InnPower Corporation
ED-2002-0520

InnPower Reply to OEB Staff and VECC Questions

Board File EB-2025-0027

For Rates Effective January 1, 2026

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Preamble:
InnPower's 2026 IRM application identified variances in RSVA accounts due to reporting differences in the 2.1.7 RRR submission. A $188,414 variance in Account 1580 is attributed to the inclusion of CBR Class B sub-account balances within the control account. Variances of $293,213 in Account 1588 and ($36,331) in Account 1589 result from true ups related to actual GA rates, RPP settlement volumes, and Non-RPP volumes. No adjustments were made to balances previously approved by the OEB. Supporting calculations are provided in the Commodity Accounts Analysis and Principal Adjustments workforms.

Question(s):
a. Please provide details to show that the reported variances are consistent with historical trends.

The following table provides a breakdown of the historical variances in the DVA account balances for 1580, 1588 and 1589 from 2021 to 2024.

IPC Table 1: Historical Variances in DVA Account Balances from 2021 to 2024

Account	2026 IRM	2025 IRM	2024 COS	2023 IRM	
Year of Balance Disposition	**2024**	**2023**	**2022**	**2021**	**Description**
1580 - WMS	188,414	11,042	(67,099)	(39,038)	Variance due to allocations of funds between 1580 main and sub-accounts in OEB portal, rather than variances in disposition amount.
1580 - WMS CBR Class B	(188,414)	(11,042)	-	-	Variance due to allocations of funds between 1580 main and sub-accounts in OEB portal, rather than variances in disposition amount.
1588 - COP	293,213	10,064	(10,532)	167,546	
1589 - GA	(36,330)	(40,335)	(3,329)	(46,437)	

Variances in Account 1580 and its sub-account (1580 – WMS CBR Class B) are the result of a system-generated reporting error within the OEB portal between the main and sub-accounts, rather than true disposition changes. These allocations are administrative in nature and do not affect the overall disposition balance or financial outcome. Accordingly, the apparent fluctuations in 1580 accounts reflect reporting alignment adjustments.

The variances related to Account 1588 and 1589 are analyzed in detail in the tables below.

The following table provides a breakdown of the historical trends in the 1588 account balance variances from 2024 to 2024.

IPC Table 2: Historical Trends in 1588 Account Balance from 2021 to 2024

Application	2026 IRM	2025 IRM	2024 COS	2023 IRM	
Year of Balance Disposition	2024	2023	2022	2021	Description
Account	1588				
December GA 2nd Estimate	$ 52.77	$ 67.59	$ 35.81	$ 54.15	
December GA Actual	$ 61.77	$ 66.22	$ 34.27	$ 59.68	
% Difference Between Rates	**$17.06%**	**(2.03%)**	**(4.30%)**	**$10.21%**	
RPP Settlement - 1st True-Up	(219,810)	30,524	34,665	(117,386)	First true-up is based on difference between GA 2nd estimate and GA actuals. In years where the difference between the two rates increases, the variance increases. Timing difference rectified through principal adjustment.
RPP Settlement - 2nd True-Up	(37,073)	(252)	(20,804)	(3,722)	Second true-up based on estimated RPP kWh and actual RPP kWh. Amounts are not material between years. Timing difference rectified through principal adjustment.
RPP vs. Non-RPP Allocation	(88,847)	(15,646)	(3,329)	(46,437)	Transfer between Accounts 1588 and 1589. If back-billing for current year occurs in January of following year, there is a timing difference. Rectified through principal adjustment.
Loss Factor True-Up	52,517	-	-	-	If loss factor true-up is recorded in the year in which it occurred there is a $0. If loss factor true-up is recorded in January of following year, there is a timing difference. Rectified through principal adjustment.
Misc. Adjustments		(24,689)			
Total Variance	**(293,213)**	**(10,064)**	**10,532**	**(167,546)**	

The difference in the current variance compared to historical variances for account 1588 is due to the significant gap between the December Global Adjustment (GA) 2nd estimate and the actual rate (a 17.06% difference), resulting in a large first true-up of ($219,810). These timing adjustments are normal and self-correcting through settlements. The additional variance of ($88,847) relates to the transfer between Accounts 1588 and 1589 and a $52,517 loss factor true-up that crossed fiscal years. The differences are consistent with cyclical timing effects tied to billing, estimation,

and reconciliation processes, not indicative of systemic issues in rate recovery or accounting accuracy.

IPC Table 3: Historical Trends in 1589 Account Balance from 2021 to 2024

Application	2026 IRM	2025 IRM	2024 COS	2023 IRM	
Year of Balance Disposition	**2024**	**2023**	**2022**	**2021**	**Description**
Account	**1589**				
RPP vs. Non-RPP Allocation	88,847	15,646	3,329	46,437	Transfer between Accounts 1588 and 1589. If back-billing for current year occurs in January of following year, there is a timing difference. Rectified through principal adjustment.
Loss Factor True-Up	(52,517)	-	-	-	If loss factor true-up is recorded in the year in which it occurred there is a $0. If loss factor true-up is recorded in January of following year, there is a timing difference. Rectified through principal adjustment.
Misc. Adjustments		24,689			
Total Variance	**36,330**	**40,335**	**3,329**	**46,437**	

The difference in the current variance compared to historical variance for account 1589 is the result of $88,847 relates to the transfer between Accounts 1588 and 1589 and a ($52,517) loss factor true-up that crossed fiscal years. The differences are consistent with cyclical timing effects tied to billing, estimation, and reconciliation processes, not indicative of systemic issues in rate recovery or accounting accuracy.

b. Please provide an explanation to show that the balances in Table 1 below are consistent with prior year-end filings.

The following table provides a breakdown of the approved principal disposition balances compared to prior year-end filings.

IPC Table 4: Approved Principal Disposition Compared to Prior Year-End Filings

Accounts Descriptions	Account	2025 Principal Disposition during 2025 - instructed by OEB	2024 December 31, 2024 Closing Balance	2025 January 1, 2025 Opening Balance w/ Disposition	2025 Difference in Opening to Disposition	Difference to Disposition
LV Variance Account	1550	448,744	512,883	64,139	448,744	0
Smart Metering Entity Charge Variance Account	1551	(45,582)	(102,595)	(57,013)	(45,582)	0
RSVA - Wholesale Market Service Charge5	1580	(274,158)	(365,275)	(91,117)	(274,158)	0
Variance WMS – Sub-account CBR Class A5	1580	0	0	0	0	0
Variance WMS – Sub-account CBR Class B5	1580	49,196	188,974	139,778	49,196	0
RSVA - Retail Transmission Network Charge	1584	909,841	1,002,027	92,186	909,841	0
RSVA - Retail Transmission Connection Charge	1586	970,670	1,041,711	71,041	970,670	0
RSVA - Power4	1588	1,117,215	1,462,298	345,083	1,117,215	0
RSVA - Global Adjustment4	1589	283,145	558,673	275,528	283,145	0
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	(329,781)	(329,775)	6	(329,775)	6
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	0				0
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	0				0
Total		**3,129,290**	**3,968,921**	**839,631**	**3,129,296**	**6**

The OEB approved principal disposition matches the prior year-end filings and January 1 opening balances for all accounts other than the 1595 (2020) account where a $6 transaction was posted in 2024. InnPower has written off this immaterial amount and will not ask for disposition.

The following table provides a breakdown of the approved interest (projection) disposition amount compared to prior year-end filings.

IPC Table 5: 2024 OEB Approved Interest (Projection) Disposition Amount Compared to Prior Year-End Filings

Accounts Descriptions	Account	2024	2024	2025	Projected Interest from Jan 1, 2024 to Dec 31, 2024 on Dec 31, 2023 balance adjusted for disposition during 2024	Actual Interest from Jan 1, 2024 to Dec 31, 2024 on Dec 31, 2023 balance adjusted for disposition during 2024	Difference
		Closing Interest Balances as of Dec 31, 2022 Adjusted for disposition during 2024	December 31, 2024 Actual Closing Balance	Difference			
LV Variance Account	1550	56,243	58,061	**1,818**	23,088	24,906	**1,818**
Smart Metering Entity Charge Variance Account	1551	(5,366)	(6,153)	**(787)**	(2,345)	(3,132)	**(787)**
RSVA - Wholesale Market Service Charge5	1580	6,765	9,968	**3,203**	(14,105)	(10,904)	**3,202**
Variance WMS – Sub-account CBR Class A5	1580	0	0	**0**	0	0	**0**
Variance WMS – Sub-account CBR Class B5	1580	432	(560)	**(992)**	2,531	1,540	**(991)**
RSVA - Retail Transmission Network Charge	1584	105,804	112,492	**6,688**	46,811	53,500	**6,688**
RSVA - Retail Transmission Connection Charge	1586	96,994	100,806	**3,812**	49,941	53,752	**3,811**
RSVA - Power4	1588	113,838	128,131	**14,293**	57,481	71,776	**14,295**
RSVA - Global Adjustment4	1589	31,864	41,619	**9,755**	14,568	24,323	**9,755**
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	130,359	130,319	**(40)**	(16,967)	(17,007)	**(40)**
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	0		**0**	0		**0**
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	0		**0**	0		**0**
Total		**536,933**	**574,682**	**37,749**	**161,002**	**198,754**	**37,752**

The following table provides a breakdown of the 2024 interest calculated and recorded by InnPower based on 2022 principal balance.

IPC Table 6: 2024 Calculated and Recorded Interest Based on 2022 Principal Balance

				Interest rates in effect monthly	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.20%	5.20%	5.20%	4.40%	4.40%	4.40%	
				# of days in the month	31	29	31	30	31	30	31	31	30	31	30	31	
Account	Account Description	Dec 2022 Closing Principal	2024 COS Disposition	Remaining Principal Balance	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total Calculated Interest
1-00-1550-901	LV Variance	947,002	(498,259)	448,744	2,092	1,957	2,092	2,025	2,092	2,025	1,982	1,982	1,918	1,677	1,623	1,677	23,143
1-00-1551-901	SME Variance	(102,595)	57,013	(45,582)	(213)	(199)	(213)	(206)	(213)	(206)	(201)	(201)	(195)	(170)	(165)	(170)	(2,351)
1-00-1580-801	RSVAWMS	392,879	(667,036)	(274,158)	(1,278)	(1,196)	(1,278)	(1,237)	(1,278)	(1,237)	(1,211)	(1,211)	(1,172)	(1,025)	(991)	(1,025)	(14,139)
1-00-1580-801-001	RSVAWMSClassA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1-00-1580-801-002	RSVAWMSClassB	14,636	34,560	49,196	229	215	229	222	229	222	217	217	210	184	178	184	2,537
1-00-1584-801	RSVANW	1,911,332	(1,001,491)	909,841	4,242	3,969	4,242	4,106	4,242	4,106	4,018	4,018	3,889	3,400	3,290	3,400	46,922
1-00-1586-801	RSVACN	1,555,932	(585,262)	970,670	4,526	4,234	4,526	4,380	4,526	4,380	4,287	4,287	4,149	3,627	3,510	3,627	50,059
1-00-1588-801	RSVAPOWER	1,790,373	(663,094)	1,127,279	5,256	4,917	5,256	5,087	5,256	5,087	4,979	4,979	4,818	4,213	4,077	4,213	58,136
1-00-1589-801	RSVAGlobal Adj	257,514	(14,705)	242,810	1,132	1,059	1,132	1,096	1,132	1,096	1,072	1,072	1,038	907	878	907	12,522
1-00-1595-800	Recovery	(329,781)		(329,781)	(1,538)	(1,438)	(1,538)	(1,488)	(1,538)	(1,488)	(1,456)	(1,456)	(1,409)	(1,232)	(1,193)	(1,232)	(17,007)
	Total	**6,437,291**	**(3,338,273)**	**3,099,018**	**14,450**	**13,518**	**14,450**	**13,984**	**14,450**	**13,984**	**13,687**	**13,687**	**13,245**	**11,581**	**11,207**	**11,581**	159,823

The following table provides a breakdown of the 2024 recorded interest amount compared to the OEB approved interest (projection) disposition amount for 2022 principal balance.

IPC Table 7: 2024 Calculated Interest Compared to 2024 OEB Approved Interest (Projection) for Disposition of 2022 Principal Balance

Account	Account Description	Total Calculated Interest	OEB Model Projections Claimed	Difference	Interest Recorded in 2024	Total Calculated Interest for 2024 DVA Balances
1-00-1550-901	LV Variance	23,143	23,088	(55)		
1-00-1551-901	SME Variance	(2,351)	(2,345)	6		
1-00-1580-801	RSVAWMS	(14,139)	(14,105)	33		
1-00-1580-801-001	RSVAWMSClassA	-		-		
1-00-1580-801-002	RSVAWMSClassB	2,537	2,531	(6)		
1-00-1584-801	RSVANW	46,922	46,811	(111)		
1-00-1586-801	RSVACN	50,059	49,941	(118)		
1-00-1588-801	RSVAPOWER	58,136	57,481	(655)		
1-00-1589-801	RSVAGlobal Adj	12,522	14,568	2,046		
1-00-1589-801	RSVAGA Class A	-		-		
1-00-1595-800	Recovery	(17,007)	(16,967)	40		
	Total	159,823	161,002	1,179	198,754	37,752

An immaterial variance of $1,179 exists (shown in IPC Table 7) between the OEB-approved interest projection disposition amounts and the actual interest recorded in InnPower's general ledger accounts. Although InnPower applied the 2024 OEB-prescribed interest rates (Q1: 5.49%, Q2: 5.49%, Q3: 5.20%, and Q4: 4.40%), minor differences arose due to methodology. The OEB's model calculates interest using a generalized monthly approach, while InnPower's calculation is based on the exact number of days in the quarter, resulting in slight timing differences, particularly given that 2024 was a leap year (366 days). In addition, small discrepancies in the principal balances for Accounts 1588 and 1589 contribute to the difference, as InnPower's reconciliation does not adjust for principal amendments reflected in the OEB's continuity schedule (EB-2024-0036), where 1588: $1,127,279 (InnPower) vs. $1,117,215 (OEB) and 1589: $242,810 (InnPower) vs. $283,145 (OEB).

