21,198,220**	**$ 23,465,413**	**$ 2,267,193**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (4,181,132)	$ (5,411,881)	$ (1,230,749)
Sub-total		**$ (4,181,132)**	**$ (5,411,881)**	**$ (1,230,749)**
Grand Total		**$ 125,548,486**	**$ 135,988,350**	**$ 10,439,864**

[1] The $5.29M variance between the 2017 actual balance in Table 2-11 and the 2017 actual balance in Table 2-10 is attributable to the EPI-STEI merger effective April 1, 2018. As part of the merger accounting, EPI recognized the net book value of STEI's assets as its gross cost. The 2017 actual balance in Table 2-11 has been adjusted accordingly for comparative purposes.

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS & FIXTURES, VARIANCE $2,391,817

The variance in Account 1830 can be attributed to the following categories of investment:

- The pole replacement and upgrade program accounted for $618k of the variance in account 1830. Further, starting in 2018, multiple Internet Service Providers ("ISPs") began to aggressively build out their networks in Chatham-Kent, requiring EPI to perform make-ready work involving engineering studies and, in many cases, asset replacements or upgrades, to support attachments to EPI poles. This resulted in $268k in costs associated with the Fiber to the Home ("FTTH") project. Additionally, $360k was incurred for the replacement of critical poles.
- The voltage conversion program accounted for $419k of the variance in account 1830.
- Engineering, operations and control room support activities resulted in $272k of directly attributable costs.
- Residential and commercial system investments and expansion activities contributed $420k of the variance in Account 1830.
- The second phase of the Mapping Project also occurred in 2018, resulting in costs of $315k. This project involved the physical tagging and numbering of all poles within the EPI service territory to enhance the accuracy of EPI's GIS and improve control room operations.
- Emergency-related work accounted for $286k in costs. EPI responded to two major storms in 2018, primarily impacting the EPI-Main service area. The first storm, on April 14, 2018, caused significant ice accumulation across Chatham-Kent and Middlesex counties, while the second storm, on May 4, 2018, brought high wind speeds throughout much of Chatham-Kent.

ACCOUNT 1835 – OVERHEAD CONDUCTORS AND DEVICES, VARIANCE $2,488,300

The variance in Account 1835 can be attributed to the following investment categories:

- The voltage conversion program contributed $267k in costs to the variance in Account 1835.

- Commercial and residential investment and expansion activities resulted in $332k in costs.
- Engineering, operations and control room support contributed $1.1M in directly attributable costs
- Emergency response activities totaled $305k. This included $75k in damage and replacements from the April ice storm, $92k from the May windstorm, and $134k in general emergency response costs.
- Smart Grid program investments contributed $309k to the variance in Account 1835. This included the installation of three new Line Interrupting Switches ("LIS") in 2018 at a cost of $250k – two in Blenheim and one in Tilbury. LISs are essential for network segmentation, enabling power rerouting and restoration following outages, or for isolating sections of the network during maintenance. Additionally, $53k was incurred for the smart switch and load interrupting switch replacement program, an ongoing annual initiative to replace equipment that has reached end-of-life.
- Overhead conductor and device replacement and upgrade activities accounted for $150k in costs.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $393,508

Capital expenditures in Account 1840 for 2018 were primarily driven by residential and commercial system investment and expansion activities, which totaled $290k. These expenditures included various residential subdivision developments and commercial service upgrades. The voltage conversion program accounted for an additional $53k in costs. The remaining costs in this account were related to emergency response, directly attributable engineering and operations support, and the smart grid program initiatives.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS & DEVICES, VARIANCE $943,382

Commercial and residential investment and expansion activities contributed $527k in capital expenditures, including a new apartment development and several residential subdivisions. The voltage

conversion program accounted for $133k in costs within this account. Emergency response activities resulted in $67k of cost variance, while engineering and operations support costs totaled $135k in directly attributable expenditures.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $1,366,931

Commercial and residential investment and expansion activities represented the majority of costs in Account 1850, totaling $420k. This included commercial rebuilds, two industrial buildings, and multiple residential subdivisions. The transformer replacement and renewal program accounted for $373k in expenditures. The voltage conversion program contributed $201k to Account 1850, comprising projects such as the Substation 4 Phase 2 conversion in Chatham ($134k) and the Chittim Street conversion in Blenheim ($55k). Emergency response activities resulted in $287k in costs, while the mapping project incurred $60k in costs.

ACCOUNT 1855 – SERVICES (OVERHEAD & UNDERGROUND), VARIANCE $637,784

The majority of 2018 expenditures in Account 1855 were driven by commercial and residential investment and expansion activities, totaling $480k. The voltage conversion program accounted for $53k in cost variance, while engineering and operations support resulted in $73k in directly attributable costs.

ACCOUNT 1860 – METERS, VARIANCE $1,126,461

Expenditures in Account 1860 were primarily driven by the metering renewal and replacement program, which totaled $874k. This included $739k related to the retail meter replacement program, $132k for meter resealing, and $2k for meter reverification. Retail meter replacement costs are associated with the deployment or upgrade of retail meters.

Commercial and residential investment and expansion activities accounted for an additional $243k. Commercial projects totaled $190k, including $70k in costs related to the MicroFIT program and other commercial developments. New residential meters amounted to $53k.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $483,888

EPI incurred $133k in costs for the GIS Migration Project, $95k in directly attributable IT support, $90k for asset management software, $73k for Customer Information System ("CIS") software upgrades, and $91k for cybersecurity enhancements.

ACCOUNT 1908 – BUILDINGS & FIXTURES, VARIANCE $496,429

Most of the cost in Account 1908 was related to the modernization of the Control Room at the Chatham office. This modernization of the Control Room accounted for $474k in costs.

ACCOUNT 1920 – COMPUTER EQUIPMENT – HARDWARE, VARIANCE $550,919

The variance in Account 1920 was primarily attributable to Control Room computer hardware upgrades, which totaled $264k. In addition, the St. Thomas office required new computer hardware, incurring $154k in costs. The remaining $128k in this account related to the purchase of laptops, monitors, headsets, and other computer hardware for both the Chatham and St. Thomas offices.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $249,145

In 2018, Entegrus acquired a 2018 Chevrolet Silverado for $59k, a 2018 Ford Escape for $33k, a 2018 Ford F250 with accessories for $76k, and two telescopic pole trailers for $97k. These expenditures were partially offset by the disposal of a 2011 Ford Escape.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 – DEFERRED REVENUE, VARIANCE $1,230,749

In 2018, EPI received $1.23M in contributed capital, resulting from System Access projects such as new residential subdivisions, commercial expansions and upgrades, and FTTH projects.

2018 ACTUAL VERSUS 2019 ACTUAL

As noted below in Table 2-12, EPI experienced an overall increase in gross assets of $10.4M between 2018 and 2019 actuals.

TABLE 2-12: 2018 VS. 2019 ACTUALS

USoA	Description	2018 Actual	2019 Actual	Variance
Distribution Plant				
1805	Land	$ 620,572	$ 620,572	$ -
1808	Buildings	$ 676,967	$ 677,478	$ 511
1820	Distribution Station Equipment <50 kV	$ 1,458,527	$ 1,603,634	$ 145,107
1830	Poles, Towers & Fixtures	$ 18,817,741	$ 21,295,671	$ 2,477,930
1835	Overhead Conductors & Devices	$ 30,734,741	$ 33,968,612	$ 3,233,871
1840	Underground Conduit	$ 6,999,411	$ 7,564,375	$ 564,964
1845	Underground Conductors & Devices	$ 15,696,624	$ 16,704,427	$ 1,007,803
1850	Line Transformers	$ 19,428,378	$ 20,682,623	$ 1,254,245
1855	Services (Overhead & Underground)	$ 9,816,560	$ 10,693,734	$ 877,174
1860	Meters	$ 13,685,297	$ 15,013,635	$ 1,328,338
Sub-total		**$ 117,934,818**	**$ 128,824,761**	**$ 10,889,943**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 4,676,483	$ 5,593,311	$ 916,828
1905	Land	$ 916,900	$ 916,900	$ -
1908	Buildings & Fixtures	$ 6,491,903	$ 6,816,758	$ 324,855
1910	Leasehold Improvements	$ 96,797	$ 96,797	$ -
1915	Office Furniture & Equipment (10 years)	$ 523,346	$ 558,798	$ 35,452
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 1,854,746	$ 2,088,485	$ 233,739
1930	Transporation Equipment	$ 4,103,850	$ 4,611,882	$ 508,032
1940	Tools, Shop & Garage Equipment	$ 1,068,833	$ 1,194,641	$ 125,808
1980	System Supervisor Equipment	$ 1,006,541	$ 1,223,273	$ 216,732
1990	Other Tangible Property	$ 2,726,014	$ 2,838,286	$ 112,272
2005	Property Under Finance Lease	$ -	$ 393,229	$ 393,229
Sub-total		**$ 23,465,413**	**$ 26,332,360**	**$ 2,866,947**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (5,411,881)	$ (8,769,306)	$ (3,357,425)
Sub-total		**$ (5,411,881)**	**$ (8,769,306)**	**$ (3,357,425)**
Grand Total		**$ 135,988,350**	**$ 146,387,815**	**$ 10,399,465**

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS AND FIXTURES, VARIANCE $2,477,930

The pole replacement and upgrade program accounted for $1.1M of the variance in Account 1830. Of this amount, $766k was related to pole replacements undertaken as part of the FTTH program, while $142k was attributed to replacements following testing, and $153k to the replacement of critical poles. Voltage conversion projects contributed an additional $555k to the variance. Engineering, operations, and Control Room support resulted in $300k of directly attributable costs. Furthermore, the third phase of the Mapping Project was carried out in 2019, incurring $188k in costs.

ACCOUNT 1835 – OVERHEAD CONDUCTORS AND DEVICES, VARIANCE $3,233,871

Overhead conductor and device replacements and upgrades totaled $294k. Of this, $180k was related to FTTH project work, while $92k was attributed to replacements following testing and other general replacements.

Commercial and residential investment and expansion activities accounted for $711k in costs, with commercial work comprising $366k and residential initiatives totaling $344k. The voltage conversion program contributed $432k to the variance in Account 1835.

Emergency response activities resulted in $234k in costs, including $41k related to storm damage, $10k from inspection findings, and $183k from other general emergency work. Engineering, operations, and control room support contributed $1.208M in directly attributable expenditures.

Smart grid program initiatives accounted for $355k, including $138k for the Thamesville voltage regulator project and $108k for two previously noted smart switch projects. The ongoing life cycle replacement of LIS assets incurred $73k in costs.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $564,964

The variance in Account 1840 was primarily driven by residential and commercial investment and expansion activities, totaling $468k. Several large residential subdivisions accounted for the majority of these costs. Cable replacement work contributed an additional $51k. The remaining expenditures in this account were related to emergency response and directly attributable engineering, and operational support expenditures.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS AND DEVICES, VARIANCE $1,007,803

Residential and commercial investment and expansion activities totaled $749k. The previously noted voltage conversion projects contributed $25k in costs. Emergency response activities accounted for $24k, while engineering and operations support resulted in $122k in directly attributable expenditures.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $1,254,245

Transformer replacement and renewal activities contributed $218k in costs within this account. This amount includes expenditures related to the FTTH program and the replacement of various transformers across EPI's service area.

Commercial and residential investment and expansion activities accounted for $667k in total, including several major commercial projects, a large agricultural facility, a corporate office building, a food processing plant upgrade, and the two public school upgrades. Residential investments and expansions totaled $224k.

The voltage conversion program contributed $111k in costs. General emergency work amounted to $116k, while engineering and operations support accounted for $43k of directly attributable costs. The previously referenced Thamesville voltage regulation initiative contributed a further $98k.

ACCOUNT 1855 – SERVICES (OVERHEAD AND UNDERGROUND), VARIANCE $877,174

Commercial and residential investment and expansion activities accounted for most of the variance in this account, totaling $708k. A significant initiative within this category was the St. Thomas Delta-Wye service conversion program, which incurred $121k in costs. Residential investments and expansions contributed $484k. Replacement activities accounted for $39k, while conversion program costs totaled $34k and directly attributable engineering and operations support costs amounted to $91k.

ACCOUNT 1860 – METERS, VARIANCE $1,328,338

Meter replacements and renewals represented the majority of the variance in this account, totaling $985k. Of this, $764k was related to retail meter replacements. The meter resealing program contributed $185k, while the meter reverification program accounted for $35k.

Commercial and residential investment and expansion activities totaled $340k. This included $119k for the new agricultural facility, with new residential meters contributing an additional $64k.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $916,828

Account 1611 costs were primarily driven by the CIS database merge project, which totaled $462k. The purpose of this project was to merge the CIS databases of legacy EPI and former STEI. Additional expenditures included $140k for asset management software, $120k for cybersecurity enhancements, $100k for metering software, and $73k in directly attributable IT support.