It is InnPower's understanding that the amounts in the OEB model are projections, not actuals. The model uses standardized assumptions and monthly estimates for disposition purposes, while InnPower's records reflect daily, transaction-based accounting. Minor differences are therefore expected and reflect timing and methodology variations rather than reporting errors.

Please also note, there is a $37,752 difference in interest balances shown in IPC Table 5 and IPC Table 7, which is a result of interest calculated on the incremental 2024 DVA balances (i.e., new year transactions), to be approved in a subsequent application.

c. Please provide an explanation for any variances or discrepancies that may arise from the information provided above.

Explanations for variances are provided in the 1-Staff-1 a. and b response.

OEB Table 1: InnPower Interests 2024-2025

Accounts Descriptions	Account	2024	2025	Difference
		Closing Interest Balances as of Dec 31, 2022 Adjusted for Disposition during 2024	Principal Disposition during 2025 - instructed by OEB	
LV Variance Account	1550	56,243	448,744	-
Smart Metering Entity Charge Variance Account	1551	(5,366)	(45,582)	-
RSVA - Wholesale Market Service Charge5	1580	6,765	(274,158)	-
Variance WMS – Sub-account CBR Class A5	1580	0	0	-
Variance WMS – Sub-account CBR Class B5	1580	432	49,196	-
RSVA - Retail Transmission Network Charge	1584	105,804	909,841	-
RSVA - Retail Transmission Connection Charge	1586	96,994	970,670	-
RSVA - Power4	1588	113,838	1,117,215	-
RSVA - Global Adjustment4	1589	31,864	283,145	-
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	130,359	(329,781)	-
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	0	0	-
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	0	0	-
Total		536,933	3,129,290	

1-Staff- 2
Materiality: Budget
Ref 1: Filing Requirements for Electricity Distribution Rates Applications, June 19, 2025
Ref 2: Manager's Summary, p.17

Preamble:

In Chapter 3 of the OEB's Filing Requirements, distributors are required to provide evidence that Z-factor claims meet the criteria of causation, materiality, and prudence. For causation, claimed costs must be directly linked to the Z-factor event and must fall outside the base rates.

InnPower reported incremental operating costs of $426,794 and capital expenditures of $798,170 related to electricity service restoration following the ice storm event.

Question(s):

a. Please provide details of the emergency response/storm restoration budgets and actual expenditures (capital and operating) between 2022-2025 included in InnPower's base rates. If none, please provide an explanation on how such costs were historically planned and funded by InnPower.

InnPower does not maintain a separate budget exclusively for storm restoration. Instead, costs associated with storm response and restoration are included within broader unplanned work categories that also cover incidents such as equipment failures, animal interference, accidents, and customer-initiated work. As a result, it is not possible to isolate or extrapolate OEB-approved amounts specific to storm restoration alone. The following summary provides an overview of these comprehensive unplanned activities, reflecting both distribution operating expenditures and capital expenditures that collectively support system reliability and timely response to unforeseen events.

Operating Expenditures

The table below provides the OEB approved and actual distribution operating spend from 2022-2025.

IPC Table 8: OEB Approved and Actual Distribution Operating Spend from 2022-2025

Year		OEB Approved*	Actuals	Over/(Under) Spend
2022	Maintenance Program	205,155.60	367,836.93	162,681.33
	Trouble Call / Customer Initiated	406,092.27	580,381.41	174,289.14
	Total	**611,247.87**	**948,218.34**	**336,970.47**
2023	Maintenance Program	212,130.89	421,220.19	209,089.30
	Trouble Call / Customer Initiated	419,899.41	598,254.21	178,354.80
	Total	**632,030.30**	**1,019,474.40**	**387,444.10**
2024	Maintenance Program	349,246.47	422,037.45	72,790.98
	Trouble Call / Customer Initiated	665,931.10	667,136.51	1,205.41
	Total	**1,015,177.57**	**1,089,173.96**	**73,996.39**
2025**	Maintenance Program	360,771.60	381,261.24	20,489.64
	Trouble Call / Customer Initiated	687,906.83	1,135,066.16	447,159.33
	Total	**1,048,678.43**	**1,516,327.40**	**467,648.97**

*2022 and 2023 OEB Approved based on 2017 COS approved amounts for 5114, 5120, 5125, 5130, 5135, 5150, 5155, 5160, 5161 & 5175 (EB-2016-0085). Each year was increased by OEB approved (adjusted) inflationary factors 2018: 0.90%, 2019: 1.20%, 2020: 1.7% 2021: 1.60% 2022: 3.00% & 2023: 3.40%.

2024 OEB Approved based on approved amounts for 5114, 5120, 5125, 5130, 5135, 5150, 5155, 5160, 5161 & 5175 from COS (EB-2023-0033). These APH accounts allocated between maintenance program and trouble calls / customer initiated based on 2024 internal detailed GL budgets.

2025 OEB Approved represents increase of 2024 COS amounts by the 3.30% OEB approved (adjusted) inflationary factor.

**Actuals are YTD operating spend as of September 30, 2025. Budget is full year. Actuals include $426,794 in expense costs related to ice storm.

Maintenance Program

InnPower's Maintenance Program represents planned, proactive work to sustain asset condition and system reliability through inspections, vegetation management, and preventive maintenance. Between 2022 and 2023, actual spend exceeded approved budgets, reflecting the need for increased investment in sustaining infrastructure. Recognizing this trend, InnPower increased its maintenance funding in the 2024 Cost of Service to align base rates with actual operating requirements (It should also be noted that InnPower deferred its Cost of Service application by two years, resulting in a delay in aligning and updating operating expenditures to reflect current operating conditions and cost pressures). The 2024 approved budget of $349,000, compared to prior years of roughly $200,000, better reflects the true cost of maintaining system performance. Actual 2024 spending of $422,000 confirmed that the adjustment was appropriate, demonstrating responsible forecasting and commitment to proactive asset management within base

rates.

These maintenance expenditures are planned and predictable, fully embedded in base rates, and represent InnPower's ongoing commitment to proactive asset management and operational excellence, ensuring the system continues to perform safely and efficiently as demand and asset age increase.

Trouble Call / Customer Initiated

The Trouble Call / Customer Initiated program addresses unplanned operational needs such as weather-related incidents, as well as equipment failures, animal interference, accidents, and customer requests. These activities are budgeted annually based on historical trends but fluctuate naturally due to their reactive nature. Between 2022 and 2023, actual expenditures exceeded approved budgets, highlighting the need for additional funding to reflect the true cost of unplanned system restoration and customer-driven work. Recognizing this, InnPower increased its funding request in the 2024 Cost of Service to better align base rates with observed spending patterns and operational realities. The 2024 approved budget of $666,000, compared to prior years of approximately $406,000 to $420,000, provided a more accurate reflection of ongoing requirements for unplanned maintenance.

In 2025, total operating expenditures rose noticeably to $1.52 million as of September 30, compared to an approved budget of $1.05 million. This variance of approximately $470,000 is primarily explained by $426,794 in extraordinary operating expenses directly related to the March 2025 ice storm. These costs represent an exceptional, one-time event that is not included in base rates and were tracked separately to ensure transparency and regulatory clarity. When these storm-related expenses are excluded, 2025 year-to-date operating spending aligns closely with historical averages and budget expectations.

Capital Expenditures

The System Renewal (SR01) capital program addresses unplanned capital work arising from asset failures, equipment defects, or urgent field conditions that require immediate attention to maintain system reliability, safety, and compliance. It also covers storm damage restoration where the repairs result in the replacement or reconstruction of capital assets. This program ensures that InnPower can respond promptly to unforeseen system issues without deferring necessary renewal work to future periods.

The System Renewal (SR01) program includes:

- Replacement of poles, transformers, conductors, switches, and switchgear damaged by storms, accidents, or unanticipated equipment failure.
    - Higher needs arise when defective equipment is a leading outage cause.
- Capital Trouble Calls - unplanned jobs where assets fail in service and must be replaced rather than repaired.
- Emerging Projects that arise during the year due to system performance issues, customer complaints, regulatory compliance requirements, or unplanned asset deterioration identified through inspections.

The table below provides the OEB approved and actual capital spend from 2022-2025.

IPC Table 9: OEB Approved and Actual Capital Spend from 2022-2025

Year	Project	Source	OEB Approved*	Capitalized (excl. WIP)	Capital Spend (incl. WIP)	Over/(Under) Spend
2022	Base 1	2017 DSP	152,835.52	610,285.47	632,859.98	480,024.46
2023	Base 1	2017 DSP	158,031.93	526,734.10	568,238.84	410,206.91
2024	SR01	2024 DSP	358,336.00	406,316.08	508,391.81	150,055.81
2025**	SR01	2024 DSP	367,294.00	22,714.78	1,321,219.19	953,925.19

*InnPower's Cost of Service was deferred two years. The prior DSP was planned up to 2021. OEB approved (adjusted) inflationary factor added 2022: 3.00% 2023: 3.40% to 2021 System Renewal (Base 1) amount.

**Actuals YTD capital spend as of September 30, 2025. Budget is full year. Actuals include $798,170 capital for March 2025 Ice Storm.

System Renewal (SR01) spending has demonstrated consistent, responsible investment in maintaining the safety and reliability of InnPower's distribution system. Between 2022 and 2024, annual capital spending ranged from $508,000 to $633,000, showing a consistent approach to replacing failed or deteriorated assets such as poles, transformers, switches, and conductors. However, variances above the OEB-approved budgets in those years, ranged from $410,000 to $480,000. Recognizing this steady level of capital activity, InnPower increased its System Renewal (SR01) funding in the 2024 Cost of Service to ensure that approved rate-funded amounts accurately reflect the true cost of ongoing renewal and unplanned capital work. This adjustment better aligned rates with actual spending trends, providing the appropriate base to support continued system reliability.

In 2025, however, total capital spending to September 30 rose sharply to $1.32 million, nearly double the historical average of the prior three years. This variance (approximately $954,000 above budget) is almost entirely explained by $798,170 in extraordinary capital costs directly attributable to the March 2025 ice storm. These storm restoration

expenditures are not included in base rates and were recorded under a separate, dedicated storm work order to maintain transparency and regulatory clarity. When these one-time storm-related costs are excluded, 2025 year-to-date spending is consistent with prior years, confirming that the substantial variance is driven by the exceptional nature of the ice storm.

b. Please explain the criteria InnPower uses to determine whether emergency response costs are included in rate-funded budgets or recovered through alternative mechanisms.

InnPower determines whether emergency response costs are included in rate-funded budgets or recovered through alternative mechanisms based on the nature, scale, and frequency of the event and whether such costs fall within the scope of normal operations.

Costs associated with routine and unplanned system events including equipment failures, animal interference, accidents, customer-initiated work, and minor weather-related incidents are included in base rates and funded through InnPower's operating Trouble Call / Customer Initiated and capital System Renewal (SR01) programs. These expenditures represent the recurring costs of maintaining system safety and reliability and are budgeted based on historical averages and operational experience. Funding for these programs was increased in the 2024 Cost of Service to ensure that approved rate-funded amounts accurately reflected the true cost of unplanned, yet routine, system renewal and maintenance activities.

InnPower also tracks the amounts approved in its last rebasing application, adjusting for the OEB's annual inflationary factor where appropriate, and compares them to actual results each year. Historical trends are reviewed against current-year performance to identify any outliers or exceptional variances. This analytical approach enables InnPower to clearly distinguish between rate-funded expenditures and extraordinary event-driven costs.

For 2025, the March 2025 ice storm stands out as a clear outlier. The storm-related operating costs of $426,794 account for approximately 95% of the total operating variance for the Trouble Call / Customer Initiated program, while the capital costs of $798,170 represent about 84% of the total capital variance under the System Renewal (SR01) program. These one-time expenditures are not included in base rates and were recorded separately under dedicated storm work orders to maintain transparency and regulatory clarity.

This confirms that the 2025 variances are entirely attributable to an extraordinary, non-recurring event rather than ongoing operational pressures. The magnitude and exceptional nature of the March 2025 ice storm clearly distinguish it from normal operating conditions, making it an appropriate candidate for Z-Factor treatment under the OEB's established criteria for unforeseen, material, and prudently incurred costs. InnPower's normal emergency response

activities remain well-managed, consistent with historical patterns, and fully captured within the rate-funded budgets approved by the OEB.

1-Staff- 3 Prudence and Materiality: Operating and Capital Expenditures
Ref: Manager's Summary, pp.18 and 20

Preamble:

InnPower is seeking recovery of $496,013 in total costs related to storm restoration activities as shown in Table 2 below. This amount includes:

- Operating Expenditures: $426,794 in principal and $6,700 in carrying charges, totaling $433,494
- Capital Expenditures: $61,554 in principal and $965 in carrying charges, totaling $62,519

Restoration efforts involved emergency repairs, pole and conductor replacements, tree removal, and system re-energization. Labour and contractor costs were incurred under existing agreements, and materials were sourced from available inventory. No equipment or material shortages were reported during the restoration process.

Question(s):

a. Please provide planned and actual detailed breakdown of the $426,794 in operating expenditures by activity (e.g., labour, contractor services, tree removal).

The table below provides the actual detailed breakdown of the $426,794 in operating expenditures. Please note, InnPower does not plan to this level of detail, therefore, only actuals are included in the table below. Please refer to 1-Staff-2 for high-level planned amounts approved by the OEB.