ACCOUNT 1908 – BUILDINGS & FIXTURES, VARIANCE $324,855

A new engineering area was constructed at the Chatham office at a cost of $182k. The St. Thomas office required a fire alarm system upgrade costing $58k, and the addition of an outdoor patio space for employees costing $30k. The remaining $60k was comprised of various smaller building upgrades at both office locations.

ACCOUNT 1920 – COMPUTER EQUIPMENT – HARDWARE, VARIANCE $ 233,739

As a security measure, new security cameras were installed at all substations, totaling $52k. The mobile phone upgrade program incurred $41k in costs, partially offset by $31k from the disposal of older devices. In 2019, $85k was spent on computer peripherals and $46k on personal computers. Additional expenditures included $21k for network upgrades and $14k for the replacement of operational field devices.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $508,032

In 2019, a 46’ single bucket truck was purchased for $366k, along with two Chevrolet Silverado trucks for operations totaling $106k. Additionally, a Chevrolet Colorado ($42k) and a Ford Edge ($41k) were acquired for field service representatives. These expenditures were partially offset by the disposal of a utility trailer, a 2011 Ford Escape, and a 2012 Ford Transit, totaling $52k.

ACCOUNT 1980 – SYSTEM SUPERVISOR EQUIPMENT, VARIANCE $216,732

The costs in this account were comprised of SCADA radio and modem upgrades, along with associated software expenditures.

ACCOUNT 2005 – PROPERTY UNDER FINANCE LEASE, VARIANCE $393,229

The variance in Account 2005 relates to the lease of office space in Strathroy. Although the lease began on July 1, 2017, the International Accounting Standards Board ("IASB") introduced IFRS 16, effective for annual reporting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 *Leases*, introducing a significant change by eliminating the distinction between operating and finance leases and requiring all qualifying leases to be recognized as a "right-of-use" asset. Under IFRS 16, any material lease with a "right-of-use" term exceeding 12 months must be recorded on the balance sheet. As the Strathroy office lease had a five-year term beginning in July 2017, the remaining "right-of-use" value was determined to be $393,229 as of January 1, 2019.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 – DEFERRED REVENUE, VARIANCE $3,357,425

In 2019, EPI received $3.4M in contributed capital, primarily resulting from System Access projects such as new residential subdivisions, commercial expansions and upgrades, and FTTH projects.

2019 ACTUAL VERSUS 2020 ACTUAL

As shown in Table 2-13 below, EPI experienced an overall increase in gross assets of $13.1M between 2019 and 2020 actuals.

TABLE 2-13: 2019 VS. 2020 ACTUALS

USoA	Description	2019 Actual	2020 Actual	Variance
Distribution Plant				
1805	Land	$ 620,572	$ 620,572	$ -
1808	Buildings	$ 677,478	$ 702,678	$ 25,200
1820	Distribution Station Equipment <50 kV	$ 1,603,634	$ 1,717,762	$ 114,128
1830	Poles, Towers & Fixtures	$ 21,295,671	$ 23,998,771	$ 2,703,100
1835	Overhead Conductors & Devices	$ 33,968,612	$ 38,025,599	$ 4,056,987
1840	Underground Conduit	$ 7,564,375	$ 8,400,597	$ 836,222
1845	Underground Conductors & Devices	$ 16,704,427	$ 18,758,679	$ 2,054,252
1850	Line Transformers	$ 20,682,623	$ 21,901,518	$ 1,218,895
1855	Services (Overhead & Underground)	$ 10,693,734	$ 11,877,965	$ 1,184,231
1860	Meters	$ 15,013,635	$ 16,364,437	$ 1,350,802
Sub-total		**$ 128,824,761**	**$ 142,368,578**	**$ 13,543,817**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 5,593,311	$ 6,274,647	$ 681,336
1905	Land	$ 916,900	$ 916,900	$ -
1908	Buildings & Fixtures	$ 6,816,758	$ 7,503,756	$ 686,998
1910	Leasehold Improvements	$ 96,797	$ 96,797	$ -
1915	Office Furniture & Equipment (10 years)	$ 558,798	$ 665,663	$ 106,865
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 2,088,485	$ 2,410,533	$ 322,048
1930	Transporation Equipment	$ 4,611,882	$ 4,617,199	$ 5,317
1940	Tools, Shop & Garage Equipment	$ 1,194,641	$ 1,268,249	$ 73,608
1980	System Supervisor Equipment	$ 1,223,273	$ 1,281,018	$ 57,745
1990	Other Tangible Property	$ 2,838,286	$ 3,178,700	$ 340,414
2005	Property Under Finance Lease	$ 393,229	$ 400,849	$ 7,620
Sub-total		**$ 26,332,360**	**$ 28,614,311**	**$ 2,281,951**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (8,769,306)	$ (11,535,177)	$ (2,765,871)
Sub-total		**$ (8,769,306)**	**$ (11,535,177)**	**$ (2,765,871)**
Grand Total		**$ 146,387,815**	**$ 159,447,712**	**$ 13,059,897**

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS AND FIXTURES, VARIANCE $2,703,100

The pole replacement and upgrade program contributed $1M in costs to the variance in Account 1830, including $486k related to the FTTH program. In 2020, two new pole line rebuild projects were undertaken at a total cost of $273k. These included a full rebuild of a 24-pole line in Ridgetown to replace end-of-life concrete poles, and an 8kV pole line rebuild in Parkhill involving the replacement of 22 end-of-life poles.

Directly attributable engineering, operations, and control room support also represented a significant portion of the variance, totaling $613k.

Residential and commercial investment and expansion activities contributed $319k to the variance in Account 1830, related to work completed to service new or existing buildings and subdivisions. Voltage conversion projects accounted for an additional $271k.

Emergency response activities contributed $213k to the variance, including repairs resulting from windstorms, and flooding. In March 2020, emergency work was undertaken in the community of Erieau to prevent isolation of the community from the grid as a precautionary measure against anticipated flooding[2]. In addition, two major storms significantly impacted the EPI service area in 2020 – a severe wind and thunderstorm on June 10, and a winter storm on November 15.

ACCOUNT 1835 – OVERHEAD CONDUCTORS AND DEVICES, VARIANCE $4,056,987

The voltage conversion program contributed $882k in costs to the variance in Account 1835. Emergency response activities totaled $495k, including $150k in damage caused by the two previously noted storms. A fire at Substation 6, resulting from vandalism, accounted for $228k, while emergency measures undertaken to prevent isolation of Erieau incurred an additional $13k.

Engineering, operations, and control room support represented $1.6M in directly attributable costs. Commercial and residential investment and expansion activities totaled $477k, with residential projects contributing $107k.

General pole replacements due to deterioration or damage (including those related to the FTTH program) amounted to $472k. The previously mentioned new pole line rebuilds added a further $172k, and FTTH-specific work contributed $147k.

[2] https://www.cbc.ca/news/canada/windsor/erieau-islanded-erie-shore-drive-1.5492109

Expenditures related to the smart grid program totaled $116k. This included the installation of several recloser devices in the Middlesex area, the 5M21 Segmentation project, and ongoing annual life cycle replacements of LIS devices.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $836,222

Voltage conversion projects amounted to $251k. Residential and commercial investments totaled $499k, including overhead work near Highway 401 in Tilbury to support road widening and two large residential subdivisions in the St. Thomas area. Cable replacement and extension projects contributed $55k in costs within this account.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS AND DEVICES, VARIANCE $2,054,252

Residential and commercial investment and expansion activities contributed $1.6M, with the majority of this amount driven by new residential subdivisions completed in 2020. Engineering and operations support for these projects accounted for $218k in directly attributable costs, while voltage conversion programs contributed $159k.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $1,218,895

A significant portion of the variance in Account 1850 was attributable to new residential subdivisions, totaling $622k. Emergency response activities contributed $162k in costs. Transformer replacements accounted for $222k, while engineering and operations support resulted in $130k in directly attributable expenditures.

ACCOUNT 1855 – SERVICES (OVERHEAD AND UNDERGROUND), VARIANCE $1,184,231

Much of the variance in Account 1855 was attributable to several large new residential subdivisions, which accounted for $616k in costs. Conversion projects contributed an additional $168k, while directly attributable engineering and operations support for these initiatives totaled $115k.

ACCOUNT 1860 – METERS, VARIANCE $1,350,802

The variance in Account 1860 was primarily driven by meter replacements which totaled $856k in costs, meter resealing activities with $221k in costs, and meter reverification efforts with a total of $107k. Residential and commercial investments contributed an additional $94k in costs.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $681,336

The variance in Account 1611 is comprised of CIS software upgrades totalling $279k in costs, directly attributable IT support costs were $44k, cybersecurity software costs of $49k, locate software costs of $35k, metering software costs of $19k, outage map software costs of $46k, asset management software costs of $111k, and the redesign of the EPI website costs of $68k.

ACCOUNT 1908 – BUILDING & FIXTURES, VARIANCE $686,998

The variance in Account 1908 was primarily driven by COVID-19 pandemic-related renovations at both the Chatham and St. Thomas offices, totaling $367k. Additional major renovations at the St. Thomas office amounted to $277k. Pandemic-related upgrades included the installation of desk partitions, protective barriers at customer service windows, various signage, and the construction of individual offices to reduce shared workspaces. The St. Thomas renovations included new washrooms, a redesigned front office area for customer service, upgrades to the warehouse, an enhanced security system, a secure entry system, and a new fire suppression system.

ACCOUNT 1920 – COMPUTER EQUIPMENT – HARDWARE, VARIANCE $322,048

The variance in Account 1920 was driven by the purchase of computer equipment – including personal computers, cell phones, docking stations, monitors, and iPads – totaling $166k. Additional lap tops, docking stations, monitors, and cell phones were required due to staff working from home during the COVID-19 pandemic. Additionally, a phone system upgrade for Customer Service was acquired at a cost of $97k, and server upgrades accounted for $66k.

ACCOUNT 1990 – OTHER TANGIBLE PROPERTY, VARIANCE $340,414

The variance in Account 1990 was largely related to investments in EPI's asset management program, including software enhancements.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 – DEFERRED REVENUE, VARIANCE $2,765,871

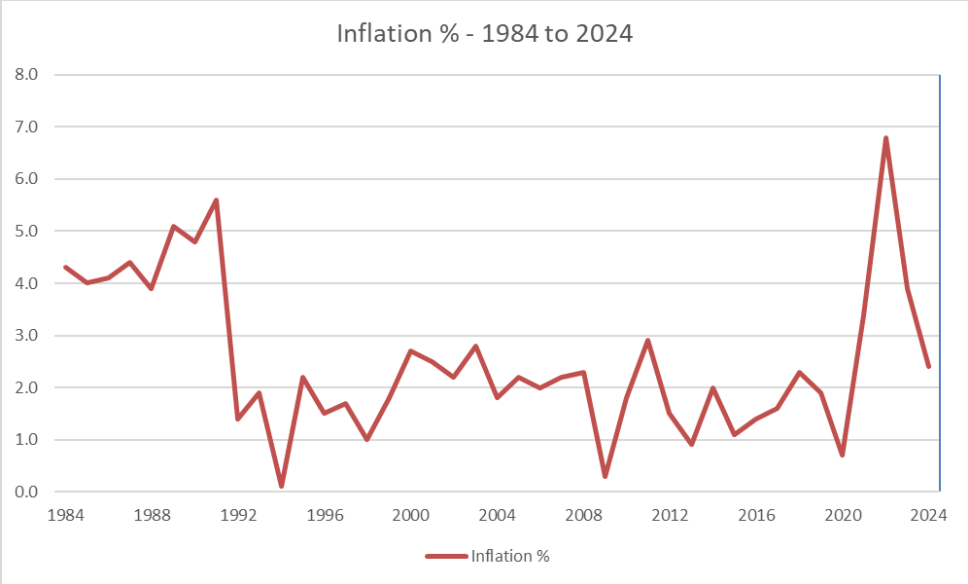
In 2020, EPI received $2.8M in contributed capital, primarily driven by system access projects including new residential subdivisions, commercial expansions and upgrades, and FTTH initiatives. The utility experienced continued residential growth in St. Thomas, Strathroy, Mount Brydges, and Chatham, along with stronger-than-expected commercial and industrial development throughout the year.

2020 ACTUAL VERSUS 2021 ACTUAL

As shown in Table 2-14 below, EPI experienced an overall increase in gross assets of $13.8M between the 2020 actuals and 2021 actuals. Beginning in 2021, inflationary pressures started to rise, as illustrated in Figure 2-1 below. While inflation remained relatively stable and modest for much of the prior three decades, the period from 2021 to 2023 experienced a sharp and sustained increase, with 2022 reaching the highest rate in the last forty years. These elevated inflationary conditions have increased the costs of goods, materials, and contracted services, which in turn have directly affected EPI's cost structure.