IPC Table 10: Detailed Breakdown of Operating Expenditures by Activity

Expense Type	Labour	Materials	Equipment	Vehicle	Indirect Cost	Total	Nature of Expenses
InnPower Corporation	$ 108,611	$ -	$ -	$ -	$ 6,950	**$ 115,561**	Distribution power restoration
Hapamp Elmvale Ltd.	$ -	$ -	$ -	$ -	$ -	**$ -**	Hydrovac excavation and civil works
InnServices Utilities Inc.	$ -	$ -	$ -	$ -	$ 1,113	**$ 1,113**	Administrative support and purchase of snacks and drinks
K-Line Maintenance & Construction Ltd.	$ 21,179	$ -	$ -	$ 4,626	$ 17,046	**$ 42,850**	Distribution power restoration, supporting internal operations staff with system repairs
Landshark Group	$ -	$ -	$ -	$ -	$ -	**$ -**	Traffic control services and hydroexcavation services
Ontario Line Clearing & Tree Experts Inc.	$ 70,267	$ -	$ 3,060	$ 1,299	$ -	**$ 74,626**	Tree clearing and removal
Red Power Electric	$ -	$ -	$ -	$ -	$ -	**$ -**	Services included site mobilization, radio system troubleshooting, and replacement of faulty components, including surge arrestors, a DragonWave radio, and an Ethernet cable.
The Cove Café	$ -	$ -	$ -	$ -	$ 5,182	**$ 5,182**	Meals for staff
Wasaga Distribution Inc.	$ 32,850	$ -	$ -	$ -	$ -	**$ 32,850**	Distribution power restoration, supporting internal operations staff with system repairs
Enova Power Corp.	$ 117,946	$ 1,812	$ -	$ 19,984	$ 2,992	**$ 142,734**	Distribution power restoration, supporting internal operations staff with system repairs
Orangeville Hydro	$ 8,579	$ -	$ -	$ 2,115	$ 1,184	**$ 11,878**	Distribution power restoration, supporting internal operations staff with system repairs
Total	**$ 359,432**	**$ 1,812**	**$ 3,060**	**$ 28,024**	**$ 34,466**	$ 426,794	

b. Please provide planned and actual detailed information on overtime or premium labour rates included in the operating expenditures, how they were applied and justified.

The table below provides the actual detailed information on overtime and premium labour rates included in the operating expenditures for internal resources and third-party contractors. Please note, InnPower does not plan to this level of detail, therefore, only actuals are included in the table below. Please refer to 1-Staff-2 for high-level planned amounts approved by the OEB.

IPC Table 11: Detailed Breakdown of Overtime and Premium Labour Rates in Operating Expenditures

Expense Type	Internal Resources	Third-Party Contractors	Total
Regular Labour Hours	See below	254	
Regular Operating Labour Hours (excl.)*	2,710	-	
Overtime Labour Hours	933	235	
Total Labour Hours	**3,643**	**490**	
Regular Labour Cost	See below	$ 40,162	
Regular Operating Labour Cost (excl.)*	$ 136,103		
Overtime Labour Cost	$ 108,611	$ 51,284	
Total Labour Cost	**$ 244,713**	**$ 91,445**	
Average Regular Labour Rate/Hr	$ 50.21	$ 157.96	
Average Overtime Rate/Hr	$ 116.41	$ 218.00	
Average Premium Paid/Hr	**$ 66.20**	**$ 60.03**	
Additional Premium Paid $	**$ 61,760**	**$ 14,123**	**$ 75,883**

*Amounts are not included in ice storm claim, rather shown for analysis purposes

Overtime and premium labour costs included in the operating expenditures were directly related to InnPower's emergency response and restoration efforts following the March 2025 ice storm. These costs were incurred as part of an around-the-clock, all-hands-on-deck response involving internal line crews, third-party contractors, and mutual assistance partners who worked continuously to restore power safely and efficiently. The use of overtime labour was necessary and fully justified given the extensive damage to InnPower's distribution system and the significant public safety risks present across the service territory.

Restoration efforts addressed multiple critical hazards, including downed wires, broken poles, damaged and leaking transformers, tree limbs on lines, and damage to customer masts and electrical infrastructure, as well as non-operational traffic lights and outages affecting critical municipal infrastructure. Additionally, many customers within InnPower's service area rely on private wells for water, which made power restoration particularly urgent. Overtime was essential to accelerate repairs, mitigate safety hazards, and minimize outage duration for customers.

All overtime costs were tracked through employee timesheets and contractor invoices coded to the dedicated ice storm job to ensure transparency and accountability

c. Please provide planned and actual detailed information on specific assets that were replaced or installed under the $61,554 capital expenditure.

InnPower is unable to provide planned information on the specific assets replaced. The $61,554 capital expenditure represents unplanned, incremental costs incurred as part of InnPower's storm restoration activities and does not relate to any assets that were previously planned for replacement or installation. Accordingly, the expenditures are classified as incremental storm-related capital costs directly attributable to the emergency response and restoration effort. Please refer to 1-Staff-2 and OEB Table 3 for overall unplanned budget and unplanned actual capital expenditures.

The table below provides actual detailed information on specific assets replaced under the $61,554 capital expenditure (total $798,170 in capital assets).

IPC Table 12: Detailed Breakdown of Capital Assets from Ice Storm

Asset Type	Asset / Equipment	Quantity	Repair or replace	Actual ($)
Distribution Station	Arrestor	1	Replace	18,464.30
Distribution Station Total				**18,464.30**
Transformers	Transformer (75 kVA, single phase)	1	Replace	13,123.74
	Transformer (100 kVA, single phase)	1	Replace	8,496.43
	Transformer (25 kVA, single phase)	1	Replace	5,380.72
	Transformer (25 kVA, single phase)	1	Replace	5,717.10
	Transformer (25 kVA, single phase)	1	Replace	5,717.10
	Transformer (25 kVA, single phase)	1	Replace	5,464.81
	Transformer (25 kVA, single phase)	1	Replace	5,464.81
	Transformer (25 kVA, single phase)	1	Replace	5,464.81
	Transformer (25 kVA, single phase)	1	Replace	5,464.81

	Transformer (50 kVA, single phase)	1	Replace	3,775.38
	Transformer (50 kVA, single phase)	1	Replace	3,775.38
Transformers Total				**67,845.09**
Poles	Wooden pole – 35 ft	1	Replace	31,332.02
	Wooden pole – 35 ft	1	Replace	31,332.02
	Wooden pole – 35 ft	1	Replace	31,332.02
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 40 ft	1	Replace	40,568.86
	Wooden pole – 50 ft	1	Replace	50,276.65
	Wooden pole – 50 ft	1	Replace	50,276.65
	Wooden pole – 50 ft	1	Replace	50,276.63
Poles Total				**569,376.87**
Overhead Wires	Covered 1/0 AWG aluminum primary conductor	30	Replace	1,563.93
	#2 ACSR primary wire, 6 aluminum strands over 1 steel core	556	Replace	5,541.43
	1/0 ACSR primary conductor used for medium-load feeders	559	Replace	6,062.24
	3/0 ACSR conductor for high-capacity or main feeder circuits	479	Replace	12,322.08

	Large 336 MCM aluminum conductor for high-load or long-span feeders	19	Replace	1,165.93
	3/0 AACSR conductor	44	Replace	2,991.12
	Inline manual switch for isolating or sectionalizing circuits	3	Replace	25,461,82
	28 kV double-insulated overhead switch for high-voltage applications	3	Replace	38,318.17
Overhead Wires Total				**93,426.72**
Protection & Switching	Overhead service	30	Replace	387.88
	Overhead service	50	Replace	197.29
	Overhead service	339	Replace	8,478.22
Protection & Switching Total				**9,063.39**
Underground Wires	Underground service cables – 3/0 triplex	63	Replace	39,993.80
Underground Wires Total				**39,993.80**
Grand Total				**798,170.16**

d. Please confirm whether the capital investments were part of any pre-approved capital plans and provide supporting documentation if available.

The capital investments related to the March 2025 ice storm were not part of any pre-approved capital plans. All work undertaken was unplanned and reactive in nature, carried out solely to replace assets that were damaged as a direct result of the storm. These activities included the replacement of broken poles, damaged conductors, failed transformers, and other distribution equipment necessary to restore service and ensure public safety.

None of the replaced assets were scheduled for renewal or upgrade within InnPower's Distribution System Plan (DSP); rather, they were fully operational prior to the storm and required replacement only because of the extensive weather-related damage.

e. Please provide details and explanations on the calculation of the $7,665 in carrying charges, including the applicable period and methodology used.

The table below provides a detailed breakdown of carrying charges for both capital and operating expenditure claims. The interest used reflects the 2025 Q3 and Q4 prescribed interest rate of 2.91%. The analysis assumes disposition over a 12-month period spread evenly over each month.

IPC Table 13: Detailed Breakdown of Carrying Charges for Ice Storm Claim

Interest Rate	2.91%												
Month	Opening	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
# Days		31	28	31	30	31	30	31	31	30	31	30	31
Balance	488,348	447,652	406,957	366,261	325,565	284,870	244,174	203,478	162,783	122,087	81,391	40,696	-
Monthly Disposition		40,696	40,696	40,696	40,696	40,696	40,696	40,696	40,696	40,696	40,696	40,696	40,696
Interest		1,207	999	1,006	876	805	681	603	503	389	302	195	101
Accumulated Interest		**1,207**	**2,206**	**3,212**	**4,088**	**4,893**	**5,574**	**6,178**	**6,680**	**7,070**	**7,372**	**7,566**	**7,667**

f. Please provide details in Table 3, restoration costs already included in InnPower's base rates and budgets between 2022-2025.

InnPower has provided data in OEB Table 3 below.

As noted in 1-Staff-2, the amounts provided do not reflect storm-related plans in isolation, rather they reflect unplanned and reactive operating and capital expenditures related to storms, as well as several other items.

g. Please provide an explanation on how InnPower distinguishes between regular maintenance and storm-related emergency work in its accounting practices.

As referenced in InnPower's 2024 Distribution System Plan, the utility has the following maintenance programs:

1. Vegetation Management

This program ensures adequate clearance between trees and overhead power lines to prevent outages, safety hazards, and equipment damage.

- Scope: Tree trimming, brush removal, hazard tree removals and right-of-way clearing along distribution lines.
- Cycle: Four-year trimming cycle across InnPower's service area.
- Delivery: Fully contracted program, with work orders issued for inspection, trimming, and debris removal.
- Objective: Reduce outage frequency and duration caused by vegetation contact, in compliance with the Distribution System Code (DSC) and Ontario Regulation 22/04.

2. Overhead (OH) System Inspection and Maintenance

This program maintains the reliability of overhead distribution assets through routine

inspection and maintenance cycles.

- Scope: Poles, conductors, crossarms, transformers, switches, and line hardware.
- Cycle: Visual and infrared inspections every three years; switch maintenance every five years; poles testing and visual inspection every six years.
- Objective: Identify deteriorating or defective equipment, prevent in-service failures, and prioritize replacements through the System Renewal program if required.

3. Underground (UG) System Inspection and Maintenance

This program focuses on the condition of underground distribution assets.

- Scope: Pad-mounted transformers, secondary cable, and switchgear.
- Cycle: Visual inspection every three years to identify oil leaks, corrosion, or physical damage.
- Objective: Maintain safety and reliability by detecting emerging issues before equipment failure in the entire territory, particularly in subdivisions with aging underground infrastructure.

4. Station Maintenance

This program ensures reliable operation of InnPower's distribution substations.

- Scope: Transformer oil testing (DGA, furan, PCB), breaker and relay testing, visual inspections, and vegetation control within station yards.
- Cycle: Monthly visual inspections, annual infrared scanning, and a comprehensive four-year maintenance cycle.
- Objective: Extend transformer life, prevent catastrophic failure, and maintain compliance with industry standards for station equipment operation.

5. Oil Recloser Replacement / Phase-Out Program

InnPower is systematically replacing oil-filled reclosers with environmentally friendly, solid dielectric models.

- Scope: Retirement of legacy oil units and installation of SCADA-controllable reclosers.
- Objective: Improve operational flexibility, reduce environmental risk, and enhance outage response through remote control and monitoring capabilities.

InnPower distinguishes between regular maintenance and storm-related emergency work through detailed accounting and job tracking practices. Separate general ledger (GL) accounts are maintained to record operating expenditures related to the company's planned Maintenance Programs, as well as Trouble Call and Customer Initiated activities, which capture unplanned but routine operational work.

In addition, InnPower establishes unique expense and capital jobs to track costs specific to severe emergency restoration efforts. This segregation ensures that storm-related expenditures are clearly identified and reported separately, supporting transparency and accountability in both financial reporting and regulatory review.

Furthermore, management reviewed all ice storm-related capital work to verify whether any of the damaged assets were already included in the approved capital plan. This process ensures that only unplanned, incremental restoration costs are included in the cost claim, while any previously planned capital work remains properly accounted for within rate-funded programs.

h. Please provide a detailed list of capitalized costs, including the amounts and the rationale or basis for capitalizing each item

The table below provides a detailed breakdown of ice storm capitalized costs. The capitalized costs associated with the March 2025 ice storm were determined in accordance with International Financial Reporting Standards (IFRS), specifically IAS 16: Property, Plant and Equipment and InnPower's internal capitalization policy. Under IFRS, expenditures are capitalized when they are directly attributable to bringing an asset to the location and condition necessary for it to operate as intended. InnPower applied these principles to identify and record only those costs that resulted in the replacement or reconstruction of damaged distribution assets, such as poles, transformers, conductors, and related infrastructure.

The capitalized cost components include:

- **Labour:** Internal labour directly engaged in the installation or physical replacement of assets damaged by the ice storm. These costs were recorded through timesheets and verified against storm-specific work orders.
- **Materials and Equipment:** Replacement poles, transformers, hardware, conductors, and other equipment required to restore the system to serviceable condition. Materials were issued from inventory and coded directly to the dedicated ice storm job.
- **Contracted Services:** Third-party construction and line contractors performing asset reconstruction or replacement work directly attributable to storm damage.
- **Vehicle and Equipment Usage:** Incremental costs related to the use of utility vehicles and equipment during capital restoration activities.
- **Overheads**: Applicable overheads allocated in accordance with InnPower's capitalization policy for directly attributable capital work.