Although inflation has moderated from its 2022 peak, current levels remain above the historical norm since EPI's formation. As a result, the higher cost base established in recent years continues to influence EPI's capital spending through the 2026 Test Year and beyond.

FIGURE 2-1: HISTORICAL CONSUMER PRICE INDEX – YEAR-OVER-YEAR CHANGE



1

2 **TABLE 2-14: 2020 VS. 2021 ACTUALS**

USoA	Description	2020 Actual	2021 Actual	Variance
Distribution Plant				
1805	Land	$ 620,572	$ 618,553	$ (2,019)
1808	Buildings	$ 702,678	$ 732,369	$ 29,691
1820	Distribution Station Equipment <50 kV	$ 1,717,762	$ 1,912,543	$ 194,781
1830	Poles, Towers & Fixtures	$ 23,998,771	$ 27,953,349	$ 3,954,578
1835	Overhead Conductors & Devices	$ 38,025,599	$ 41,236,774	$ 3,211,175
1840	Underground Conduit	$ 8,400,597	$ 9,091,936	$ 691,339
1845	Underground Conductors & Devices	$ 18,758,679	$ 21,062,264	$ 2,303,585
1850	Line Transformers	$ 21,901,518	$ 24,068,217	$ 2,166,699
1855	Services (Overhead & Underground)	$ 11,877,965	$ 12,718,266	$ 840,301
1860	Meters	$ 16,364,437	$ 17,882,739	$ 1,518,302
Sub-total		**$ 142,368,578**	**$ 157,277,010**	**$ 14,908,432**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 6,274,647	$ 6,634,385	$ 359,738
1905	Land	$ 916,900	$ 916,900	$ -
1908	Buildings & Fixtures	$ 7,503,756	$ 7,628,424	$ 124,668
1910	Leasehold Improvements	$ 96,797	$ 96,797	$ -
1915	Office Furniture & Equipment (10 years)	$ 665,663	$ 678,923	$ 13,260
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 2,410,533	$ 2,694,488	$ 283,955
1930	Transporation Equipment	$ 4,617,199	$ 5,389,125	$ 771,926
1940	Tools, Shop & Garage Equipment	$ 1,268,249	$ 1,372,256	$ 104,007
1980	System Supervisor Equipment	$ 1,281,018	$ 1,327,248	$ 46,230
1990	Other Tangible Property	$ 3,178,700	$ 3,237,027	$ 58,327
2005	Property Under Finance Lease	$ 400,849	$ 400,849	$ -
Sub-total		**$ 28,614,311**	**$ 30,376,422**	**$ 1,762,111**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (11,535,177)	$ (14,377,021)	$ (2,841,844)
Sub-total		**$ (11,535,177)**	**$ (14,377,021)**	**$ (2,841,844)**
Grand Total		**$ 159,447,712**	**$ 173,276,411**	**$ 13,828,699**

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DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS & FIXTURES, VARIANCE $3,954,578

Pole replacement activities accounted for $1.6M of the variance in Account 1830, inclusive of both standard pole replacements/upgrades and those associated with FTTH initiatives. Voltage conversion projects contributed an additional $1.0M, with two major projects completed in Chatham during 2021. The remaining $394k in voltage conversion costs was related to several smaller projects below the materiality threshold.

Residential and commercial investment and expansion activities contributed $682k to Account 1830, with commercial developments representing the largest share. Notably, two new industrial subdivisions in Chatham accounted for a combined $225k.

Engineering, operations, and control room support represented $391k in directly attributable costs. Emergency response activities totaled $202k, including repairs from wind and ice storms, as well as restoration efforts following a gas explosion in downtown Wheatley[3], which damaged two city blocks and necessitated extensive pole removal and replacement.

ACCOUNT 1835 – OVERHEAD CONDUCTORS & DEVICES, VARIANCE $3,211,175

Commercial and residential investment and expansion activities amounted to $599k, with the majority of costs related to the two new industrial subdivisions. Overhead conductor and device replacements totaled $376k, primarily driven by FTTH-related work. Engineering and operations support contributed $1.3M in directly attributable costs within this account. The voltage conversion program contributed $373k to Account 1835.

Emergency response activities totaled $339k, largely resulting from the two major storms and the Wheatley gas explosion. Additionally, $180k was invested in the smart grid program, which included the

[3] https://www.chatham-kent.ca/localgovernment/News/pages/Emergency%20Officially%20Declared%20Over%20in%20Wheatley.aspx

installation of several recloser devices in the Middlesex area and Erieau, as well as $118k for the annual life cycle replacement of LIS devices.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $691,339

The variance in Account 1840 was primarily driven by commercial and residential investment and expansion activities, which totaled $464k. A significant portion of these costs (totaling $258k) was related to large residential subdivision developments in St. Thomas. Voltage conversion projects represented the next largest cost component in this account, with total expenditures of $211k.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS & DEVICES, VARIANCE $2,303,585

Residential and commercial investment and expansion activities accounted for the majority of the variance in Account 1845, totaling $1.5M. Several large residential subdivisions were constructed within the EPI service area in 2021. The voltage conversion program contributed $321k in costs to this account, while engineering and operations support for these projects resulted in $182k in directly attributable expenditures. The remaining costs were associated with emergency response efforts related to the two major storms and the Wheatley gas explosion.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $2,166,699

Residential and commercial investment and expansion activities represented a significant portion of the variance in Account 1850, totaling $774k. Voltage conversion projects contributed an additional $324k in costs. Emergency response efforts related to the previously noted storms and the Wheatley gas explosion accounted for $204k. The planned transformer replacement and renewal program added a further $140k in expenditures, while directly attributable engineering and operations support costs amounted to $150k. Transformer inventory was $573k. In 2021 EPI increased transformer inventory levels as a strategic measure to mitigate the impact of steadily lengthening vendor lead times. EPI classifies its transformer inventory as major spare parts for accounting and rate-making purposes.

ACCOUNT 1855 – SERVICES (OVERHEAD & UNDERGROUND), VARIANCE $840,301

Most of the variance in Account 1855 was driven by residential and commercial investment and expansion activities, which totaled $652k. As noted previously, several large new residential subdivisions accounted for $430k of these costs. Voltage conversion projects contributed $75k, while directly attributable engineering and operations support costs amounted to $57k. Emergency response activities accounted for an additional $32k.

ACCOUNT 1860 – METERS, VARIANCE $1,518,302

The variance in Account 1860 was primarily driven by meter replacement costs totaling $728k, along with meter reinvestment of $225k, meter resealing of $213k, and meter reverification of $136k. Residential and commercial investment and expansion activities also contributed $206k to the overall variance.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $359,738

The variance in Account 1611 was comprised of customer service software upgrades with costs of $55k, cybersecurity enhancements which incurred costs of $44k, digital transformation initiatives with total costs of $46k, directly attributable IT support for various capital projects costs were $45k, and asset management software costs totaling $129k.

ACCOUNT 1920 – COMPUTER EQUIPMENT HARDWARE, VARIANCE $283,955

EPI upgraded its wireless network and storage infrastructure, with the project costing $189k. The remaining variance in this account, totaling $74k, was related to the purchase of computer equipment, including personal computers, cell phones, docking stations, and other peripherals.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $771,926

In 2021, EPI made several vehicle purchases to replenish its fleet. Two Ford Broncos were acquired for the engineering and operations group at a total cost of $84k. For the St. Thomas office, two Dodge Rams were purchased for $125k, and a bucket truck was acquired at a cost of $521k. Additionally, two GMC Sierras were purchased for the Chatham office, totaling $121k. These purchases were offset by disposals

of vehicles including a 2013 Dodge Caravan, 2012 Ford Escape, 2011 GMC Sierra, 2012 Dodge Journey and a 2009 Dodge Caravan.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 – DEFERRED REVENUE, VARIANCE $2,841,844

In 2020, EPI received $2.8M in contributed capital, primarily driven by system access projects including new residential subdivisions and two industrial subdivisions.

2021 ACTUAL VERSUS 2022 ACTUAL

As shown in Table 2-15, EPI experienced an overall increase of $13.9M in gross assets between 2021 and 2022 actuals.

TABLE 2-15: 2021 VS. 2022 ACTUALS

USoA	Description	2021 Actual	2022 Actual	Variance
Distribution Plant				
1805	Land	$ 618,553	$ 618,553	$ -
1808	Buildings	$ 732,369	$ 749,355	$ 16,986
1820	Distribution Station Equipment <50 kV	$ 1,912,543	$ 1,981,946	$ 69,403
1830	Poles, Towers & Fixtures	$ 27,953,349	$ 31,383,675	$ 3,430,326
1835	Overhead Conductors & Devices	$ 41,236,774	$ 44,736,956	$ 3,500,182
1840	Underground Conduit	$ 9,091,936	$ 10,347,151	$ 1,255,215
1845	Underground Conductors & Devices	$ 21,062,264	$ 25,696,600	$ 4,634,336
1850	Line Transformers	$ 24,068,217	$ 25,738,217	$ 1,670,000
1855	Services (Overhead & Underground)	$ 12,718,266	$ 13,933,105	$ 1,214,839
1860	Meters	$ 17,882,739	$ 19,670,407	$ 1,787,668
Sub-total		**$ 157,277,010**	**$ 174,855,965**	**$ 17,578,955**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 6,634,385	$ 7,273,631	$ 639,246
1905	Land	$ 916,900	$ 916,900	$ -
1908	Buildings & Fixtures	$ 7,628,424	$ 8,023,313	$ 394,889
1910	Leasehold Improvements	$ 96,797	$ 96,797	$ -
1915	Office Furniture & Equipment (10 years)	$ 678,923	$ 706,382	$ 27,459
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 2,694,488	$ 2,825,764	$ 131,276
1930	Transporation Equipment	$ 5,389,125	$ 6,194,889	$ 805,764
1940	Tools, Shop & Garage Equipment	$ 1,372,256	$ 1,461,184	$ 88,928
1980	System Supervisor Equipment	$ 1,327,248	$ 1,330,239	$ 2,991
1990	Other Tangible Property	$ 3,237,027	$ 3,419,886	$ 182,859
2005	Property Under Finance Lease	$ 400,849	$ 400,849	$ -
Sub-total		**$ 30,376,422**	**$ 32,649,834**	**$ 2,273,412**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (14,377,021)	$ (20,265,115)	$ (5,888,094)
Sub-total		**$ (14,377,021)**	**$ (20,265,115)**	**$ (5,888,094)**
Grand Total		**$ 173,276,411**	**$ 187,240,684**	**$ 13,964,273**

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS AND FIXTURES, VARIANCE $3,430,326

The variance in Account 1830 was largely driven by the voltage conversion program, which accounted for $811k.

Emergency response and storm-related activity represented another key driver, with $323k incurred for general emergency work and $73k related to repairs from a Major Event. In 2022, one Major Event occurred (June 1, 2022), with several additional weather events falling below the Major Event threshold.

Pole replacements accounted for $435k of the variance, covering the replacement of poles identified as damaged or deteriorated through inspections, strength testing, or public reporting. An additional $536k was related to FTTH-driven pole replacements, required to accommodate third-party telecommunication company attachments.

Directly attributable engineering, operations, and control room support accounted for $413k.

Residential and commercial investment and expansion activities contributed approximately $597k.

ACCOUNT 1835 – OVERHEAD CONDUCTORS AND DEVICES, VARIANCE $3,500,182

Voltage conversion projects account for $420k of the variance in this account.

Emergency response activities totaled $183k. This includes $40k in damage caused by the May windstorm across the EPI service area, $27k in damage from the June Major Event in Chatham-Kent, and $24k from other storm-related events.

Commercial and residential investment and expansion activities contributed $699k to the variance, with commercial projects representing the majority at $522k. Residential-related costs totaled $174k.

Directly attributable engineering and operations support amounted to $1.5M.

Overhead conductor and device replacements added $559k in costs. Two major pole replacement projects contributed significantly: Edgeware Avenue costs were $122k and Adelaide Road costs were $134k. An additional $127k was associated with FTTH-related work.

Lastly, $91k was invested in the smart grid program. This included the installation of recloser devices in Erieau, Bothwell, and Parkhill to enable remote feeder holdoffs, along with annual life cycle replacements of LIS devices.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $1,255,215

Residential and commercial investment and expansion activities accounted for a significant portion of the costs in this category, totaling $744k. In 2022, substantial residential subdivision development continued across the EPI service area, significantly contributing to this variance. Additionally, a major commercial refeed in Wheatley added $54k in costs.

Voltage conversion projects contributed $321k to the variance.

Underground conduit replacement work accounted for $121k. The FTTH program resulted in $40k in costs. Additional replacement projects contributed to the remainder of the variance.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS & DEVICES, VARIANCE $4,634,336

Commercial and residential investment and expansion activities accounted for $3.9M in costs in Account 1845. Of this, residential expansion represented $3.7M, driven by several large subdivision developments across EPI's service area.

Voltage conversion projects totaled $305k.

General underground conductor and device replacements contributed $177k to the variance in Account 1845.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $1,670,000

Commercial and residential investment and expansion activities represented the largest portion of the 2022 variance in this account, totaling $1.1M. Commercial expansion costs amounted to $597k, including the construction of two large industrial buildings on Dennis Street and Talbot Street in St. Thomas, which contributed $154k. Residential expansions accounted for $462k, driven by several large subdivision developments across EPI's service area.

Voltage conversion projects contributed $280k.

Transformer replacements and renewals accounted for $190k. Emergency-related expenditures totaled $129k. Of this, $55k was associated with storm-related damage, while $73k was incurred for the replacement of critical transformers.

ACCOUNT 1855 – SERVICES (OVERHEAD & UNDERGROUND), VARIANCE $1,214,839

The majority of the variance in Account 1855 was attributable to residential and commercial investment and expansion activities, which totaled $861k. As previously noted, several large new residential subdivisions accounted for $626k of these costs, while $151k related to the delta-wye program. Additionally, voltage conversion projects contributed $283k, and directly attributable engineering and operations support costs totaled $68k.

ACCOUNT 1860 – METERS, VARIANCE $1,787,668

EPI's meter replacement program accounted for $687k in costs. In addition, meter reinvestment activities totaled $489k, while meter life extension initiatives contributed a further $246k. Commercial and residential investment and expansion activities accounted for $361k in costs.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $639,245

In 2022, Customer Service expanded and updated its mobile workforce management system to include more users and enhanced functionality, incurring $174k in costs. Digital transformation initiatives contributed an additional $148k. Cybersecurity enhancements and directly attributable IT support totaled $125k, while asset management software costs amounted to $194k.

ACCOUNT 1908 – BUILDING AND FIXTURES, VARIANCE $394,889

Renovations to the St. Thomas office in 2022 accounted for $155k in costs. Additional upgrades, including the installation of a new automatic gate for the yard and various other improvements, totaled

$63k. At the Chatham office, renovations amounted to $162k, including the installation of three electric vehicle charging stations with total costs of $55k and HVAC system upgrades which had $66k in costs.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $805,765

In 2022, EPI acquired the following transportation equipment: a 2022 Digger Derrick with a cost of $553k, a 2022 Ford Super Duty F-550 dump truck costing $115k, a 2022 Toyota Highlander which was $56k, a pole trailer costing $35k, and a 2022 Ford Super Duty F-250 with total costs of $58k. Additionally, $39k was spent on upgrades to a bucket truck. These costs were partially offset by the disposal of a 2010 Chevrolet 1500, 2009 Ford F-250, 2009 Ford Econoline E250, and a 2011 GMC Sierra, totaling $50k in disposals.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 – DEFERRED REVENUE, VARIANCE $5,888,094

In 2022, EPI received $5.9M in contributed capital, primarily driven by system access projects including several new residential subdivisions throughout EPI's service territory.

2022 ACTUAL VERSUS 2023 ACTUAL

As shown in Table 2-16, EPI experienced an overall increase in gross assets of $14.6M between 2022 and 2023 Actuals.

TABLE 2-16: 2022 VS. 2023 ACTUALS

USoA	Description	2022 Actual	2023 Actual	Variance
Distribution Plant				
1805	Land	$ 618,553	$ 620,163	$ 1,610
1808	Buildings	$ 749,355	$ 712,446	$ (36,909)
1820	Distribution Station Equipment <50 kV	$ 1,981,946	$ 2,013,378	$ 31,432
1830	Poles, Towers & Fixtures	$ 31,383,675	$ 34,110,241	$ 2,726,566
1835	Overhead Conductors & Devices	$ 44,736,956	$ 49,162,043	$ 4,425,087
1840	Underground Conduit	$ 10,347,151	$ 10,726,396	$ 379,245
1845	Underground Conductors & Devices	$ 25,696,600	$ 28,247,201	$ 2,550,601
1850	Line Transformers	$ 25,738,217	$ 27,846,847	$ 2,108,630
1855	Services (Overhead & Underground)	$ 13,933,105	$ 14,901,536	$ 968,431
1860	Meters	$ 19,670,407	$ 21,472,161	$ 1,801,754
Sub-total		**$ 174,855,965**	**$ 189,812,412**	**$ 14,956,447**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 7,273,631	$ 7,442,983	$ 169,352
1905	Land	$ 916,900	$ 916,900	$ -
1908	Buildings & Fixtures	$ 8,023,313	$ 8,143,729	$ 120,416
1910	Leasehold Improvements	$ 96,797	$ 93,140	$ (3,657)
1915	Office Furniture & Equipment (10 years)	$ 706,382	$ 787,728	$ 81,346
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 2,825,764	$ 3,046,677	$ 220,913
1930	Transporation Equipment	$ 6,194,889	$ 7,492,409	$ 1,297,520
1940	Tools, Shop & Garage Equipment	$ 1,461,184	$ 1,559,318	$ 98,134
1980	System Supervisor Equipment	$ 1,330,239	$ 1,354,386	$ 24,147
1990	Other Tangible Property	$ 3,419,886	$ 4,145,705	$ 725,819
2005	Property Under Finance Lease	$ 400,849	$ 400,849	$ -
Sub-total		**$ 32,649,834**	**$ 35,383,824**	**$ 2,733,990**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (20,265,115)	$ (23,333,359)	$ (3,068,244)
Sub-total		**$ (20,265,115)**	**$ (23,333,359)**	**$ (3,068,244)**
Grand Total		**$ 187,240,684**	**$ 201,862,877**	**$ 14,622,193**

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS AND FIXTURES, VARIANCE $2,726,566

Most of the variance in Account 1830 for 2023 was driven by the voltage conversion program, which accounted for $1.1M. Emergency response activities contributed an additional $158k, while $217k was incurred for repairs associated with Major Event Days. In 2023, an unusually high number of Major Event Days occurred due to severe weather, specifically on February 22, February 27, July 26–27, and August 24–25.

General pole replacements represented $273k of the variance, and directly attributable engineering, operations, and control room support activities contributed approximately $279k.

Residential and commercial investment and expansion activities added a further $354k to the variance in Account 1830.

ACCOUNT 1835 – OVERHEAD CONDUCTORS AND DEVICES, VARIANCE $4,425,077

This variance is primarily attributable to voltage conversion project costs of $788k, emergency response activities with costs of $170k, and costs associated with Major Events in 2023 of $386k. Directly attributable engineering and operations support totaled $1.7M, while commercial and residential investment and expansion activities accounted for $585k.

Additionally, $223k was invested in the smart grid program. This included the installation of a recloser on feeder 5M7 in Chatham to enable automatic partial restoration, the deployment of recloser devices in Bothwell and Wheatley to support remote feeder holdoffs, and annual lifecycle replacements of LIS devices.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $379,245

Consistent with the drivers noted above, the variance is primarily attributable to 2023 conversion projects, which accounted for $88k. In addition, EPI completed the Cedarwoods Crescent pole transformer conversion project, which involved replacing pole-mounted transformers with pad-mounted units. This project contributed $110k to the overall variance.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS AND DEVICES, VARIANCE $2,550,601

The variance in Account 1845 is primarily driven by residential and commercial investment and expansion activities, totaling $2.1M. The majority of this amount relates to new residential subdivision developments undertaken in 2023. The remaining variance in this account is attributable to conversion projects costs of $81k, directly attributable operations and engineering support costs of $230k, and various smaller investments totaling $143k.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $2,108,629

The variance in the transformer account is primarily driven by conversion projects, which accounted for $337k. Residential and commercial investment and expansion activities contributed $851k, emergency repairs totaled $163k, and transformer renewal program accounted for $668k in costs.

ACCOUNT 1855 – SERVICES (OVERHEAD & UNDERGROUND), VARIANCE $968,431

Most of the variance in Account 1855 was driven by residential and commercial investment and expansion activities, which totaled $442k. As noted previously, several large new residential subdivisions accounted for $359k of these costs. Voltage conversion projects contributed $365k, which included $325k for the 11F4 Ph 1 conversion project, while emergency response activities costs amounted to $39k. Directly attributable engineering and operations support costs and replacements accounted for an additional $88k.

ACCOUNT 1860 – METERS, VARIANCE $1,801,755

The variance in the meters account is driven mainly by meter life extension which had $311k in costs, meter replacements had costs of $805k and smart meter reinvestments had costs of $390k.

GENERAL PLANT

ACCOUNT 1920 – COMPUTER EQUIPMENT - HARDWARE, VARIANCE $220,913

The variance in Account 1920 was primarily driven by the purchase of computer equipment, including personal computers, cell phones, docking stations, and iPads, totaling $127k. In addition, server upgrades accounted for $93k.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $1,297,520

In 2023, EPI acquired a 2024 Freightliner Radial Boom Derrick for $464k, a 2023 Skylift Mini Derrick for $317k, two tandem axle utility trailers at a total cost of $24k, a Posi Line Champ material handler at a cost of $329k, and three trucks totalling $197k. These purchases were partially offset by the disposal of a Ford F-450 diesel truck, a Chevrolet Silverado, and a Dodge Caravan, totaling $35k in disposals.

ACCOUNT 1990 – OTHER TANGIBLE PROPERTY, VARIANCE $725,820

The variance in this account is primarily attributable to EPI's migration of its GIS to a modern Utility Network Model, which accounted for $345k. The costs associated with this upgrade were largely comprised of third-party contractor fees and various other contracted services. The remaining variance is mainly related to continued investment in the Asset Management program, including software enhancements and capitalized wages, totaling $275k.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 DEFERRED REVENUE, VARIANCE $3,068,244

The majority of the contributed capital variance, totaling $3.1M, was driven by customer-initiated requests, including new residential subdivisions and commercial developments. The remaining portion of the variance was attributable to FTTH projects and the reallocation of expansion deposits to contributed capital, following the expiration of the five-year connection period on applicable projects.

2023 ACTUAL VERSUS 2024 ACTUAL

As shown in Table 2-17, EPI experienced an overall increase in gross assets between 2023 Actuals and 2024 Actuals of $16.9M.

TABLE 2-17: 2023 VS. 2024 ACTUALS

USoA	Description	2023 Actual	2024 Actual	Variance
Distribution Plant				
1805	Land	$ 97,349	$ 201,708	$ 104,359
1808	Buildings	$ 682,916	$ 682,916	$ (0)
1820	Distribution Station Equipment <50 kV	$ 2,013,378	$ 2,058,683	$ 45,305
1830	Poles, Towers & Fixtures	$ 60,222,928	$ 63,137,616	$ 2,914,688
1835	Overhead Conductors & Devices	$ 23,049,356	$ 27,373,121	$ 4,323,765
1840	Underground Conduit	$ 10,726,396	$ 11,709,172	$ 982,776
1845	Underground Conductors & Devices	$ 28,247,201	$ 29,991,852	$ 1,744,651
1850	Line Transformers	$ 27,846,847	$ 30,673,471	$ 2,826,624
1855	Services (Overhead & Underground)	$ 14,901,536	$ 15,623,392	$ 721,855
1860	Meters	$ 21,472,161	$ 24,347,308	$ 2,875,147
Sub-total		**$ 189,260,068**	**$ 205,799,238**	**$ 16,539,170**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 8,004,128	$ 8,292,222	$ 288,094
1905	Land	$ 1,439,713	$ 1,439,713	$ (0)
1908	Buildings & Fixtures	$ 8,059,748	$ 8,480,790	$ 421,042
1910	Leasehold Improvements	$ 93,140	$ -	$ (93,140)
1915	Office Furniture & Equipment (10 years)	$ 871,565	$ 985,124	$ 113,559
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 3,044,876	$ 3,379,106	$ 334,230
1930	Transporation Equipment	$ 7,496,819	$ 8,301,581	$ 804,762
1940	Tools, Shop & Garage Equipment	$ 1,559,318	$ 1,647,886	$ 88,568
1980	System Supervisor Equipment	$ 1,383,916	$ 1,412,217	$ 28,301
1990	Other Tangible Property	$ 3,584,560	$ 4,007,344	$ 422,784
2005	Property Under Finance Lease	$ 400,849	$ 400,849	$ -
Sub-total		**$ 35,938,632**	**$ 38,346,831**	**$ 2,408,199**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (23,333,359)	$ (25,404,296)	$ (2,070,937)
Sub-total		**$ (23,333,359)**	**$ (25,404,296)**	**$ (2,070,937)**
Grand Total		**$ 201,865,341**	**$ 218,741,773**	**$ 16,876,432**

DISTRIBUTION PLANT

ACCOUNT 1830 – POLES, TOWERS AND FIXTURES, VARIANCE $2,914,688

The pole replacement and upgrade program contributed $519k in costs to the variance in Account 1830, primarily related to general pole replacements. Directly attributable engineering, operations, and control room support costs accounted for an additional $326k.