All other expenditures meals, lodging and administrative activities that did not result in the creation or enhancement of a capital asset, were expensed as incurred. InnPower's

management reviewed all storm-related work orders to confirm compliance with IFRS capitalization criteria and the company's approved accounting policies, ensuring that only capital costs directly associated with asset replacement and reconstruction were included in the claim.

IPC Table 14: Detailed Breakdown of Ice Storm Capitalized Costs by Activity

Expense Type	Labour	Materials	Equipment	Vehicle	Indirect Cost	Total	Nature of Expenses
InnPower Corporation	$ 31,228	$ 162,256	$ -	$ 7,859	$ -	**$ 201,343**	Distribution power restoration
Hapamp Elmvale Ltd.	$ 1,109	$ 30,838	$ 832	$ 1,239	$ -	**$ 34,018**	Hydrovac excavation and civil works
InnServices Utilities Inc.	$ -	$ -	$ -	$ -	$ -	**$ -**	Administrative support and purchase of snacks and drinks
K-Line Maintenance & Construction Ltd.	$ 340,690	$ -	$ 35,418	$ 105,972	$ 13,457	**$ 495,538**	Distribution power restoration, supporting internal operations staff with system repairs
Landshark Group	$ 37,402	$ -	$ -	$ 11,744	$ 1,725	**$ 50,871**	Traffic control services and hydroexcavation services
Ontario Line Clearing & Tree Experts Inc.	$ -	$ -	$ -	$ -	$ -	**$ -**	Tree clearing and removal
Red Power Electric	$ 3,280	$ 13,120	$ -	$ -	$ -	**$ 16,400**	Services included site mobilization, radio system troubleshooting, and replacement of faulty components, including surge arrestors, a DragonWave radio, and an Ethernet cable.
The Cove Café	$ -	$ -	$ -	$ -	$ -	**$ -**	Meals for staff
Wasaga Distribution Inc.	$ -	$ -	$ -	$ -	$ -	**$ -**	Distribution power restoration, supporting internal operations staff with system repairs
Enova Power Corp.	$ -	$ -	$ -	$ -	$ -	**$ -**	Distribution power restoration, supporting internal operations staff with system repairs
Orangeville Hydro	$ -	$ -	$ -	$ -	$ -	**$ -**	Distribution power restoration, supporting internal operations staff with system repairs
Total	**$ 413,709**	**$ 206,214**	**$ 36,250**	**$ 126,815**	**$ 15,182**	$ 798,170	

OEB Table 2: InnPower Total Z-Factor Relief Requested

Category	Principal $	Carrying Charges $	Total $
Operating Expenditures	$ 426,794	$ 6,700	$ 433,494
Capital Expenditures	$ 61,554	$ 965	$ 62,519
Total	**$ 488,349**	**$ 7,665**	**$ 496,013**

*OEB Table 3: Storm Restoration Financial Plans**

S/No	Category	Storm Related plans Included in Rates ($)	Storm Related plans included in Budgeted Amo unt ($)	Actual Costs ($)	Z-Factor Costs $
2022	Operating Expenditures**	406,092	484,430	580,381	
	Capital Expenditures	152,836	424,000	632,860	
2023	Operating Expenditures	419,899	662,905	598,254	
	Capital Expenditures	158,032	348,000	568,239	
2024	Operating Expenditures	665,931	666,315	667,137	
	Capital Expenditures	358,336	358,336	508,392	
2025***	Operating Expenditures	687,907	622,640	1,135,066	426,794
	Capital Expenditures	367,294	367,294	1,321,219	798,170 Rev Req: 61,554

*As noted in 1-Staff-2, the amounts provided do not reflect storm-related plans in isolation, rather they reflect unplanned and reactive operating and capital expenditures related to storms, as well as several other items.

** Operating expenditures only include trouble calls / customer initiated, as not related to maintenance programs.

*** 2025 actuals reflect YTD September 2025 expenditures. 2025 OEB approved and planned reflect full year expenditures.

1-Staff- 4 Causation: Restoration Activities
Ref: Manager's Summary, pp. 20-21

Preamble:

InnPower filed account of storm-related expenditures, such as the incremental operating and capital costs incurred during service restoration efforts.

Operating Expenses

- Scope: Includes overtime labour, contracted services, equipment rentals, materials, tree clearing, and transportation.
- Exclusions: Capital expenditures and routine operating costs already covered by existing rates.
- Incremental Nature: All costs are strictly incremental to InnPower's approved base revenue requirement. Regular wages and base salaries are excluded.

Capital Expenses

- Materials Used: Replacement of damaged infrastructure including poles, transformers (pole-mounted and pad-mounted), and conductors (overhead and underground).Restoration Approach: Assets were replaced on a like-for-like basis, with no enhancements or betterments beyond what was necessary for safe and timely restoration.
- Policy Compliance: All capitalized materials comply with InnPower's Capitalization Policy, consistent with MIFRS and OEB regulatory accounting standards.
- Incremental Nature: These costs were not forecasted in InnPower's latest Distribution System Plan[1] and are distinct from scheduled capital projects, reflecting only storm-driven replacements.

Question(s):

a. Please provide a detailed breakdown to demonstrate that all claimed costs are directly attributable to the ice storm event.

All costs claimed under the Z-Factor application are directly attributable to the March 2025 ice storm event and were incurred as part of InnPower's emergency response, restoration, and recovery efforts. Dedicated job codes were established specifically for the ice storm, and all related expenditures including labour, materials, and contracted services, were recorded directly to these jobs to ensure clear segregation from regular operating and maintenance activities. The jobs were subsequently reviewed by management to ensure only incremental labour and storm-related expenses were included, with no overlap or duplication of regular operating costs.

During the storm and restoration period, regular maintenance and capital work were

temporarily placed on hold to allow all available resources (both internal and contracted) to focus on system restoration and customer reconnections. Most of the storm-related expenditures occurred within the duration of the event and the immediate restoration period that followed, reflecting the concentrated nature of the emergency response and recovery activities. As a result, the ice storm costs incurred during this defined period can be readily verified, as all expenditures were clearly associated with restoration efforts and tracked separately from normal operational activities.

InnPower tracked the ice storm costs as follows:

- **Internal Labour**: Regular scheduled hours were recorded to the standard labour expense account consistent with the approved operating budget. Incremental overtime hours were recorded directly to the dedicated ice storm job, reflecting time spent on system repairs, restoration, and customer reconnections.

- **Materials and Equipment:** Replacement of damaged poles, conductors, transformers, and related hardware was limited to assets directly impacted by the storm. Field staff identified and documented specific locations where damage occurred, ensuring that materials and equipment used in those restoration activities were clearly distinguished from those used for regular maintenance or capital projects.

  Each item issued from inventory or procured during the event was coded to the dedicated ice storm job, based on field verification and supervisor confirmation. This process provided a clear audit trail demonstrating that only materials and equipment directly associated with storm-related repairs were included in the claimed costs.

- **Vehicle and Fuel Costs:** Vehicle usage for expense-related work and all fuel costs were coded to standard operating accounts in accordance with normal business practices. Vehicle usage for capital related work was coded to the ice storm job in accordance with IFRS principles.

  Fuel expenses for external contractors were captured within their invoices and charged to the corresponding ice storm work orders, ensuring that all transportation-related costs reflect storm-specific restoration activities only.

- **Contracted Services:** All third-party contracted work was initiated through specific storm-related work orders and purchase orders referencing the dedicated ice storm job code, ensuring a clear distinction from routine maintenance or capital activities. In addition, mutual assistance agreements with other utilities were executed solely for the purpose of ice storm restoration, and

all associated invoices and time records were tied directly to those agreements.

Contractor billing documentation, scope of work descriptions, and completion reports were reviewed and approved by InnPower management to confirm that all contracted services included in the claim were directly attributable to storm-related restoration and recovery efforts.

- **Administrative and Support Costs:** Incremental costs associated with coordination, communication, and logistics directly supporting the restoration effort were coded to the dedicated ice storm job through detailed review of invoices, and managerial coding based on the confirmed scope of work. These represent additional costs that would not have been incurred under normal operating conditions and arose solely as a result of the ice storm.

Materials:

b. Please provide information about how InnPower distinguished between storm-related costs and routine maintenance or capital renewal activities

Please see response to 1-Staff-4 a.

c. Please provide details of replaced assets already scheduled for renewal or upgrade in the DSP.

No assets replaced as part of the March 2025 ice storm restoration were previously scheduled for renewal or upgrade in InnPower's Distribution System Plan (DSP). All replacements were limited to assets that sustained direct damage as a result of the storm and were necessary to restore service and ensure system safety and reliability.

d. Please confirm whether any labour charges have been capitalized. If so, provide a detailed explanation of how these costs are directly attributable to restoration work.

Labour charges directly attributable to the replacement or reconstruction of damaged assets have been capitalized in accordance with International Financial Reporting Standards (IFRS), specifically IAS 16 – Property, Plant and Equipment. Under IFRS, costs are capitalized when they are directly related to bringing an asset to the location and condition necessary for it to operate as intended.

Accordingly, InnPower capitalized labour costs where employees or contractors were

engaged in activities that resulted in the physical replacement or reconstruction of distribution system assets damaged by the March 2025 ice storm. These activities include pole replacement, conductor installation, transformer re-setting, and related restoration work necessary to return the assets to serviceable condition. The associated capital costs are incremental to and outside of the planned capital expenditures originally included in InnPower's Distribution System Plan (DSP), as these replacements were unplanned and arose solely as a result of the storm event.

All other labour associated with inspection, coordination, supervision, or general restoration support that did not result in the creation or enhancement of an asset was expensed as incurred.

e. Please outline InnPower's capitalization policy, including the criteria used to determine capitalizable costs.

InnPower's capitalization policy is attached as Appendix A.

1-Staff- 5 Causation: Storm Severity

Ref 1: Environment Canada: Seasonal Forecasts Overview, Deterministic Forecast, Probabilistic Forecasts

Ref 2: Manager's Summary, pp.17-18

Ref 3: OEB's - ICF Resiliency Practices Report, pp.8, 14 and 37

Preamble:

In Reference 1, Environment Canada uses a sophisticated system called the Canadian Seasonal to Inter-annual Prediction System to make forward-looking weather forecasts, including for regions like Innisfil, Barrie, Orillia, and Peterborough in Ontario.

In Reference 2, InnPower states that the additional costs – such as emergency restoration, external crew mobilization, material replacement, and tree clearing – were directly caused by the March 29th ice storm. InnPower also explains that it has measures in place to manage extreme weather, but that the severity of the ice storm event was beyond reasonable planning or budgeting. Therefore, InnPower considers these costs exceptional and not covered under InnPower's base rates.

In Reference 3, ICF Resiliency Practices Report encourages Ontario electricity distributors to:

- Plan proactively using weather forecasts and risk models.
- Coordinate regionally through mutual aid and shared protocols.
- Invest strategically in infrastructure resilience.
- Communicate transparently with customers during emergencies.

Question(s):

a. Please provide any internal risk assessment or scenario planning conducted in the months leading up to March 2025 based on seasonal or long-range forecasts indicating a higher-than-normal risk of ice storms.

Scientific evidence shows that freezing rain is among the most challenging weather events to predict because it develops under highly specific and localized atmospheric conditions that can change rapidly.[1] Even small shifts in temperature or moisture at different layers of the atmosphere can determine whether precipitation falls as rain, snow, or ice, making advance forecasts uncertain.[1] As global and regional weather patterns grow more variable, the conditions that lead to freezing rain are becoming less consistent from one event to another. This variability, combined with the narrow temperature range in which freezing rain occurs, makes it one of the most complex and

1. Jennings, K. S., Collins, M., Hatchett, B. J., Heggli, A., Hur, N., Tonino, S., Nolin, A. W., Yu, G., & Arienzo, M. M. (2025). Machine learning shows a limit to rain-snow partitioning accuracy when using near-surface meteorology. *Nature Communications, 16*(1), 2929. https://doi.org/10.1038/s41467-025-58234-2 nature.com

unpredictable forms of winter precipitation.[1]

Environment and Climate Change Canada (ECCC) typically issue a Freezing Rain Warning when hazardous freezing rain is expected within a short period of time or is already occurring. The exact lead time depends on forecast confidence and evolving weather conditions, warnings are issued as soon as meteorologists have reasonable certainty that freezing rain meeting warning criteria (lasting at least two hours in Ontario) will develop.[2] If the risk is present but less certain beyond that window, a Special Weather Statement or Winter Storm Watch may be issued first to give earlier notice.[2] These short lead times underscore the inherent forecasting limitations associated with freezing rain and the challenge for utilities to anticipate and prepare for such events beyond the immediate operational window.

Given the inherent uncertainty in forecasting freezing rain and the narrow lead times available for reliable warnings, there was no credible seasonal evidence to justify a specific risk assessment or scenario plan for an elevated ice storm threat prior to March 2025. Long-range outlooks did not indicate above-normal freezing rain potential, and the conditions required for such events could not be reasonably anticipated months in advance. The scientific and meteorological evidence confirms that freezing rain remains among the most complex and least predictable winter hazards, underscoring that utilities must instead focus on increased storm hardening, while maintaining robust emergency response and restoration capabilities rather than forecasting-based scenario planning for such rare and localized extreme events.

b. Please provide contingency budgets InnPower allocated for extreme weather events in its latest cost of service application in comparison to the actual costs incurred during the March 2025 storm.