Residential and commercial investment and expansion activities contributed $669k, reflecting work undertaken to service new or existing buildings and subdivisions. This included a City of St. Thomas request to relocate poles along Highbury Avenue to accommodate road widening, which accounted for $244k.

Voltage conversion projects represented $1.0M of the variance in Account 1830. This included major conversion work in St. Thomas on two feeders totaling $376k, as well as $530k of conversion projects in Chatham.

Emergency response activities contributed $214k, related to repairs following a severe winter storm in January and a windstorm in April.

ACCOUNT 1835 – OVERHEAD CONDUCTORS AND DEVICES, VARIANCE $4,323,765

The voltage conversion program contributed $669k to the variance in Account 1835, including the previously noted conversion projects in St. Thomas costs of $217k and Chatham costs of $461k. Emergency response activities accounted for an additional $154k.

Directly attributable engineering, operations, and control room support costs totaled $1.4M. Commercial and residential investment and expansion activities contributed $1.4M, comprising $384k for residential developments and $996k for commercial projects. This included $433k related to the previously mentioned pole relocation request by the City of St. Thomas along Highbury Avenue.

General pole replacements due to rot or damage (including those associated with FTTH projects) accounted for $440k. Additionally, $268k was invested in the smart grid program, which included the installation of three new switches and a feeder segmentation project.

ACCOUNT 1840 – UNDERGROUND CONDUIT, VARIANCE $982,776

The 2024 capital expenditures in Account 1840 were primarily driven by conversion projects, which totaled $893k – comprised of $384k for conversion work in St. Thomas and $489k for projects in Chatham. The remaining costs in this account were attributable to emergency response, directly attributable engineering and operations support, commercial and residential investments, and the asset replacement program.

ACCOUNT 1845 – UNDERGROUND CONDUCTORS AND DEVICES, VARIANCE $1,744,651

Residential and commercial investment and expansion activities contributed $463k to the variance, with residential investments accounting for $222k. This included a significant condominium development in

St. Thomas costing $118k. Commercial investments totaled $241k across various new and upgraded projects. Directly attributable engineering and operations support for these initiatives amounted to $391k.

Conversion programs contributed $326k in costs, including $146k for the previously noted conversions in St. Thomas and Chatham, and $179k for Phase 1 and Phase 2 of the 23F2 conversion in Strathroy.

Emergency response activities totaled $413k, which included an emergency replacement of the underground river crossing cable at Baseline Road in Wallaceburg following a failure. The remaining $151k was related to replacements of underground conductors and devices.

ACCOUNT 1850 – LINE TRANSFORMERS, VARIANCE $2,826,624

The voltage conversion program contributed $700k to the variance in Account 1850, including $313k for projects in Chatham, $257k for St. Thomas conversions, and $129k for work completed in Strathroy.

Emergency response activities totaled $241k, with $150k related to damage from the two previously noted storms.

Commercial and residential investment and expansion activities resulted in $961k in costs. Of this, residential investments accounted for $63k, while commercial investments totaled $898k, including $489k for new commercial projects and $362k for commercial rebuilds.

The transformer replacement and renewal program contributed $981k in costs to the variance.

ACCOUNT 1855 – SERVICES (OVERHEAD & UNDERGROUND), VARIANCE $721,855

The voltage conversion program contributed $228k to the variance in Account 1850, comprising $104k for conversion projects in Chatham and St. Thomas, and $124k for projects in Strathroy.

Commercial and residential investment and expansion activities added $334k to the variance, with residential investments accounting for $208k and commercial investments totaling $126k.

The remaining costs were related to replacements, emergency response, and directly attributable operational support.

ACCOUNT 1860 – METERS, VARIANCE $2,875,147

The variance in the meters account is primarily driven by meter life extension activities totaling $455k, meter replacements amounting to $1.3M, and Smart Meter reinvestments of $687k.

GENERAL PLANT

ACCOUNT 1611 – COMPUTER SOFTWARE, VARIANCE $288,094

The variance in computer software was comprised of CIS system upgrades, cybersecurity improvements, and directly attributable IT support related to various capital projects.

ACCOUNT 1908 – BUILDINGS & FIXTURES, VARIANCE $421,042

The variance in Buildings & Fixtures was primarily driven by renovations and additions at the Chatham office, including new customer service office space costs of $149k, the construction of a linemen lounge with costs of $63k, and three new offices totaling $50k. Additionally, the St. Thomas office required the installation of new rooftop units, contributing $54k to the variance.

ACCOUNT 1920 – COMPUTER EQUIPMENT - HARDWARE, VARIANCE $334,230

The variance in Account 1920 was primarily due to $95k in expenditures on laptops and various computer equipment, along with $240k spent on cybersecurity upgrades.

ACCOUNT 1930 – TRANSPORTATION EQUIPMENT, VARIANCE $804,762

In 2024, EPI acquired a new forklift for $132k, two reel trailers for $61k, three Chevrolet Silverado pickup trucks for $179k, a Dodge Ram 3500 for $91k, and a Freightliner M2-106 for $595k. These purchases were partially offset by asset disposals totaling $288k.

ACCOUNT 1990 – OTHER TANGIBLE PROPERTY, VARIANCE $422,784

The variance in this account is primarily attributable to EPI's migration of its GIS to a modern Utility Network Model, which accounted for $190k. The costs associated with this upgrade were largely

comprised of contracted services from ESRI Canada and other third-party providers. The remaining variance is mainly related to continued investment in EPI's Asset Management program, totaling $233k.

CONTRIBUTIONS & GRANTS

ACCOUNT 2440 DEFERRED REVENUE, VARIANCE $2,070,937

The contributed capital variance was driven by customer-initiated requests, including new residential subdivisions and commercial projects. However, the 2024 balance was below the recent historical amounts, primarily due to a decline in residential subdivision developments and reduced activity in FTTH projects.

2024 ACTUAL VERSUS 2025 BRIDGE YEAR

As shown in Table 2-18, EPI has forecast an overall increase in net assets of $22.6M between the 2024 Actual and 2025 Bridge Year.

TABLE 2-18: 2024 ACTUAL VS. 2025 BRIDGE YEAR

USoA	Description	2024 Actual	2025 Bridge Year	Variance
Distribution Plant				
1805	Land	$ 201,708	$ 271,708	$ 70,000
1808	Buildings	$ 682,916	$ 682,916	$ (0)
1820	Distribution Station Equipment <50 kV	$ 2,058,683	$ 2,191,828	$ 133,145
1830	Poles, Towers & Fixtures	$ 63,137,616	$ 66,219,709	$ 3,082,093
1835	Overhead Conductors & Devices	$ 27,373,121	$ 34,516,121	$ 7,143,000
1840	Underground Conduit	$ 11,709,172	$ 12,566,505	$ 857,333
1845	Underground Conductors & Devices	$ 29,991,852	$ 32,073,945	$ 2,082,093
1850	Line Transformers	$ 30,673,471	$ 33,426,620	$ 2,753,149
1855	Services (Overhead & Underground)	$ 15,623,392	$ 16,970,629	$ 1,347,237
1860	Meters	$ 24,347,308	$ 26,891,102	$ 2,543,794
Sub-total		**$ 205,799,238**	**$ 225,811,082**	**$ 20,011,844**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 8,292,222	$ 8,969,222	$ 677,000
1905	Land	$ 1,439,713	$ 1,439,713	$ (0)
1908	Buildings & Fixtures	$ 8,480,790	$ 9,920,314	$ 1,439,524
1915	Office Furniture & Equipment (10 years)	$ 985,124	$ 995,124	$ 10,000
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 3,379,106	$ 3,669,106	$ 290,000
1930	Transporation Equipment	$ 8,301,581	$ 9,749,434	$ 1,447,853
1940	Tools, Shop & Garage Equipment	$ 1,647,886	$ 1,736,827	$ 88,941
1980	System Supervisor Equipment	$ 1,412,217	$ 1,483,102	$ 70,885
1990	Other Tangible Property	$ 4,007,344	$ 4,089,744	$ 82,400
2005	Property Under Finance Lease	$ 400,849	$ 400,849	$ -
Sub-total		**$ 38,346,831**	**$ 42,453,434**	**$ 4,106,603**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (25,404,296)	$ (26,949,226)	$ (1,544,930)
Sub-total		**$ (25,404,296)**	**$ (26,949,226)**	**$ (1,544,930)**
Grand Total		**$ 218,741,773**	**$ 241,315,290**	**$ 22,573,517**

DISTRIBUTION PLANT

In 2025, EPI budgeted $20.0M in capital additions for distribution system work. The variance in the Distribution Plant is attributable to the following key investment categories:

- Commercial and Residential investments and expansions: Total budgeted at $4.6M, including $1.4M for new and rebuild commercial projects, $1.8M for new and rebuild residential developments, and $515k for Joint Use and Municipal road reconstruction requests.

- Emergency Response: Budgeted at $807k to address unplanned system failures and weather-related events.

- Voltage Conversion Program: Budgeted at $4.3M, including major conversion work at substations in Chatham, St. Thomas and Strathroy.

- Metering Program: Budgeted at $2.5M. EPI has allocated $1.2M for smart meter replacement and reinvestment, $403k for the meter life extension program, and $923k for retail meter replacement.

- Distribution Rebuilds and Planned Replacement Program: Budgeted at $1.0M, comprising $375k for planned pole replacements, $285k for planned transformer replacements, and $548k for general rebuild projects.

- System Service: Budgeted at $5.2M. This includes an investment of $3.9M for the installation of a new breaker at Edgeware TS and a new emanating feeder to address existing capacity constraints in St. Thomas. Additional expenditures include $1.2M related to system automation initiatives, including fault indicators, reclosers, feeder automation, asset management tools, and SCADA upgrades.

GENERAL PLANT

In 2025, EPI budgeted $4.1M in capital additions for General Plant. The variance is attributable to the following key investment categories:

- Admin Building Additions and Upgrades: A budget of $1.4M has been allocated for improvements at the Chatham facility, including HVAC enhancement and roof replacements. These investments have been identified as priorities following the most recent third-party building inspection. In 2025, EPI is constructing a Materials Storage Building adjacent to the Chatham Operational Centre to support prudent asset management and safeguard critical materials. The facility will provide secure, weather-protected storage for larger and higher-value items such as transformers, cable, wire, and switches, including accommodating the move to larger 100 kVA transformers requiring additional space. Improved organization of inventory will allow dedicated areas for kitting, performed by Operational Support personnel, where materials are pre-assembled for System Renewal and System Access projects. This process reduces field time for Powerline Maintainers and enhances job readiness while securing critical assets.

- Transportation Equipment: A budget of $1.4M has been set for lifecycle upgrades to EPI's fleet. Given the geographic scope of EPI's service territory, a reliable and well-maintained fleet is essential to effectively respond to outages, fulfill service requests, and support capital construction and maintenance activities.

- Computer Hardware and Software: A total budget of $967k has been allocated, comprising $290k for hardware and $677k for software initiatives. Planned investments include cybersecurity enhancements, a major version upgrade to the CIS, and various security improvements to EPI's endpoint protection and firewall systems.

CONTRIBUTIONS & GRANTS

In 2025, EPI has budgeted $1.5M in Contributed capital. Contributed capital is primarily driven by customer-initiated requests, including new residential subdivisions and commercial projects. The budgeted 2025 balance is lower than recent historical amounts due to a known and observed decline in residential subdivision developments and reduced FTTH project work. In addition, beginning in 2025, contributed capital decreases further as a result of DSC amendments that extended the connection and revenue horizons for residential subdivisions to 15 years and 40 years, respectively.

2025 Bridge Year versus 2026 Test Year

As shown in Table 2-19, EPI has budgeted an overall increase in net assets of $18.6M between the 2025 Bridge Year and 2026 Test Year.

Table 2-19: 2025 Bridge vs. 2026 Test Year

USoA	Description	2025 Bridge Year	2026 Test Year	Variance
Distribution Plant				
1805	Land	$ 271,708	$ 361,708	$ 90,000
1808	Buildings	$ 682,916	$ 682,916	$ (0)
1820	Distribution Station Equipment <50 kV	$ 2,191,828	$ 2,251,701	$ 59,874
1830	Poles, Towers & Fixtures	$ 66,219,709	$ 69,420,268	$ 3,200,558
1835	Overhead Conductors & Devices	$ 34,516,121	$ 37,140,570	$ 2,624,449
1840	Underground Conduit	$ 12,566,505	$ 13,472,617	$ 906,112
1845	Underground Conductors & Devices	$ 32,073,945	$ 34,274,503	$ 2,200,558
1850	Line Transformers	$ 33,426,620	$ 36,714,356	$ 3,287,736
1855	Services (Overhead & Underground)	$ 16,970,629	$ 18,394,519	$ 1,423,891
1860	Meters	$ 26,891,102	$ 29,934,281	$ 3,043,180
Sub-total		**$ 225,811,082**	**$ 242,647,440**	**$ 16,836,358**
General Plant				
1611	Computer Software (Formally known as Account 1925)	$ 8,969,222	$ 9,883,722	$ 914,500
1905	Land	$ 1,439,713	$ 1,439,713	$ (0)
1908	Buildings & Fixtures	$ 9,920,314	$ 10,811,306	$ 890,991
1915	Office Furniture & Equipment (10 years)	$ 995,124	$ 1,006,124	$ 11,000
1920	Computer Equip.-Hardware (Post Mar. 19/07)	$ 3,669,106	$ 4,099,106	$ 430,000
1930	Transporation Equipment	$ 9,749,434	$ 10,706,509	$ 957,075
1940	Tools, Shop & Garage Equipment	$ 1,736,827	$ 1,855,952	$ 119,126
1980	System Supervisor Equipment	$ 1,483,102	$ 1,548,097	$ 64,996
1990	Other Tangible Property	$ 4,089,744	$ 4,089,744	$ -
2005	Property Under Finance Lease	$ 400,849	$ 400,849	$ -
Sub-total		**$ 42,453,434**	**$ 45,841,122**	**$ 3,387,687**
Contribution and Grants				
2440	Deferred Revenue[5]	$ (26,949,226)	$ (28,620,272)	$ (1,671,046)
Sub-total		**$ (26,949,226)**	**$ (28,620,272)**	**$ (1,671,046)**
Grand Total		**$ 241,315,290**	**$ 259,868,290**	**$ 18,553,001**

DISTRIBUTION PLANT

In 2026, EPI budgeted $16.8M in capital additions for distribution system work. The variance is attributable to the following categories of investment:

- Commercial and Residential Investments and Expansions: Budgeted at $4.2M, including $1.6M for new and rebuild commercial projects, $1.9M for new and rebuild residential developments, and $670k for municipal requested road reconstruction work.

- Emergency Response: Budgeted at $856k to address unplanned system failures and weather-related events.

- Voltage Conversion Program: Budgeted at $3.6M, including major conversion work at substations in Chatham, St. Thomas and Strathroy.

- Metering Program: Budgeted at $3.0M. EPI has allocated $1.4M for smart meter replacement and reinvestment, $421k for the meter life extension program, $993k for Retail Meter Replacement, and $249k for wholesale meter replacements. As an approved early adopter of smart meters, EPI originally installed most of its smart meter fleet starting in 2006-2007. Accordingly, a significant portion of these meters are past their 15-year estimated useful life and sustainment investments are required over the 2026-2030 DSP Forecast Period. In addition, approximately 5,000 meters tested poorly during the second seal period sampling in 2024. As per Measurement Canada's sampling regulation, the lots were granted the maximum two-year extension without the ability to be sampled again, which has led to some acceleration of the smart meter replacements in the 2026-2030 DSP Forecast Period. Please see the DSP, Section 3.1.2.2 for more information.

- Distribution Rebuilds and Planned Replacement Program: Budgeted at $1.8M, including $589k for planned pole replacements, $197k for planned transformer replacements, $500k for the Transformer injection program, and $490k for rebuild projects.

- System Service: Budgeted at $1.5M. This includes $60k for dissolved gas monitors on substations and $1.4M for system automation initiatives such as fault indicators, reclosers, feeder automation, asset management tools, and SCADA upgrades.

GENERAL PLANT

In 2026, EPI budgeted $3.4M in capital additions for general plant. The variance is attributable to the following categories of investment:

- Admin Building Additions and Upgrades: A budget of $890k has been allocated to improvements at the Chatham facility, including enhancements to HVAC systems and roof replacements. These upgrades have been prioritized based on recommendations from the most recent third-party building inspection.

- Transportation Equipment: A budget of $957k has been designated for lifecycle replacements and upgrades to EPI's fleet. Given the extensive geographic area of EPI's service territory, maintaining a dependable and well-serviced fleet is vital to ensure timely outage response, address service requests, and support capital and maintenance programs.

- Computer Hardware and Software: A total budget of $1.3M has been allocated, including $430k for hardware and $957k for software initiatives. Planned investments encompass cybersecurity improvements, ongoing enhancements to the CIS, a full website redesign and upgrade to the customer self-service portal to enhance the customer experience, and a lifecycle refresh of EPI's server infrastructure.

CONTRIBUTIONS & GRANTS

Contributed capital is primarily driven by customer-initiated requests, including new residential subdivisions and commercial projects. The $1.7M budgeted 2026 balance is below the recent historical amounts, primarily due to declining residential subdivision developments and reduced activity in FTTH projects, which is forecast to continue in 2026.

2.3 Depreciation, Amortization and Depletion

2.3.1 Overview

The determination of useful lives was informed by the Asset Depreciation Study prepared by Kinectrics (the "Kinectrics Report"), filed with the OEB under EB-2010-0178, along with an internal assessment of the remaining service lives to support the calculation of depreciation expense on a go-forward basis.

EPI confirms that significant parts or components of each item of PP&E are being depreciated separately, as further detailed below.

Capital assets and capital contributions are amortized on a straight-line basis beginning when the asset is placed into service, over the deemed useful life of the asset. Construction in progress assets begin amortization once the related project is completed and in service. EPI does not capitalize interest during construction, as project lifecycles are typically under one year.

For the purposes of this Application, the half-year rule has been applied to all in-service 2026 Test Year capital additions and capital contributions, in accordance with Section 2.2.4 of Chapter 2 of the OEB's Filing Requirements.

EPI's Depreciation Policy is provided as Attachment 2-A. The fixed asset continuity schedules filed in OEB Appendix 2-BA reconcile with the annual recorded depreciation expense. There have been no changes to EPI's depreciation policy or service lives since its last rebasing. Former STEI's depreciation policy was closely aligned with Legacy EPI's policy; therefore, no significant changes were made to the amalgamated utility's depreciation policy.

2.3.2 Useful Life and Componentization

The following discussion outlines the depreciation practices applied by EPI in this Application and summarizes any changes since its last COS Application.

EPI has reviewed the useful lives of its assets with reference to the Kinectrics Report. In addition, EPI's Engineering Department assessed the condition of its assets and current construction practices to determine appropriate depreciation periods.

OEB Appendix 2-BB provides the useful lives by USoA. EPI has not made any changes to the amortization periods for its capital assets since its previous COS Application. EPI's asset service lives are within the recommended useful lives in the Kinectrics Report for all asset classes, with the exception of Station Buildings. The generic Kinectrics Report specifies a minimum and maximum Total Useful Life ("TUL") for Station Buildings of 50 to 75 years. In 2010, EPI, along with two other geographically proximate LDCs commissioned a custom Kinectrics study. This custom study established a minimum and maximum TUL for Station Buildings of 40 to 60 years. EPI continues to apply the 40-year TUL for Station Buildings, consistent with the recommendations of the 2010 custom Kinectrics study.

Former STEI was also within the recommended useful life ranges outlined in the generic Kinectrics Report for each asset class. The useful lives used by STEI were generally consistent with those used by Legacy EPI. Accordingly, no significant changes were made to the useful life of STEI's assets as a result of the amalgamation with EPI.

2.3.3 Asset Retirement Obligation

EPI does not have any material Asset Retirement Obligations ("AROs"), associated depreciation or accretion expenses in relation to the AROs to report as part of this Application.

2.3.4 Depreciation Expense Summary and Analysis

EPI's capital assets and capital contributions are amortized on a straight-line basis, applying the half-year rule in the year of addition, over the respective useful lives of the assets. EPI confirms that significant parts or components of each item of PP&E are being depreciated separately.

Construction work in progress assets are not amortized until the project is complete.

No changes have been made to EPI's depreciation policy or service lives since its last rebasing. There have been no significant changes to former STEI's depreciation policy as a result of the amalgamation. Table 2-20 below provides a year-by-year summary of depreciation expense from the 2016 Actuals through to the 2026 Test Year. These tables reflect the Accumulated Depreciation balances in the fixed asset continuity statements. EPI has also completed OEB Appendix 2-C, Depreciation Expense which can be found in the standalone excel file (EPI_2026_Filing_Requirements_Chapter2_Appendices_1.0_20250829).

TABLE 2-20: DEPRECIATION EXPENSE SUMMARY BY YEAR

Line No.	Description	2016 OEB Approved Proxy	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Bridge	2026 Test
1	Change in Accumulated Depreciation	$ 5,000,884	$ 5,538,500	$ 5,690,593	$ 5,821,881	$ 5,838,664	$ 6,394,914	$ 6,788,563	$ 6,864,631	$ 7,001,346	$ 7,188,250	$ 7,701,142	$ 8,101,852
2	Less:												
3	Fully Allocated Transportation Depreciation	$ (407,582)	$ (248,556)	$ (280,114)	$ (396,964)	$ (321,827)	$ (328,095)	$ (344,390)	$ (374,793)	$ (459,647)	$ (552,126)	$ (479,929)	$ (516,653)
4	Non-Regulated Water Asset Depreciation	$ (240,170)	$ (220,695)	$ (248,690)	$ (233,004)	$ (211,332)	$ (218,724)	$ (215,856)	$ (222,996)	$ (184,990)	$ (222,012)	$ (222,012)	$ (228,659)
5	Contributed Capital	$ 493,333	$ 67,029	$ 114,031	$ 115,260	$ 177,375	$ 253,916	$ 324,013	$ 433,137	$ 545,091	$ 609,278	$ 656,351	$ 698,339
6	Half Depreciation on capital lease						$ (114,528)						
7	**Depreciation Expense**	**$ 4,846,465**	**$ 5,136,278**	**$ 5,275,820**	**$ 5,307,173**	**$ 5,482,880**	**$ 5,987,483**	**$ 6,552,330**	**$ 6,699,979**	**$ 6,901,800**	**$ 7,023,390**	**$ 7,655,552**	**$ 8,054,879**

2.4 ALLOWANCE FOR WORKING CAPITAL

2.4.1 OVERVIEW

The Filing Requirements permit applicants to take one of two approaches for the calculation of the allowance for working capital:

- Use a default allowance of 7.5%
- The filing of a lead/lag study

EPI has not been directed by the OEB to undertake a lead/lag study, and accordingly, has elected to use the OEB's default value for working capital.

In accordance with the Filing Requirements, EPI has used the default allowance of 7.5% for the 2026 Test Year in this Application. Working Capital Allowance is made up of controllable expenses and Cost of Power. Controllable expenses include operations and maintenance, billing and collecting, community relations, administration expenses, Low-Income Energy Assistance Program ("LEAP") expenditures, and property taxes. Cost of Power is described in Section 2.4.4.

2.4.2 CALCULATION OF 2016 OEB APPROVED PROXY

As reflected in Table 2-23 below, the 2016 OEB Approved Proxy was calculated as the aggregate of the following components:

- The Legacy EPI 2016 OEB Approved amounts, as shown in Table 2-21 below; and,

- The STEI 2015 OEB Approved amounts, inflated to 2016 amounts by STEI's 2016 OEB Approved IRM net price cap index adjustment of 1.8%, as presented in Table 2-22 below.