InnPower did not allocate a specific contingency budget for extreme weather events in its latest Cost of Service (CoS) application (EB-2023-0033). This approach is consistent with standard regulatory and industry practice, as the frequency, scale, and location of extreme weather events, such as major ice storms cannot be reliably predicted or budgeted for within normal rate-setting parameters. Under the Ontario Energy Board's (OEB) regulatory framework, utilities are expected to plan and budget for reasonably foreseeable operating and maintenance activities, while extraordinary events that are rare, unpredictable, and outside management's control are instead addressed through Z-factor or extraordinary event mechanisms[3].

2. Environment and Climate Change Canada. (n.d.). *Criteria for public weather alerts: Freezing Rain Warning (Ontario)*. Government of Canada. Retrieved October 7, 2025, from https://www.canada.ca/en/environment-climate-change/services/types-weather-forecasts-use/public/criteria-alerts.html

3. Ontario Energy Board. (2025, May 7). *Filing requirements – Chapter 2: Cost of service rate applications and appendices* (Corrected May 7 version). Toronto, ON: Author. Retrieved from https://www.oeb.ca/sites/default/files/OEB%20Filing%20Reqs_Chapter%202_2026_20250507.pdf oeb.ca

While InnPower does not budget contingencies for extreme storms, it maintains several preventative and preparedness measures within its approved operating plans to mitigate the impacts of severe weather. These include proactive vegetation management programs, pole inspection and replacement cycles, infrastructure hardening and renewal initiatives, and routine maintenance of feeders and distribution equipment to enhance system resilience. The utility also carries out staff training and mutual assistance agreements to enable rapid restoration when major weather events occur.

The OEB's Vulnerability Assessment and System Hardening (VASH) initiative was launched on June 27, 2024, after InnPower's last Cost of Service filing. InnPower is actively incorporating the principles and forthcoming guidelines of VASH into its planning and operations going forward, ensuring that future asset strategy, system hardening, and resilience metrics align with evolving regulatory expectations.

c. Please provide detailed information to demonstrate that the storm's impact exceeded what could reasonably be planned for, given historical weather data and Environment Canada's seasonal outlooks.

Ontario has experienced only a few severe ice storms in recent decades, with major events recorded in 1998, 2013, and 2025. Each of these storms caused widespread damage to electricity infrastructure, extended outages, and significant restoration costs across affected regions. While minor freezing rain events occur almost every winter, large-scale, high-impact ice storms of this magnitude have historically been rare, typically occurring once or twice in a generation[4].

InnPower recognizes changing weather patterns linked to climate change are increasing variability in winter precipitation, making it more difficult to anticipate when and where such extreme events may occur. However, given the infrequency, unpredictability, and the escalating uncertainty associated with evolving climate conditions, it remains challenging for utilities to reasonably plan or allocate budgets to fully absorb these extraordinary costs within normal operating or capital frameworks. As such, these events are more appropriately managed through extraordinary cost mechanisms, such as Z-factor applications, to support recovery of prudently incurred restoration expenses when they arise.[3]

The March 2025, ice storm in Innisfil and Barrie produced extreme conditions that exceeded what could reasonably be anticipated under normal planning scenario. Historical climate data from the Lake Simcoe Regional Airport (CYLS – Station 6117700) show that freezing-rain events around Innisfil are normally brief and light.[5]

4. Environment and Climate Change Canada. (2025). *Hourly climate data: Lake Simcoe Regional Airport (CYLS) [Station 6117700]*. Government of Canada. Retrieved October 7, 2025, from https://climate.weather.gc.ca/climate_data/hourly_data_e.html?hlyRange=2003-10-30%7C2025-10-06&dlyRange=2003-11-12%7C2025-10-06&mlyRange=2003-12-01%7C2006-12-01&StationID=42183&Prov=ON&urlExtension=_e.html&searchType=stnName&optLimit=yearRange&StartYear=2015&EndYear=2025&selRowPerPage=25&Line=0&searchMethod=contains&txtStationName=oro&timeframe=1&time=LST&time=LST&Year=2015&Month=11&Day=1#

Over a ten-year period (2015 to 2024), freezing rain events averaged about 2½ hours each and producing roughly 1–2 mm of ice accretion per event. By contrast, the March 2025 storm brought 43 consecutive hours of freezing precipitation and about 39 mm of liquid, which is equivalent to 19–39 mm of ice build-up.[5] This intensity and duration far exceed historical patterns and underline that, while general risk was anticipated, the precise timing, severity, and localized damage of the March 2025 storm were well beyond predictable climatological limits.

Taken together, the magnitude of the ice accretion, the province-wide scale of outages, and the near-total interruption of InnPower's own system demonstrate that this storm clearly exceeded reasonable planning thresholds. Engaging third-party contractors and mutual-assistance utilities was therefore the prudent and necessary response to restore service safely and quickly, consistent with OEB expectations for reliability and customer protection.

d. Please provide detailed information to demonstrate that all costs claimed under the Z-Factor were prudently incurred and not due to operational inefficiencies or delayed maintenance.

All costs claimed under the March 2025 Ice Storm Z-Factor were prudently incurred and directly attributable to an extraordinary weather event that caused extensive system damage across InnPower's service territory. The expenditures were necessary to restore safe and reliable service under emergency conditions and were not the result of deferred maintenance, operational inefficiencies, or avoidable equipment failures.

As noted in 1-Staff-3g., InnPower's vegetation management program has been strengthened over the past several years, with annual budget increases to enable more frequent trimming cycles and an expanded contractor scope. The program prioritizes high-risk feeders and known tree-growth corridors where ice and wind exposure pose greater threats. This proactive investment has reduced vegetation-related outages during non-extreme weather events and aligns with OEB expectations for preventive reliability management.

The utility also conducts regular infrared pole-top and conductor inspections, along with scheduled pole testing and replacement programs, to detect and address thermal anomalies, structural degradation, or conductor fatigue before failures occur. Additionally, InnPower also conducts yearly visual and infrared scanning of all assets in the overhead system (padmount transformer and switchgears are excluded), which occurs on a three year cycle. These inspections are documented and carried out on a rotating cycle

5.Environment and Climate Change Canada. (2025). *Hourly climate data: Lake Simcoe Regional Airport (CYLS) [Station 6117700]*. Government of Canada. Retrieved October 7, 2025, from https://climate.weather.gc.ca/climate_data/hourly_data_e.html?hlyRange=2003-10-30%7C2025-10-06&dlyRange=2003-11-12%7C2025-10-06&mlyRange=2003-12-01%7C2006-12-01&StationID=42183&Prov=ON&urlExtension=_e.html&searchType=stnName&optLimit=yearRange&StartYear=2015&EndYear=2025&selRowPerPage=25&Line=0&searchMethod=contains&txtStationName=oro&timeframe=1&time=LST&time=LST&Year=2015&Month=11&Day=1#

consistent with asset condition assessments and OEB distribution system code requirements with no systemic deficiencies identified.

In addition, InnPower has assessed undergrounding opportunities in specific high-risk or densely built areas where overhead lines are more vulnerable to vegetation contact or icing. While full-scale undergrounding of the distribution system is not economically feasible, selective undergrounding has been incorporated into new subdivision developments, service upgrades, and capital renewal projects where cost-sharing with developers or capital coordination provides a viable path forward. This targeted approach ensures that undergrounding is used strategically in locations where it offers the greatest long-term reliability benefit per dollar invested without imposing unnecessary costs on ratepayers.

Further, InnPower's system reinforcement initiatives, including pole replacements with higher load ratings and installation of upgraded conductor types, have improved system resilience against wind and ice loading. Regular station maintenance has ensured no station-related vulnerabilities contributed to storm impacts and observed fuse operations during the event demonstrated proper protective system functioning.

InnPower's service territory covers a large and geographically diverse area, which requires strategic allocation of maintenance resources to balance cost efficiency and system reliability. Despite these constraints, InnPower has continued to meet its inspection and maintenance targets and to proactively strengthen system performance under its approved O&M budgets.

It should be noted that the March 2025 ice storm was also not an event isolated to Innisfil and Barrie area, but rather a regional disaster that affected multiple communities across central and eastern Canada. According to *Reuters* (2025), the ice storm caused widespread power outages and extensive damage across large parts of Ontario and Quebec. The storm resulted in hundreds of thousands of people losing electricity and forcing some municipalities, including areas north of Toronto, to declare states of emergency. The report described the storm as one of the most disruptive weather events of the decade, severely impacting critical infrastructure and daily life across much of the affected territory.[6]

Industry sources estimate that the March 2025 Ontario–Quebec ice storm caused approximately CAD $490 million in insured losses, encompassing residential, commercial, and vehicle damage as well as loss adjustment expenses[7]. While this figure reflects total insured impacts, reports indicate that widespread hydro infrastructure damage, including nearly 2,000 broken power poles and extensive failure

6. Reuters. (2025, March 30). *Hundreds of thousands of eastern Canadians face power outages due to ice storm. Reuters.* https://www.reuters.com
7. PERILS. (2025, July 15). *CatIQ and PERILS release fourth loss estimate for the Ontario and Quebec ice storm.* PERILS. https://www.perils.org/news/cad-490m-catiq-and-perils-release-fourth-loss-estimate-for-ontario-and-quebec-ice-storm
8. CatIQ. (2025, April 30). *CAD $342 million industry loss estimate for the Ontario and Quebec ice storm of March 2025.* CatIQ. https://public.catiq.com/2025/04/30/cad-342m-catiq-discloses-initial-industry-loss-estimate-for-the-ontario-and-quebec-ice-storm-of-march-2025/

of overhead lines and related equipment contributed significantly to the overall loss estimates associated with the storm[8]. The extent of damage observed within InnPower's service territory was consistent with the widespread system failures reported by other Ontario LDCs, many of which experienced similar large-scale outages, structural damage, and restoration challenges due to severe ice loading and falling trees.

Taken together, these measures demonstrate that InnPower's system was maintained in a prudent and responsible manner prior to the March 2025 event. The extraordinary nature of the ice storm, not any lapse in operations or maintenance, was the clear cause of the incurred costs. Accordingly, all expenditures submitted under the Z-Factor claim are reasonable, necessary, and consistent with the OEB's prudence standard for extraordinary event recovery

e. Please provide detailed information to demonstrate cost-effective steps InnPower had taken prior to the storm to mitigate the impact of ice storms, such as vegetation management, pole reinforcement, or undergrounding of vulnerable lines.

Please see response to 1-Staff-5 d.

Collectively, these actions demonstrate that InnPower took reasonable and cost-effective steps to strengthen its system against severe weather, consistent with prudent utility practice. The scope and intensity of the March 2025 storm exceeded the design and planning assumptions of normal operating conditions, underscoring that the resulting costs were extraordinary and not due to a lack of preventive investment or planning

f. Please provide detailed information demonstrating that InnPower benchmarked its response and preparedness against the OEB's - ICF Resiliency Practices recommendations.

Highlights are mapped below to the ICF practice areas:

1) Operations Planning

- **Command Structure**. InnPower operated under predefined Incident Command with tiered activation triggers, consistent with ICF guidance. This governed escalation from internal crews to contractors and mutual aid.
- **Mutual aid & inter-agency coordination.** We activated mutual assistance with the CHEC group and coordinated with the Town/County Emergency Operations, first responders, and road authorities to manage access, hazards, and critical-load priorities.

- **Critical Load List**: InnPower maintains and regularly updates a Critical Load List that identifies essential services such as hospitals, emergency responders, and water and wastewater facilities. This list is integrated into InnPower's emergency response procedures to ensure that, during outages, restoration efforts prioritize these critical customers wherever possible. This approach helps protect public safety, maintain essential community services, and strengthen overall system resilience during extreme events.
- **Weather monitoring & readiness**. We relied on ECCC alerts and internal procedures to pre-notify staff, stage materials, and set crew rosters as confidence increased, reflecting ICF's recommendation to blend public alerts with operational readiness steps.
- **Risk-based spares**. Spares were planned against historical major-event replacement experience (a recommended ICF approach).

2) System Hardening

- **Vegetation management.** Budget increased over the last few years to expand cycle-trimming and address high-risk corridors, an ICF "effective practice" for reducing tree-related faults.
- **Asset condition & inspections.** Infrared pole-top/conductor scans, routine pole testing/replacement, and feeder patrols were current pre-event, with remediation work orders closed as per schedule, which demonstrates no deferred maintenance.
- **Tracking & learning.** Consistent with ICF's emphasis on tracking, InnPower will track restoration and cost records by event to inform future prioritization and regulatory justification.

3) Restoration Performance

- **Protection operated as designed.** Fuse blows and sectionalizing actions isolated faults and limited equipment damage, which is aligned with ICF's principles of protective coordination and rapid fault isolation.
- **Fault identification & switching**. InnPower used OMS/GIS with field patrols and protection indications to sectionalize and restore in blocks, which is aligned with ICF's emphasis on using available automation and analytics to shorten restoration time.
- **Escalation triggers.** We applied pre-defined thresholds (expected restoration duration, incident counts, damage assessment constraints) to call in contractors and mutual aid, mirroring ICF's tiered response model.
- **After-Action Review (AAR).** Post-event, InnPower completed an AAR covering resource deployment, ETR performance, SAIDI/SAIFI/CMI deltas, crew safety, communications efficacy, and material usage, consistent with ICF recommendations to institutionalize lessons learned.

4) Customer Communications

- **Multi-channel updates.** Website, social, and direct notifications were utilized during extended outages, consistent with ICF's multi-channel strategy.
- **ETR practices.** We experienced challenges maintaining timely and location-specific ETRs as damage assessments evolved rapidly and communication systems were down; while we issued and updated ETRs and tracked critical-load status on best efforts, post-storm we are improving cadence and accuracy by integrating more real-time field/OMS inputs, adding geo-specific ETRs, and tightening our update protocols.
  Post-restoration confirmations. We faced challenges consistently delivering timely "power restored" notices and clear cause summaries across all channels given the extent of the outages; post-storm we're improving by automating restoration confirmations, standardizing cause codes/descriptions, adding a "still out?" verification step, and tightening the cadence of final updates to customers and municipal partners.

Taken together, these actions demonstrate that InnPower has proactively implemented many of the resiliency practices identified by ICF. The company's investments and operational programs reflect a balanced and prudent approach to managing climate-related risks, consistent with OEB policy direction that prioritizes cost-effective resilience rather than exhaustive hardening against rare extreme events.

1-Staff- 6 Prudence: Breakdown of the Ice Storm Restoration Costs
Ref: Manager's Summary, pp.17-18

Preamble:

InnPower states that in accordance with the OEB's guidelines, the materiality threshold for Z-factor claims is set at 0.5% of the approved distribution revenue requirement for utilities with annual revenues between $10 million and $200 million.

InnPower states that its approved distribution revenue requirement in its 2024 Cost of Service application[2] was $13,883,552, resulting in a materiality threshold of $69,418.

Table 4 provides a summary of the operating and capital costs incurred by InnPower in response to the March 29, 2025 ice storm. These costs include expenditures related to incremental internal labour, materials, vehicles, and third-party contractor services.

- The total operating costs directly attributable to the Z-factor event amounted to $426,794.
- The total capital costs incurred were $798,170.
- Stated Total for Third-Party Contractors: $772,276
- Actual Sum: $318,183 (Operating) + $596,827 (Capital) = $915,010
- Discrepancy: $142,734 understated

InnPower states that the figures in Table 4 reflect the financial impact of the emergency response and restoration efforts following the severe weather event.

OEB Table 4: InnPower Total Z-Factor Event Costs

Cost Category	Operating $	Capital $	Total $
Labour/Material/Vehicle	$ 108,611	$ 201,343	$ 309,954
Third-Party Contractors	$ 318,183	$ 596,827	$772,276/915,010
Total	**$ 426,794**	**$ 798,170**	**$ 1,224,964**

Question(s):

a. Please provide detailed information to explain the discrepancy between the stated total of $772,276 and the actual sum of $915,010 for third-party contractor costs.

The discrepancy noted above was a typographical error. The total third-party contractor costs should be $915,010 as noted above.

[2] EB-2023-0033, Decision and Order, November 23, 2023

b. Please explain if this is a typographical error, if it reflects a reclassification or exclusion of certain costs.

Please note, this was a typographical error and does not reflect reclassification or exclusion of certain costs.

c. Please provide details of the planned and actual labour costs that reflect overtime or emergency premiums showing rates paid to contractors.

Please refer to responses in 1-Staff-3 b and VECC-1 c.

d. Please provide an explanation outlining the rationale for not utilizing only internal staff, along with a justification for engaging third-party contractors in the storm restoration efforts.

The March 29, 2025, ice storm resulted in widespread, system-wide damage across InnPower's service territory, including downed trees on lines, broken poles, damaged insulators, and tripped feeders. At the peak, every InnPower customer—over 21,000 accounts were without electricity.

While all available InnPower staff and crews were deployed, the scale and urgency of the event exceeded the capacity of internal resources. Given the extent of the infrastructure damage, the need for multiple simultaneous repairs across feeders, and the priority of restoring supply as quickly and safely as possible, relying solely on internal staff would have led to significantly longer outages for customers.

Engaging third-party contractors and mutual assistance crews (including Wasaga, Enova, and Orangeville) allowed InnPower to accelerate restoration, reduce outage duration (90% restored within 56 hours), and minimize hardship for customers. This approach ensured safe, efficient, and timely restoration, while protecting ratepayers from the higher costs and reputational risks associated with prolonged outages.

This decision aligns directly with OEB priorities by ensuring reliability of supply, protecting customers from extended outages and associated costs, and demonstrating prudent cost management through the efficient use of both internal and external resources during an extraordinary weather event.

e. Please provide a summary of agreements outlining the rates that were agreed upon with third-party contractors.

In response to the March 2025 ice storm, InnPower relied on two established third-party agreements to support restoration efforts: the CHEC Mutual Assistance Agreement and its long-standing contract with K-Line Maintenance and Construction.

These agreements provided access to skilled crews at pre-determined rates, ensuring restoration work could proceed quickly, safely, and cost-effectively.

1. **Cornerstone Hydro Electric Concepts Association (CHEC) Mutual Assistance Agreement**

The CHEC Mutual Assistance Agreement is a framework that allows member utilities to support each other during emergencies by sharing crews, equipment, and materials. It enables member utilities to quickly access additional crews and resources during emergencies, avoiding the higher costs and delays of contracting outside support. By sharing staff and equipment under a cost-recovery model, utilities benefit from reduced restoration costs, faster service restoration, and improved reliability for customers.

The agreements establish that employees of the Responding LDC remain under their own employer's terms and conditions during an emergency. The Requesting LDC reimburses the Responding LDC for all direct costs and expenses incurred in providing Emergency Assistance Services. Reimbursable costs include:

- Employee wages, benefits, and payroll burdens.
- Employee travel and living expenses (meals, lodging, and reasonable incidentals).
- Replacement costs of materials and supplies used or furnished.

These provisions ensure that all costs associated with emergency support are covered by the Requesting LDC while maintaining the Responding LDC's employment framework.

2. **K-Line Maintenance and Construction Agreement**

InnPower has a longstanding relationship with K-Line Maintenance and Construction, which has been secured through prior competitive RFP processes to provide 24/7 emergency response, line maintenance, and capital project work in compliance with ESA Regulation 22/04. The contract was extended at fixed 2020 rates through 2022, and the current extension continues to hold pricing below market benchmarks established through prior competitive evaluations.

When the 2025 ice storm struck, this agreement allowed InnPower to mobilize multiple trained crews immediately under pre-established rates, avoiding the cost escalations and delays that often occur when contractors are sourced during an emergency. This ensured a faster and more efficient restoration process, while protecting ratepayers from avoidable cost increases and maintaining system reliability during a period of significant disruption.

f. Please provide additional information confirming that the capital and operating costs are incremental to those included in approved rates and InnPower's internal budget for the ice storm events.

Please refer to the response in 1-Staff-2.

1-Staff- 7 Prudence: Condition of Assets Before and After the Ice Storm
Ref: Manager's Summary, p. 18

Preamble:
In the above noted reference, InnPower states:

> Restoration activities included emergency repairs, pole and conductor replacements, tree removal, and system re-energization. Labour and contractor costs were incurred complying with pre-existing agreements, and materials were sourced primarily from available inventory. InnPower did not experience equipment or material shortages during the storm restoration.

Question(s):

a. Please summarize the physical damage sustained by InnPower's electricity distribution infrastructure because of the ice storm, using the table provided (e.g., poles, conductors, transformers).

InnPower maintains asset specification and location data within its Geographic Information System (GIS) and also uses the Senpilot platform for enhanced asset-registry, health-scoring and remaining-useful-life assessment capabilities. Senpilot ingests data from GIS and other systems to provide a unified "single asset view" and supports condition/risk scoring of assets. However, because the GIS, Senpilot and the company's accounting fixed-asset register are not fully integrated, we cannot reliably link each individual GIS/Senpilot asset record to its corresponding financial asset card (with net book value and remaining useful life).

As a result, during the March 2025 ice storm restoration work, where a job-based naming convention or location reference did not allow a specific link by job number (for historical asset) to the accounting record, the company processed retirement by selecting the oldest comparable asset within the affected group, which does not provide a one-to-one reconciliation of individual field assets.

From an engineering perspective, the poles, transformers and related assets damaged during the storm were not flagged for replacement under InnPower's capital planning program and thus were assumed to be in good operating condition with remaining useful life at the time of failure. Work is actively underway to improve coordination between operational (GIS/Senpilot) and financial (accounting) systems, in particular to ensure that when new assets are added (which

currently can overwrite or replace legacy data fields in Senpilot or GIS) the prior remaining useful life information is retained and retirements can be traced more accurately.

The planned implementation of a new enterprise resource planning (ERP) system is also expected to help resolve these system limitations and strengthen asset tracking capabilities. For assets with unique serial numbers (such as pad-mounted transformers or other serialized equipment), InnPower is able to trace the asset across both GIS/Senpilot systems and the accounting register, thereby allowing detailed reconciliation for those items where serial data is available.

As such, InnPower is only able to provide detailed information for the transformer assets summarized in the table below. These assets could be directly traced through the GIS and Senpilot systems, which retain serial numbers and related specifications. For other asset types, system limitations prevent a one-to-one reconciliation of individual field assets to accounting records.

It should also be noted that the replacement cost of distribution transformers and similar electrical equipment has risen substantially in recent years due to broader economic conditions, supply-chain pressures, and increased material and manufacturing costs. These external market factors have materially influenced current replacement values compared to historical asset costs.

IPC Table 15: Breakdown of Physical Damage to Electricity Distribution Infrastructure

Asset Type	Asset / Equipment	Quantity	Repair or replace	Estimated Net Value	Remaining Useful Life
Distribution Station	Arrestor	1	Replace	N/A	N/A
Distribution Station Total					
Transformers	Transformer (75 kVA, single phase)	1	Replace	248.37	11
	Transformer (100 kVA, single phase)	1	Replace	317.09	11
	Transformer (25 kVA, single phase)	1	Replace	811.70	21

	Transformer (25 kVA, single phase)	1	Replace	811.70	21
	Transformer (25 kVA, single phase)	1	Replace	10,938.36	37
	Transformer (25 kVA, single phase)	1	Replace	10.78	1
	Transformer (25 kVA, single phase)	1	Replace	811.70	21
	Transformer (25 kVA, single phase)	1	Replace	811.70	21
	Transformer (25 kVA, single phase)	1	Replace	811.70	21
	Transformer (50 kVA, single phase)	1	Replace	1,560.44	20
	Transformer (50 kVA, single phase)	1	Replace	5,338.17	33
Transformers Total					
Poles	Wooden pole – 35 ft	1	Replace	N/A	N/A
	Wooden pole – 35 ft	1	Replace	N/A	N/A
	Wooden pole – 35 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A

	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 40 ft	1	Replace	N/A	N/A
	Wooden pole – 50 ft	1	Replace	N/A	N/A
	Wooden pole – 50 ft	1	Replace	N/A	N/A
	Wooden pole – 50 ft	1	Replace	N/A	N/A
Poles Total					
Overhead Wires	Covered 1/0 AWG aluminum primary conductor	30	Replace	N/A	N/A
	#2 ACSR primary wire, 6 aluminum strands over 1 steel core	556	Replace	N/A	N/A
	1/0 ACSR primary conductor used for medium-load feeders	559	Replace	N/A	N/A
	3/0 ACSR conductor for high-capacity or main feeder circuits	479	Replace	N/A	N/A
	Large 336 MCM aluminum conductor for high-load or long-span feeders	19	Replace	N/A	N/A
	3/0 AACSR conductor	44	Replace	N/A	N/A
	Inline manual switch for isolating or sectionalizing circuits	3	Replace	N/A	N/A
	28 kV double-insulated overhead switch for high-voltage applications	3	Replace	N/A	N/A

Overhead Wires Total					
Protection & Switching	AWG Triplex overhead service	30	Replace	N/A	N/A
	AWG Duplex overhead service	50	Replace	N/A	N/A
	AWG Triplex overhead service	339	Replace	N/A	N/A
Protection & Switching Total					
Underground Wires	Underground service cables – 3/0 triplex	63	Replace	N/A	N/A
Underground Wires Total					
Grand Total					

b. Please identify any assets that were reconstructed on a like-for-like basis following the storm and provide supporting details.

All assets reconstructed following the March 2025 ice storm were replaced on a like-for-like basis, consistent with the original specifications and configurations. No upgrades, design enhancements, or material substitutions were implemented as part of the restoration work. The replacement activities were limited to restoring the damaged infrastructure to its pre-storm condition to ensure the safe and reliable operation of the distribution system. These works adhered to existing material standards and design practices, focusing strictly on restoring service continuity rather than improving or modernizing assets.

c. Please provide information on any equipment replaced or reconstructed that was nearing end-of-life or in poor operating condition prior to the ice storm event.

InnPower confirms that none of the equipment replaced or reconstructed following the March 2025 ice storm had been flagged in the company's asset management systems or capital plans for near-term replacement. These assets were not identified in Poor condition under the 2021 Asset Condition Assessment and were performing as expected prior to the storm. Their failure

was the result of extraordinary weather conditions rather than asset deterioration or end-of-life factors.

d. Please confirm whether all assets replaced on a like-for-like basis were restored without upgrades. If upgrades were implemented, please provide details of the enhancements, associated costs, and indicate whether these upgrades were part of InnPower's operational or capital plans.

InnPower confirms that all assets replaced during the restoration period were completed on a like-for-like basis, with no upgrades or enhancements implemented. The replacements were carried out strictly to restore service and system functionality to pre-storm conditions following the March 2025 ice storm. No design modifications, capacity increases, or technology improvements were included as part of these activities. Accordingly, the associated costs reflect only unplanned, reactive restoration work and do not form part of InnPower's approved operational or capital plans.

1-Staff- 8 Materiality: ROE Impact
Ref: Manager's Summary, pp. 23-24

Preamble:
In the above noted reference, InnPower states:

> Restoration InnPower also confirms that its most recent ROE did not surpass the 300-basis point threshold above the OEB-approved deemed ROE. For the 2024 fiscal year, InnPower's actual ROE was 6.77%, which is 2.44% lower than the approved ROE 1 of 9.21%, as set out in its 2024 Cost of Service proceeding.[3]
>
> The incremental revenue requirement of $488,349 associated with the restoration efforts is expected to have a material impact on the achieved ROE for 2025. Given the magnitude of these unplanned costs and the fact that they were not reflected in base rates, recovery through the Z-factor mechanism is necessary to mitigate the adverse financial effect on the utility's regulated return and maintain financial stability.

Question(s):

a. Please provide detailed calculations demonstrating how the incremental revenue requirement of $488,349 is expected to impact InnPower's 2025 Return on Equity (ROE).