TABLE 2-21: LEGACY EPI OEB APPROVED WORKING CAPITAL ALLOWANCE

Description	Legacy Entegrus 2016 OEB Approved
Operations	$ 1,202,705
Maintenance	$ 1,802,735
Billing & Collecting	$ 2,476,279
Community Relations	$ 237,844
Admin & General	$ 3,776,415
Property Taxes	$ 243,162
LEAP	$ 23,040
Total Controllable	**$ 9,762,179**
Cost of Power	$ 120,679,564
Total Working Capital	**$ 130,441,743**
Allowance Factor	7.50%
Working Capital Allowance	**$ 9,783,131**

TABLE 2-22: LEGACY STEI OEB APPROVED WORKING CAPITAL ALLOWANCE

Description	STEI 2015 OEB Approved	STEI 2016 OEB Proxy (Escalated)
Inflation Factor		**1.018**
Operations	$ 1,072,810	$ 1,092,121
Maintenance	$ 224,112	$ 228,146
Billing & Collecting	$ 1,055,355	$ 1,074,351
Community Relations	$ -	$ -
Admin & General	$ 2,028,123	$ 2,064,629
Property Taxes	$ 102,100	$ 103,938
LEAP	$ 7,500	$ 7,635
Total Controllable	**$ 4,490,000**	**$ 4,570,820**
Cost of Power	$ 31,906,320	$ 32,480,634
Total Working Capital	**$ 36,396,320**	**$ 37,051,454**
Allowance Factor	9.75%	9.75%
Working Capital Allowance	**$ 3,548,641**	**$ 3,612,517**

TABLE 2-23: EPI 2016 OEB APPROVED WORKING CAPITAL ALLOWANCE PROXY

Description	Legacy Entegrus 2016 OEB Approved	STEI 2016 Calculated OEB Approved Proxy	EPI Calculated 2016 OEB Approved Proxy
Operations	$ 1,202,705	$ 1,092,121	$ 2,294,825
Maintenance	$ 1,802,735	$ 228,146	$ 2,030,881
Billing & Collecting	$ 2,476,279	$ 1,074,351	$ 3,550,630
Community Relations	$ 237,844	$ -	$ 237,844
Admin & General	$ 3,776,415	$ 2,064,629	$ 5,841,044
Property Taxes	$ 243,162	$ 103,938	$ 347,100
LEAP	$ 23,040	$ 7,635	$ 30,675
Total Controllable	**$ 9,762,179**	**$ 4,570,820**	**$ 14,332,999**
Cost of Power	$ 120,679,564	$ 32,480,634	$ 153,160,198
Total Working Capital	**$ 130,441,743**	**$ 37,051,454**	**$ 167,493,197**
Allowance Factor	7.50%	9.75%	8.00%
Working Capital Allowance	**$ 9,783,131**	**$ 3,612,517**	**$ 13,395,647**

2.4.3 WORKING CAPITAL ALLOWANCE

TABLE 2-24: WORKING CAPITAL ALLOWANCE – 2016 OEB APPROVED PROXY TO 2026 TEST YEAR

Line No.	Description	2016 OEB Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Bridge	2026 Test
1	Operations	$ 2,294,825	$ 2,099,853	$ 1,499,337	$ 1,661,517	$ 1,723,930	$ 1,820,162	$ 1,861,395	$ 1,964,881	$ 2,256,185	$ 2,431,509	$ 2,593,108	$ 2,784,038
2	Maintenance	$ 2,030,881	$ 2,057,896	$ 2,038,355	$ 2,378,616	$ 2,616,736	$ 2,143,024	$ 2,766,560	$ 3,322,409	$ 3,310,998	$ 3,559,969	$ 3,795,452	$ 4,173,540
3	Billing & Collecting	$ 3,550,630	$ 3,481,938	$ 3,219,182	$ 3,919,270	$ 3,322,270	$ 3,353,904	$ 2,912,230	$ 3,528,878	$ 3,567,529	$ 3,724,282	$ 3,810,356	$ 4,374,049
4	Community Relations	$ 237,844	$ 35,012	$ 54,707	$ 41,150	$ 37,009	$ 13,999	$ 9,021	$ 18,294	$ 13,675	$ 177,375	$ 189,108	$ 202,964
5	Admin & General	$ 5,841,044	$ 6,334,747	$ 7,017,961	$ 5,933,474	$ 5,840,522	$ 6,245,121	$ 6,236,584	$ 6,826,081	$ 7,275,075	$ 7,719,534	$ 8,623,282	$ 9,285,085
6	Property Taxes	$ 347,100	$ 338,231	$ 339,089	$ 357,117	$ 345,015	$ 358,109	$ 275,200	$ 51,946	$ 289,473	$ 298,461	$ 307,415	$ 313,730
7	LEAP	$ 30,675	$ 33,591	$ 32,821	$ 32,778	$ 34,569	$ 32,010	$ 32,010	$ 32,010	$ 48,669	$ 32,010	$ 32,010	$ 308,190
8	**Total Controllable**	**$ 14,332,999**	**$ 14,381,268**	**$ 14,201,453**	**$ 14,323,922**	**$ 13,920,051**	**$ 13,966,329**	**$ 14,093,000**	**$ 15,744,500**	**$ 16,761,604**	**$ 17,943,140**	**$ 19,350,731**	**$ 21,441,596**
9	Cost of Power	$ 153,160,198	$ 158,210,038	$ 145,165,806	$ 139,886,969	$ 145,654,061	$ 164,073,794	$ 146,554,517	$ 147,848,945	$ 144,645,121	$ 162,175,231	$ 146,500,016	$ 144,019,455
10	**Total Working Capital**	**$ 167,493,197**	**$ 172,591,306**	**$ 159,367,258**	**$ 154,210,891**	**$ 159,574,112**	**$ 178,040,122**	**$ 160,647,517**	**$ 163,593,445**	**$ 161,406,725**	**$ 180,118,371**	**$ 165,850,747**	**$ 165,461,051**
11	Allowance Factor	8.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
12	**Working Capital Allowance**	**$ 13,395,647**	**$ 12,944,348**	**$ 11,952,544**	**$ 11,565,817**	**$ 11,968,058**	**$ 13,353,009**	**$ 12,048,564**	**$ 12,269,508**	**$ 12,105,504**	**$ 13,508,878**	**$ 12,438,806**	**$ 12,409,579**

2.4.4 CALCULATION OF COST OF POWER

Cost of Power Expenses are provided in Appendix 2-ZA and Appendix 2-ZB of the Chapter 2 Appendices. EPI confirms that it has split RPP and non-RPP based on 2024 actual consumption data. EPI used the RPP supply cost for the period November 1, 2024 to October 31, 2025, as published in the most recent Regulated Price Plan Report, dated October 18, 2024. EPI confirms the 13.1% OER credit is applied to the RPP portion of the Cost of Power Expense components. EPI also confirms it has used the most

recently approved Uniform Transmission Rates, Smart Metering Entity charges, and regulatory charges. EPI acknowledges that these rates may be updated at a later date to reflect actual 2026 rates, as approved by the OEB. For more details regarding the calculation of Retail Transmission Service Rates, including Low Voltage charges used in the calculation of Cost of Power Expenses, please see Exhibit 8.

2.5 Distribution System Plan

In accordance with the Filing Requirements, EPI is filing its consolidated DSP as a stand-alone document in Attachment 2-C to this Exhibit. EPI has organized the information contained in the DSP using the headings indicated in Chapter 5 of the OEB's Filing Requirements for Electricity Distribution Rate Applications, Consolidated Distribution System Plan Filing Requirements, dated December 9, 2024. A snapshot of the 5-year spending by DSP Category is presented in Table 2-25 below and the full DSP is attached as Attachment 2-C.

Table 2-25: Forecast Capital Expenditures ($000's)

CATEGORY	Bridge Year	Forecast Period ($'000s)				
	2025	2026	2027	2028	2029	2030
System Access	$4,559	$4,890	$4,423	$4,552	$4,651	$4,752
System Renewal	$9,863	$9,656	$10,665	$10,233	$10,848	$11,320
System Service	$5,226	$2,245	$2,191	$2,480	$2,528	$2,419
General Plant	$3,899	$3,433	$3,034	$2,560	$2,870	$2,995
TOTAL EXPENDITURE	$23,548	$20,224	$20,313	$19,825	$20,897	$21,486
Capital Contributions	-$1,545	-$1,671	-$1,699	-$1,749	-$1,783	-$1,819
NET CAPITAL EXPENDITURES	**$22,003**	**$18,553**	**$18,614**	**$18,076**	**$19,114**	**$19,668**

2.6 Policy Options for the Funding of Capital

To date, EPI has not filed any Incremental Capital Module ("ICM") applications. EPI does not currently plan to file any ICM applications during the 2026-2030 period. However, given evolving provincial energy policies and increasing load at EPI's 36 supply points, capacity needs may arise that require the filing of an ICM application. EPI expressly reserves the right to do so if needed.

2.6.1 Addition of Previously Approved ACM and ICM Project Assets to Rate Base

EPI has not applied for nor received approval of any ICM assets and therefore has no such asset added to its rate base. Accordingly, EPI has not completed the OEB's Capital Module applicable to ACM and ICM.

2.7 Capitalization Policy

EPI's current capitalization policies and principles are based on IFRS and guidelines set out by the OEB, where applicable. For a copy of EPI's Capitalization Policy please refer to Attachment 2-B. EPI converted to MIFRS for financial reporting purposes on December 31, 2015. Capitalization policies and depreciation policies have remained consistent since EPI's last rebasing in 2016.

IFRS prescribes the types of costs that may be included in the cost of an asset, permitting capitalization only of those costs that are directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management. Indirect overhead expenses, such as general and administrative costs that are not specifically attributable to the asset, are not eligible for capitalization under IFRS.

EPI performed an analysis of all costs that were being capitalized to determine if the costs were eligible for capitalization under IFRS. This analysis is summarized below.

Labour Costs

Capitalized labour includes engineering design time, control room support, and operations construction time, which are recorded on timesheets to capital work orders. The timesheets document the nature of activities performed and the time allocated to each task by employees, thereby providing a direct link to the costs incurred in bringing an asset to its intended use. As such, these costs are eligible for capitalization under IFRS.

Material Costs

These costs represent stocked items taken from EPI's warehouse and issued out to each capital project, as well as direct materials which are purchased and delivered to the job site. They reflect the purchase price and initial delivery costs of the materials. In accordance with IFRS, these costs are eligible for capitalization as they are directly attributable to bringing an asset to the location and condition necessary for it to operate as intended by management.

Third Party Costs

EPI incurs subcontractor costs when third parties are engaged to support the construction of its assets. Since these costs are directly attributable to bringing an asset to the location and condition necessary for it to operate in a manner intended by management, they are eligible for capitalization under IFRS.

CAPITALIZATION GUIDELINES

The purpose of capitalizing expenditures is to provide an equitable allocation of costs among current and future customers. As capital assets are expected to provide future economic benefits for more than one year, any expenditure incurred for the acquisition, construction, development, or betterment of the capital assets should be capitalized. These capitalized costs are allocated over the estimated useful life of the assets through amortization.

Capital assets include tangible assets, such as property, plant, and equipment, provided they are held for use in the production or supply of goods and services. Intangible assets, which lack physical substance, are also classified as capital assets.

REPAIR

A repair is a cost incurred to maintain the existing service potential of a capital asset. Since repairs do not enhance the asset's performance or extend its useful life beyond the original estimate, they are expensed in the current operating period and are not eligible for capitalization.

CAPITALIZATION BY COMPONENTS

When parts or components of an item of PP&E have differing useful lives and represent a significant portion of the asset's total cost, they are accounted for as individual items (i.e. major components). and depreciated separately over their respective estimated useful lives.

Components with similar useful lives and depreciation methods are grouped together for the purpose of calculating depreciation. Any remaining parts that are not individually significant are combined and categorized as a single component that best reflects the collective characteristics of those parts.

CAPITALIZATION THRESHOLD

Theoretically, any expenditure that meets the criteria for asset cost and recognition would be recorded as a capital asset. However, for practical purposes, a qualifying expenditure is capitalized only if the cost exceeds $2,000 for individually identifiable assets or for pooled assets of a similar nature.

SPARE TRANSFORMERS

Spare transformers are accounted for as capital assets, as they play a critical role in supporting the reliability of the distribution system. They are not intended for resale and, in accordance with IAS 2, *Inventories*, are not classified as inventory. Depreciation of transformers begins once they are placed into service.

CAPITAL CONTRIBUTION POLICY

EPI accounts for capital contributions in compliance with the provisions in the Distribution System Code ("DSC") and EPI's Conditions of Service, including the amendments to the DSC issued on December 23, 2024, which extend the revenue horizon and connection horizon for residential customers to 40 years and 15 years, respectively. Under IFRS, capital contributions are recorded as deferred revenue and amortized into income over the useful life of the asset to which it relates. For regulatory reporting and rate-making purposes, EPI records customer contributions in Account 2440 as deferred revenue and treats the corresponding amount as an offset to rate base.

ASSET RETIREMENT POLICY

For readily identifiable assets that are retired or disposed of, the associated asset cost and accumulated depreciation are removed from the accounts upon disposal or when no future economic benefits are expected from their use. Any resulting gain or loss from the derecognition of the asset is recognized in profit or loss in the year of derecognition.

2.7.1 CAPITALIZATION OF OVERHEAD

Standard IAS 16, *Property, Plant and Equipment*, states that cost of an item of PP&E includes:

- The purchase price;

- Any 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 for use; and,

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

IAS 16 does not define the term "directly attributable." The specific facts and circumstances surrounding the nature of the costs and the activity associated with it must be considered to determine if the cost is directly attributable. EPI reviews the costs in each of its overhead (i.e., burden) accounts to determine which costs are eligible to be capitalized.

All overhead charges are subject to regular review. Any residual balances remaining after the routine allocation process are cleared to the appropriate capital, operating, or maintenance accounts, based on the actual nature and occurrence of the related cost allocation.

EPI has completed Table 2-26, which provides a summary of OM&A before capitalization and a breakdown of capitalized OM&A for the historical years, 2016 through 2024 as well as the 2025 Bridge Year and 2026 Test Year. This table is consistent with the OEB's Appendix 2-D which is provided in the standalone excel file EPI_2026_Filing_Requirements_Chapter2_Appendices_1.0_20250829. Over the 2016-2026 period, EPI has capitalized (and expects to capitalize) approximately $44.8M, representing 20.60% of total OM&A costs. The forecasted capitalization rate of 19% in the 2026 Test Year reflects a 3% decrease compared to the 2016 actuals, primarily due to cost synergies achieved through the STEI-EPI merger.

TABLE 2-26: CAPITALIZED OM&A (APPENDIX 2-D) – 2016 ACTUAL TO 2026 TEST YEAR

Line No.	Description	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Bridge Year	2026 Test Year
1	**OM&A Before Capitalization**											
2	Distribution	$ 4,330,531	$ 3,101,740	$ 3,282,293	$ 3,618,914	$ 3,461,526	$ 3,933,993	$ 4,663,360	$ 5,137,128	$ 5,315,738	$ 5,668,122	$ 6,184,354
3	Billing and Collecting	$ 3,322,650	$ 3,317,066	$ 3,626,118	$ 3,322,270	$ 3,428,904	$ 3,166,900	$ 3,528,878	$ 3,440,237	$ 3,724,282	$ 3,810,356	$ 4,374,049
4	Community Relations	$ 179,030	$ 208,267	$ 152,854	$ 230,341	$ 243,999	$ 278,310	$ 215,383	$ 231,097	$ 209,385	$ 221,118	$ 511,154
5	Administrative and General	$ 6,780,261	$ 6,765,550	$ 6,905,539	$ 6,403,511	$ 6,473,790	$ 6,438,596	$ 7,284,933	$ 7,663,670	$ 8,395,274	$ 9,343,720	$ 10,058,309
6	Labour Burden	$ 3,315,687	$ 3,278,578	$ 2,942,500	$ 2,659,021	$ 2,814,343	$ 2,660,020	$ 2,910,761	$ 2,985,238	$ 3,441,973	$ 3,744,867	$ 3,902,151
7	Material Burden	$ 268,473	$ 222,864	$ 313,975	$ 464,323	$ 301,204	$ 398,982	$ 447,846	$ 359,959	$ 310,801	$ 321,990	$ 333,904
8	Vehicle Burden	$ 433,308	$ 417,827	$ 523,505	$ 561,525	$ 502,503	$ 665,550	$ 671,650	$ 685,975	$ 606,721	$ 628,563	$ 651,820
9	**Total OM&A Before Capitalization (B)**	**$ 18,629,939**	**$ 17,311,892**	**$ 17,746,784**	**$ 17,259,905**	**$ 17,226,269**	**$ 17,542,352**	**$ 19,722,811**	**$ 20,503,303**	**$ 22,004,174**	**$ 23,738,736**	**$ 26,015,741**
10	**Capitalized OM&A**											
11	Labour Burden (Note 1)	$ 3,315,687	$ 3,278,578	$ 2,942,500	$ 2,659,021	$ 2,814,343	$ 2,660,020	$ 2,910,761	$ 2,985,238	$ 3,441,973	$ 3,744,867	$ 3,902,151
12	Material Burden (Note 2)	$ 268,473	$ 222,864	$ 313,975	$ 464,323	$ 301,204	$ 398,982	$ 447,846	$ 359,959	$ 310,801	$ 321,990	$ 333,904
13	Vehicle Burden	$ 433,308	$ 417,827	$ 523,505	$ 561,525	$ 502,503	$ 665,550	$ 671,650	$ 685,975	$ 606,721	$ 628,563	$ 651,820
14	**Total Capitalized OM&A (A)**	**$ 4,017,468**	**$ 3,919,269**	**$ 3,779,980**	**$ 3,684,869**	**$ 3,618,050**	**$ 3,724,552**	**$ 4,030,257**	**$ 4,031,172**	**$ 4,359,495**	**$ 4,695,420**	**$ 4,887,875**
15	**% of Capitalized OM&A (=A/B)**	**22%**	**23%**	**21%**	**21%**	**21%**	**21%**	**20%**	**20%**	**20%**	**20%**	**19%**

Note 1: Expenses are directly attributable, Training expenses are no longer capitalized under MIFRS
Note 2: Expenses are directly attributable, No changes necessary on transition to MIFRS

2.7.2 BURDEN RATES

EPI uses the overhead/burden accounts described below. The methodology for calculating and applying burden rates has not changed since EPI's last rebasing application.

BENEFIT COSTS

Employee benefit costs include statutory payroll obligations such as Employment Insurance premiums, Canada Pension Plan contributions, Workplace Safety and Insurance Board premiums, and Employer Health Tax, as well as statutory holidays, vacation, sick and rest time, life insurance, health and dental benefits, and pension expenses. For each hour of regular time recorded on a timesheet, EPI applies a benefit loading percentage to allocate benefit costs proportionately. This approach ensures that benefit costs are distributed between capital and operating expenses in the same manner as regular labour. In accordance with IFRS, benefit costs allocated to capital labour are also capitalized, as they are directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

LABOUR BURDEN

EPI applies a burden rate of 55-60% to regular labour in order to capture the associated benefit costs described above. This rate is periodically adjusted based on the actual benefit and labour cost data. The range of burden rates has remained relatively consistent since EPI's last COS application (EB-2015-0061).

MATERIAL BURDEN

Material burden consists of the labour and associated benefit costs of Stores department employees involved in issuing materials and supplies, as well as other minor departmental expenses. Burden rates are reviewed and set annually and are applied directly to materials issued by Stores to specific capital or O&M jobs through EPI's automated inventory and job costing system. Given the precision of this system, all allocated costs are considered directly attributable and are therefore eligible for capitalization under IFRS. The material burden rate has remained unchanged since EPI's last COS application (EB-2015-0061).

VEHICLE BURDEN

Vehicle burden includes costs such as fuel, repairs, parts, supplies, and all other expenses required to maintain the fleet in operational condition. Burden rates are calculated for each vehicle group by dividing the directly attributable annual costs by the total annual hours of usage for each vehicle type. When a vehicle is used on a capital project, the associated cost is capitalized based on the applicable burden rate multiplied by the recorded hours of use. Vehicle usage is documented by EPI employees on the same timesheets used to record labour, ensuring accurate alignment of vehicle and labour costs at the project level. As a result, the vehicle burden assigned to a capital job is directly attributable and therefore eligible for capitalization under IFRS. The vehicle burden rate has remained relatively stable since EPI's last COS application (EB-2015-0061).

2.8 Costs of Eligible Investments for the Connection of Qualifying Generation Facilities

EPI has not incurred any costs for the connection of qualifying generation facilities.

ATTACHMENT 2-A

EPI Depreciation Policy

Policy: Depreciation Policy Number: FIN-02	Approval Date: May 1, 2025 Review Date: April 30, 2026 Owner: CFO and VP IT

1.0 Purpose

This policy defines the principles and procedures for depreciating property, plant, and equipment ("PP&E") in compliance with International Financial Reporting Standards (IFRS), specifically IAS 16, and relevant Ontario Energy Board (OEB) guidelines. It ensures consistent and systematic allocation of the depreciable amount of assets over their useful lives.

2.0 Scope

This policy applies to all company assets subject to depreciation, including but not limited to distribution and general plant assets, excluding land and assets not yet in service. It also covers amortization of deferred revenue from contributed capital.

3.0 Policy

3.1 Depreciation Method

PP&E is depreciated using the straight-line method over the estimated useful lives of the assets. This method allocates the cost of the asset evenly across each year of its useful life. The half-year rule is applied in the year(s) of asset acquisition and derecognition. Under this rule, only 50% of the annual depreciation is charged in the year the asset is placed in/removed from service, regardless of the acquisition/disposal date within the fiscal year.

3.2 Useful Lives and Componentization

Assets are reviewed and broken into significant components when components have materially different useful lives. Each component is depreciated separately.

The useful lives are determined based on historical data and depreciation studies (specifically, the Asset Depreciation Study completed by Kinetrics Inc. – see Appendix A to this policy).

The full list of estimated useful lives by asset class is reviewed and maintained annually.

Estimated useful lives are as follows:

Distribution assets:	
Distribution station equipment	15 – 45 years
Distribution system – overhead	30 – 60 years
Distribution system – underground	30 – 55 years
Distribution transformers	35 – 45 years
Distribution meters	25 years
System supervisory equipment	20 years
Automated mapping	15 years
Services	40 – 50 years
Meters	15 years
Buildings	20 – 50 years
Equipment and other:	
General office equipment	10 years
Computer hardware	3 – 5 years
Computer software	3 – 10 years
Rolling stock	7 – 15 years
Tools	10 years
Non-regulated generation assets	25 years

Construction work in progress consists of assets that are not yet in use and, as such, are not subject to depreciation. Land is not depreciated.

3.3 In-Service Date

Depreciation begins when an asset is available for use (i.e., in the location and condition necessary for it to operate as intended by management).

3.4 Amortization of Contributed Capital

Customer contributions toward capital projects are recorded as deferred revenue (in OEB Account 2440) and are amortized on a straight-line basis over the useful life of the corresponding asset(s).

3.5 Annual Review

Useful lives, depreciation methods, and residual values are reviewed annually. Any resulting changes to estimates are made prospectively in accordance with IAS 8, affecting current and future periods only.

4.0 Policy Review and Update

This policy will be reviewed annually and updated to reflect operational or regulatory changes.

5.0 References

FIN-01 Capitalization Policy

6.0 Approval

This policy is approved by the Executive Team and is effective as of May 1, 2025.

Name: Chris Towne **Title:** CFO and VP IT **Signature: (Signed)** **Date:** May 1, 2025	**Name:** Jim Hogan **Title:** President and CEO **Signature: (Signed)** **Date:** May 1, 2025

ATTACHMENT 2-B

EPI Capitalization Policy

Policy: Capitalization Policy Number: FIN-01	Approval Date: May 1, 2025 Review Date: April 30, 2026 Owner: CFO and VP IT

1.0 Purpose

This policy outlines the principles and procedures for identifying and accounting for capital expenditures in compliance with IFRS, specifically IAS 16, as well as guidelines established by the Ontario Energy Board (OEB).

2.0 Scope

This policy applies to all departments and staff of the organization involved in the acquisition, development, enhancement, or disposal of property, plant, and equipment ("PP&E").

3.0 Policy

3.1 Recognition

PP&E is capitalized when the cost is measurable, future economic benefits are probable, and the costs are directly attributable to bringing the asset to a location and condition necessary for it to operate as intended.

3.2 Measurement

3.2.1 Initial Measurement

The cost of PP&E is measured at the fair value of the consideration given (e.g., cash price equivalent). This includes all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management. Direct costs, including labour (tracked by timesheets), materials (including delivery), and third-party contractor costs, are capitalized. Directly attributable overhead (i.e., burden) costs are also capitalized. Capitalized overhead includes labour/benefits, stores/inventory and rolling stock burdens.

3.2.2 Capitalization of Interest During Construction

For projects expected to take a substantial period of time (generally more than twelve months) to complete, interest costs that are directly attributable to the acquisition, construction, or production of a

qualifying asset shall be capitalized in accordance with IAS 23 Borrowing Costs. Capitalized interest includes actual interest incurred on specific borrowings for the project, net of any investment income earned on the temporary investment of such borrowings. Where general borrowings are used, the capitalization rate will be based on the weighted average of borrowing costs applicable to the entity's outstanding debt.

Capitalization of interest will commence when expenditures for the asset are being incurred, borrowing costs are being incurred, and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when substantially all activities necessary to prepare the asset for its intended use are complete.

3.2.3 Subsequent Measurement

Subsequent to initial measurement, PP&E is valued using the Cost Model, whereby PP&E is carried at cost less accumulated depreciation and any accumulated impairment losses.

3.3 Capitalization Threshold

Individual assets must exceed $2,000 to be capitalized. Pooled assets (e.g., bulk purchases of similar items) must exceed $2,000 in aggregate.

3.4 Betterment vs. Repair

Betterments enhance the service potential of an asset and are capitalized. Repairs maintain the original service potential and are expensed.

3.5 Componentization

Major components of assets with significantly different useful lives are recorded and depreciated separately.

3.6 Spare Equipment

Spare transformers and similar items integral to system reliability are capitalized in accordance with IAS 2 and IAS 16.

3.7 Capital Contributions

Customer contributions towards the cost of constructing the company’s assets are recorded as deferred revenue and amortized on a straight-line basis over the useful lives of the related assets.

3.8 Derecognition

Assets are derecognized upon disposal or when no future economic benefit is expected. Gains or losses are recorded in profit or loss.

3.9 Asset Retirement Obligations (ARO)

Constructive obligations for decommissioning assets are recognized as liabilities and added to the asset cost, then amortized accordingly.

3.10 Annual Review

Useful lives, depreciation methods, and residual values are reviewed annually as required by IAS 16.

4.0 Policy Review and Update

This policy will be reviewed annually and updated to reflect operational or regulatory changes.

5.0 References

FIN-02 Depreciation Policy

6.0 Approval

This policy is approved by the Executive Team and is effective as of May 1, 2025.

Name: Chris Towne **Title:** CFO and VP IT **Signature: (Signed)** **Date:** May 1, 2025	**Name:** Jim Hogan **Title:** President and CEO **Signature: (Signed)** **Date:** May 1, 2025