The incremental revenue requirement of $488,349 associated with the March 2025 ice storm is expected to significantly impact InnPower's 2025 Return on Equity (ROE) if left unrecovered, given the magnitude of these extraordinary costs relative to the utility's overall revenue base. The incremental costs include $426,794 in additional operating expenses, $798,170 in incremental capital expenditures, and $9,977 in half-year depreciation expense, all of which were unplanned and not included in base rates approved through the 2024 Cost of Service.

As of this filing, year-to-date figures are available only up to September 30, 2025, and therefore do not represent a full year of operations. To provide a more accurate assessment of financial performance and revenue requirement impacts, 2025 approved budgeted amounts have been used to approximate full-year revenue and cost levels, ensuring a fair and representative analysis of InnPower's 2025 results.

Based on the table below, if these extraordinary costs are not recovered, InnPower's achieved ROE for 2025 would fall further below the budgeted ROE of 8.70% and OEB-deemed ROE of 9.21%, resulting in an under-earning position of 7.50%. Prolonged under-earnings could impair InnPower's access to capital, increase borrowing costs, and constrain the company's ability to fund necessary infrastructure improvements or provide reasonable shareholder returns. Recovering the $488,349 ensures InnPower remains financially stable, capable of investing in

its people, systems, and infrastructure, and well-positioned to continue delivering safe, reliable, and high-quality service to its growing community.

The table below provides an overview of the 2025 Approved Budgeted ROE (without ice storm impacts) and 2025 Adjusted Budgeted ROE (with ice storm impacts).

IPC Table 16: Budgeted ROE and Adjusted Budgeted ROE with Ice Storm Expenditures

		2025 Approved Budget	2025 Adjusted Budget	$ Difference	% Difference	Description
Regulated net income						
Regulated net income (loss), as per RRR 2.1.7		$ 2,924,480.48	$ 2,570,274.87	$ (354,205.61)	(12.11)%	Less $426,794 operating expense, $9,977 half-year depreciation, interest and income tax difference
Adjustment items:						
Non-rate regulated items and other adjustments (Appendix 1)		$ (181,904.92)	$ (181,904.92)	$ 0.00	0.00 %	
Unrealized (gains)/losses on interest rate swaps (Not applicable if		$ 0.00	$ 0.00	$ 0.00	0.00 %	
Actuarial (gains)/losses on OPEB or Pensions not approved		$ 0.00	$ 0.00	$ 0.00	0.00 %	
Non-recoverable donations (Appendix 2)		$ 5,500.00	$ 5,500.00	$ 0.00	0.00 %	
Net interest/carrying charges from DVAs (Appendix 3)		$ (143,342.05)	$ (143,342.05)	$ 0.00	0.00 %	
Interest adjustment for deemed debt (Appendix 4)		$ 190,886.49	$ 181,120.12	$ (9,766.36)	(5.12)%	
Adjusted regulated net income before tax adjustments		$ 2,795,619.99	$ 2,431,648.02	$ (363,971.97)	(13.02)%	
Add back:						
Future/deferred taxes expense		$ 409,900.00	$ 348,681.46	$ (61,218.54)	(14.93)%	
Current income tax expense (Does not include future income tax)		$ 68,580.00	$ 58,337.58	$ (10,242.42)	(14.93)%	Adjustment to tax based on adjusted net income
Deduct:						
Current income tax expense for regulated ROE purposes (Appendix 6)		$ (51,337.97)	$ 48,749.89	$ 100,087.86	(194.96)%	Adjustment to tax based on adjusted net income
Adjusted regulated net income		$ 3,222,762.02	$ 2,789,917.17	$ (432,844.85)	(13.43)%	
Deemed Equity						
Rate base:						
Cost of power		$ 44,164,515.68	$ 44,164,515.68	$ 0.00	0.00 %	
Operating expenses before any applicable adjustments		$ 8,904,558.43	$ 9,331,352.43	$ 426,794.00	4.79 %	Add $426,794 additional operating expense
Total Cost of Power and Operating Expenses		$ 53,069,074.11	$ 53,495,868.11	$ 426,794.00	0.80 %	
Working capital allowance % as approved in the distributor's last CoS		7.50 %	7.50 %	0.00 %	0.00 %	
Total working capital allowance ($)		$ 3,980,180.56	$ 4,012,190.11	$ 32,009.55	0.80 %	
PP&E						
Opening balance - regulated PP&E (NBV) (Appendix 5)		$ 83,549,495.65	$ 83,549,495.65	$ 0.00	0.00 %	
Adjusted closing balance - regulated PP&E (NBV) (Appendix 5)		$ 93,752,937.33	$ 94,541,130.33	$ 788,193.00	0.84 %	Add $798,170 additional capital, deduct $9,977 half-year depreciation
Average regulated PP&E		$ 88,651,216.49	$ 89,045,312.99	$ 394,096.50	0.44 %	
Total rate base		$ 92,631,397.05	$ 93,057,503.10	$ 426,106.05	0.46 %	
Regulated deemed short-term debt % and $	4.00 %	$ 3,705,255.88	$ 3,722,300.12	$ 17,044.24	0.46 %	
Regulated deemed long-term debt % and $	56.00 %	$ 51,873,582.35	$ 52,112,201.73	$ 238,619.39	0.46 %	
Regulated deemed equity % and $	40.00 %	$ 37,052,558.82	$ 37,223,001.24	$ 170,442.42	0.46 %	
Regulated Rate of Return on Deemed Equity (ROE)						
Achieved ROE%		8.70 %	7.50 %	(1.20)%	(13.83)%	
Deemed ROE% from the distributor's last CoS Decision and Order		9.21 %	9.21 %	0.00 %		
Difference - maximum deadband 3%		(0.51)%	(1.71)%	(1.20)%		
ROE status for the year (Over-earning/Under-earning/Within 300 basis points deadband)		Within 300 basis points deadband	Within 300 basis points deadband			

b. Please confirm whether InnPower conducted any sensitivity analysis or financial modeling to assess the materiality of this impact on its regulated return. If so, kindly provide the supporting details and results.

The table below provides the approved 2025 budget compared to the adjusted 2025 budget (with ice storm expenditures) and its impact on net income.

IPC Table 17: Approved 2025 Budget Compared to Adjusted 2025 Budget Net Income

	2025			
	Approved 2025 Budget ($)	Adjusted 2025 Budget ($)	Difference ($)	Difference (%)
Revenue				
Electricity Sales	44,164,516	44,164,516	0	
Distribution Revenue	15,747,274	15,747,274	0	
Gain on Disposal of Property, Plant and Equipment	0	0	0	
Other Revenue	3,563,357	3,563,357	0	
Total Revenue	**63,475,147**	**63,475,147**	**0**	
Expenses		0	0	
Purchased Power	44,164,516	44,164,516	0	
Operating Expenses	8,910,058	9,336,852	426,794	4.8%
Depreciation and Amortization	4,881,956	4,891,933	9,977	0.2%
Loss on Disposal of Property, Plant and Equipment	0	0	0	
Total Expenses	**57,956,530**	**58,393,301**	**436,771**	
Income from Operating Activities	**5,518,617**	**5,081,846**	**(436,771)**	
Finance Income	55,000	84,405	29,405	53.5%
Finance Cost	2,313,998	2,332,298	18,300	0.8%
Income Before Payment in Lieu of Taxes	**3,259,618**	**2,833,952**	**(425,667)**	
Payment in Lieu of Taxes	478,480	407,019	(71,461)	-14.9%
Profit Before Net Movements in Regulatory Deferral Accounts	**2,781,138**	**2,426,933**	**(354,206)**	
Net Movement in Regulatory Deferral Accounts	143,342	143,342	0	
Profit After Net Movements in Regulatory Deferral Accounts	**2,924,480**	**2,570,275**	**(354,206)**	
Other Comprehensive Income	0	0	0	
Comprehensive Income	**2,924,480**	**2,570,275**	**(354,206)**	**-12.1%**

InnPower performed a high-level sensitivity/financial model by overlaying the incremental March-2025 ice-storm impacts on the Approved 2025 Budget. The adjustment raises Total Expenses by $436,771 (driven by OM&A +$426,794 and depreciation +$9,977), which flows through to reduce Income from Operating Activities by $436,771 and, after net finance changes (finance income +$29,405; finance cost +$18,300), lowers Income Before PILs by $425,667. With lower PILs (-$71,461), the modeled impact on earnings is a $354,206 decrease in Profit Before Net Movements in Regulatory Deferral Accounts, a 12.1% reduction in comprehensive income versus budget.

Against the OEB's Z-factor materiality for InnPower of $69,418, both the incremental OM&A ($426,794) and the earnings impact ($354,206) materially exceed the threshold. This sensitivity analysis reaffirms a clear, material downward pressure on InnPower's achieved ROE absent of any recovery.

c. Please outline any cost-saving measures or internal reallocations that were considered or implemented prior to seeking Z-Factor recovery.

No internal reallocations or cost-saving measures were feasible prior to seeking Z-Factor recovery. All 2025 capital projects and OM&A activities were considered essential to maintaining system safety, reliability, and regulatory compliance; therefore, diverting funds would have deferred critical work. While capital budgets can be re-sequenced in limited cases by postponing planned projects, the scale of the March 2025 ice storm far exceeded what could reasonably be absorbed through normal budget flexibility. InnPower's asset replacement programs are already calibrated at minimal sustainable levels, reflecting growth, station reinforcement, and ERP modernization priorities. Further deferral would have compounded asset condition risks and created future reliability challenges. Accordingly, the Z-Factor mechanism represents the appropriate and prudent approach to address these extraordinary, unplanned costs without compromising ongoing operations or long-term system performance.

d. Provide detailed analysis which demonstrate how the ice storm costs alone would materially affect InnPower's financial stability.

IPC Table 18: 2025 Approved Budget and Adjusted Budget KPIs

	2025 Approved Budget	2025 Adjusted Budget	Difference
Profitability			
Profit Margin	21.2 %	18.9 %	(2.3)%
Cash Flow Management			
Current Ratio	0.7	0.6	(1.5)%
Debt Management			
Debt to Equity	54.6%	55.2%	0.6%
Interest Rate Coverage	238.5%	217.9%	(20.6)%

The adjusted 2025 outlook shows a clear softening in performance and liquidity relative to the approved budget, driven by unplanned storm-related costs. Profitability tightens as profit margin falls from 21.2% to 18.9% (-2.3 pts). Cash flow is tighter: the current ratio slips from 0.7 to 0.6, indicating reduced near-term liquidity to cover payables. Leverage remains broadly stable with debt-to-equity moving only +0.6 pts (54.6% to 55.2%), but interest coverage weakens from 238.5% to 217.9% (-20.6 pts), reducing the buffer to service debt from operations. In short, the adjusted case preserves balance-sheet stability but compresses margins, liquidity, and coverage, consistent with absorbing significant unplanned costs while continuing to fund a high capital program.

The March 2025 ice storm has resulted in short-term cash flow impacts for InnPower, as unplanned restoration and capital repair costs were incurred outside of the approved budget cycle. These incremental expenses place additional pressure on available working capital at a time when InnPower is already managing high capital investment needs driven by system growth, station upgrades, and expansion projects to serve new developments across its service territory. Without Z-Factor recovery, these unbudgeted costs would further constrain liquidity and could limit the utility's ability to finance ongoing infrastructure projects, meet supplier obligations, and maintain prudent cash reserves necessary for operational stability and future capital planning.

e. Please provide a detailed analysis demonstrating how the ice storm-related costs, in isolation, would materially affect InnPower's financial stability.

Please refer to question d. above.

f. Please identify any restoration costs that may be attributable to deferred maintenance or asset replacements that were planned for during prior planning cycles.

None of the replaced or repaired assets were scheduled for renewal within InnPower's short-term capital or maintenance plans.

g. Please provide InnPower's achieved ROE on a regulated basis and indicate whether this figure is based on audited or unaudited year-end actuals.

The table below provides achieved ROE based on audited year-end actuals.

IPC Table 19: Deemed and Achieved ROE from 2020-2024

	2020	2021	2022	2023	2024
Deemed ROE	8.78%	8.78%	8.78%	8.78%	9.21%
Achieved ROE	9.69%	9.26%	12.82%	10.04%	6.77%
Difference	**0.91%**	**0.48%**	**4.04%**	**1.26%**	**(2.44)%**

1-Staff- 9 Causation: Small cell wireless infrastructure 5G rollout
Ref: Manager's Summary, p. 47

Preamble:
In the above noted reference, InnPower states:

> The deployment of small cell wireless infrastructure by telecom carriers and municipalities is accelerating due to 5G rollout and public demand. InnPower has received requests for pole space related to small cell wireless attachments. In the first year, revenue is forecasted at $17,333 and costs are forecasted at $18,750. These activities were not anticipated or forecasted in InnPower's last Cost of Service application and are therefore outside of base rates.

Question(s):

a. Please provide InnPower's detailed breakdown of the incremental costs incurred that are directly attributable to small cell wireless deployment.

InnPower has not incurred any incremental costs to date that are directly attributable to small cell wireless deployment. As installations have not yet been completed, there are no actual expenditures related to design, construction, or administrative activities. At this stage, InnPower can only provide preliminary cost estimates based on anticipated engineering review time, pole loading assessments, and administrative coordination once attachment requests proceed to implementation. These estimates will be refined and supported with actual data as deployment activity begins and costs are formally recorded.

b. Please provide an explanation of how InnPower distinguishes costs associated with small cell wireless attachments from those related to routine pole attachment or general infrastructure maintenance.

InnPower will distinguish costs associated with small cell wireless attachments from those related to routine wireline attachments or general infrastructure maintenance through the use of separate contractual agreements and accounting treatment. Wireless pole attachments are governed under distinct agreements specific to small cell installations. Each wireless attachment request will be tracked individually through a dedicated work order and contract, ensuring that any administrative, engineering, or inspection costs are recorded separately from routine pole maintenance or traditional wireline joint-use activities. This segregation provides clear cost attribution and supports transparent reporting of any incremental expenses directly related to wireless deployments.

c. Please provide documentation demonstrating the causal link between external demand and the incremental costs incurred by InnPower.

At this stage, InnPower has not yet incurred incremental costs directly linked to external demand for small cell wireless attachments; therefore, no documentation currently exists to demonstrate a causal relationship. However, once installation activity begins, InnPower will maintain detailed records and supporting documentation to clearly demonstrate this link. This will include:

- Work orders and job cost summaries identifying engineering, inspection, and administrative hours directly tied to third-party attachment requests;
- Contractor invoices referencing specific wireless deployment projects; and
- Internal correspondence and approvals showing that the work was initiated in response to external requests rather than routine operations.

These records will ensure a verifiable audit trail establishing that any incremental costs are caused solely by external demand and not by InnPower's normal maintenance or capital programs.

d. Please clarify whether the identified costs would have been incurred in the absence of small cell wireless deployment requests.

The identified costs will not be incurred in the absence of small cell wireless deployment requests. These incremental costs arise solely from the external demand for small cell attachments and are directly linked to activities such as engineering reviews, pole loading assessments, permitting, and administrative coordination associated with processing these requests. Without such deployments, InnPower's regular operations and maintenance programs would have continued as planned, with no need for the additional labour or external support tied to these specialized projects.

1-Staff- 10 Prudence: Establishment of a Deferral Account for Small Cell Wireless
Ref: Manager's Summary, p. 49

Preamble:
In Reference, InnPower states:

> The establishment of a deferral account for small cell wireless attachments meets the OEB's prudence criterion, as the associated costs are reasonable and reflect necessary activities undertaken to support broader public policy objectives, including the expansion of broadband and deployment of 5G technologies. These costs typically include make-ready work, engineering assessments, inspections, and administrative coordination to facilitate safe and effective access to distribution infrastructure. Tracking these expenditures through a deferral account enables transparency, supports regulatory oversight, and ensures that any cost recovery is subject to review for appropriateness, thereby protecting ratepayers and maintaining alignment with sound utility practice.

Question(s):

a. Please provide a comparative analysis showing that the chosen option balances cost and effectiveness for ratepayers.

In evaluating options for managing potential small cell wireless attachment costs, InnPower considered both the use of a dedicated deferral account and inclusion of related amounts within "Other" expenses and revenues. Both approaches balance cost and effectiveness for ratepayers; however, they differ in how revenues and costs are tracked and reported.

The deferral account option would isolate the activity as a distinct business line, allowing for separate review of prudence and recoverability through future OEB proceedings. Alternatively, recording these transactions within "Other" expenses and revenues would integrate them with other ancillary items, maintaining transparency while streamlining reporting.

In either case, InnPower's approach ensures that only actual, verifiable incremental costs, such as engineering reviews, make-ready work, and administrative processing are captured separately from rate based items, supporting transparency, regulatory oversight, and alignment with OEB principles of prudence and accountability.

b. Please provide explanation of how the expenditures support broader public policy objectives such as broadband expansion and 5G deployment.

The expenditures associated with small cell wireless attachments directly support broader public policy objectives, including broadband expansion and 5G network deployment across Ontario. These initiatives align with both federal and provincial priorities aimed at improving digital connectivity, enabling smart city applications, and fostering economic development in underserved and growing communities. By facilitating safe and efficient access to its distribution infrastructure, InnPower enables telecommunications carriers to deploy advanced wireless and broadband technologies more rapidly and cost-effectively, reducing the need for duplicative infrastructure. The related activities such as engineering assessments, make-ready work, and administrative coordination ensure that pole attachments are completed safely, in compliance with electrical standards, and without compromising system reliability. In this way, the expenditures not only advance public policy goals for universal connectivity and 5G readiness, but also contribute to community resilience, innovation, and long-term economic growth within InnPower’s service area.

1-Staff- 11 Causation and Materiality: Vegetation Management
Ref 1: Manager's Summary, p.18
Ref 2: Vulnerability Assessment and System Hardening (VASH Toolkit and Report)

Preamble:
In Reference 1, InnPower states:

> On March 29, 2025, a severe ice storm impacted InnPower's service territory. Prolonged freezing rain caused significant ice buildup on overhead lines and surrounding vegetation. This led to trees and branches contacting electrical infrastructure, resulting in critical feeder trips and widespread outages across the region.In Reference 2, the OEB's Vulnerability Assessment and System Hardening Toolkit, along with other resources under the Climate Resiliency and Asset Planning, provides guidance for electricity distributors to:

- Integrate climate resiliency into asset and investment planning
- Conduct regular assessments of distribution system vulnerabilities, including those related to vegetation

Question(s):

a. Please provide the budgeted and actual vegetation-related damage expenditures during the March 2025 ice storm.

InnPower's budget supports the vegetation management program, which aims to ensure safe and reliable electricity service by reducing the risk of trees and other vegetation coming into contact with overhead power lines. This program typically includes scheduled tree trimming, brush removal, and vegetation clearing along distribution corridors to maintain clearance requirements outlined in the Distribution System Code and industry best practices. Work is performed through a combination of internal staff oversight and third-party contractors, who manage cyclical trimming cycles, address identified hazard trees and ensure compliance with safety and reliability standards. The annual budget covers routine maintenance activities such as inspections, vegetation control, and disposal of debris. However, InnPower does not budget for vegetation related expenditures in emergency restoration or storm response situations.

During the March 2025 ice storm, a designated tree contractor was hired to complete vegetation-related restoration work, with total costs of approximately $75,000. The work included clearing trees, removing fallen limbs, and restoring right-of-way access to repair damaged poles and lines as part of the overall system restoration. However, due to the extensive and widespread damage, it was an all-hands-on-deck response involving InnPower's internal line crews and other third-party contractors engaged for emergency restoration efforts. As vegetation management was fully integrated into these broader

restoration activities, it was not feasible to track or itemize this work separately on contractor invoices or within internal time-tracking systems. However, all related costs are captured within the total storm restoration expenditures.

b. Please provide detailed budget and actual vegetation management expenditures for areas maintained between 2021 and 2025 that were directly impacted by the storm.

The table below presents a detailed summary of budgeted and actual vegetation management expenditures from 2021 to 2025. InnPower's service area is divided into four vegetation management cycles, each maintained on a rotating cycle to ensure system reliability. The March 2025 ice storm caused widespread damage across all four cycles, resulting in vegetation management costs that reflect the full scope of both the annual budget and actual spending for the year.

IPC Table 20: Detailed Breakdown of Budget and Actual Vegetation Management Expenditures for 2021-2025

	2021			2022			2023			2024			2025		
Account Description	**Budgeted**	**Actual**	**Difference**	**Budgeted**	**Actual**	**Difference**	**Budgeted**	**Actual**	**Difference**	**Budgeted**	**Actual**	**Difference**	**Budgeted**	**Actual**	**Difference**
Vegetation Management Program	250,000	336,852	**86,852**	300,000	284,410	**(15,590)**	350,000	348,563	**(1,437)**	325,000	357,524	**32,524**	340,000	331,463	**(8,537)**

c. Please provide explanations where InnPower exceeded its materiality threshold for vegetation-related costs in any of those years.

InnPower exceeded its materiality threshold of $69,418 for vegetation-related costs in 2021 due to the ramp-up of its vegetation management program that year. This increase reflected a strategic decision to enhance system reliability and proactively address vegetation-related risks that had accumulated in prior years. The expanded program included more comprehensive tree trimming, right-of-way clearing, and hazard tree removal activities across multiple zones. As a result, vegetation management expenditures increased temporarily as the program was brought up to full operating capacity, establishing the foundation for the ongoing four-year vegetation cycle reflected in subsequent years.

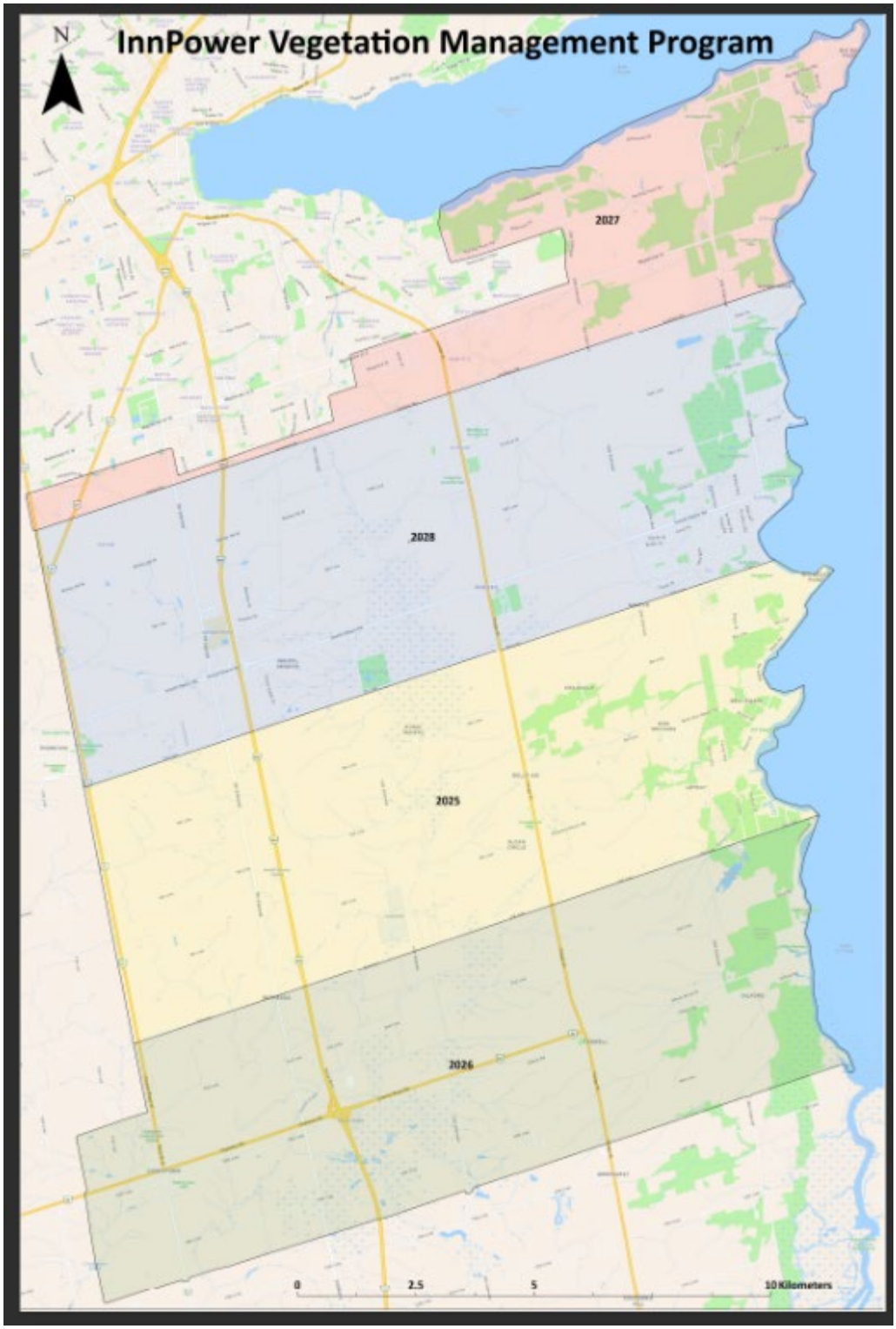
d. Please provide documentation of InnPower's vegetation management program, including maintenance history and tree trimming activities in areas affected by the storm.

InnPower's service area is divided into four vegetation management cycles, each maintained on a four-year trimming cycle to ensure consistent system coverage. The program includes hazard tree removal, brush clearing, right-of-way maintenance, and routine line clearing to maintain required clearance distances in accordance with Ontario Regulation 22/04 and industry best practices. Work is performed by qualified external tree contractors under InnPower supervision, with activities tracked through annual work orders, inspection reports, and completion records.

The maintenance history demonstrates consistent implementation of the trimming cycle across all four cycles. Between 2021 and 2024, the utility completed trimming in each cycle according to schedule, with enhanced focus on high-risk feeders and areas prone to storm-related damage.

The figure below shows the four cycles in InnPower's vegetation management program, all of which have been completed in accordance with the planned schedule and formally reviewed and signed off by InnPower management to verify compliance and completion of required maintenance activities. Please note, the 2028 cycle was maintained in 2024, the 2027 cycle was maintained in 2023, the 2026 cycle was maintained in 2022 and the 2021 cycle is being maintained in 2025.

IPC Figure 1: InnPower Vegetation Management Program by Year



e. Please provide details of pre-storm measures in place to mitigate outages in high-risk areas like Innisfil, Barrie, Orillia, and Peterborough.

Prior to the March 2025 ice storm, InnPower had several pre-storm measures in place to help mitigate outages and ensure a rapid restoration response across high-risk areas such as Innisfil and South Barrie. These included internal operational debriefs to review emergency preparedness plans, confirm resource availability, and identify potential system vulnerabilities in advance of the forecasted event. Contractors were placed on standby to provide immediate assistance with line repairs, vegetation clearing, and equipment replacement as needed. In addition, InnPower leveraged established mutual assistance connections and regional utility networks to secure access to additional crews and specialized equipment if local resources became exhausted. These proactive measures helped position InnPower and its regional partners for a coordinated and efficient restoration efforts before the ice storm.

f. Please provide detailed information demonstrating that InnPower adhered to its vegetation management and infrastructure maintenance plans in the regions affected by the ice storm, both prior to and during the event.

InnPower confirms that it fully adhered to its vegetation management and infrastructure maintenance programs in all areas affected by the March 2025 ice storm. The utility's vegetation management program operates on a four-year cycle, with each cycle maintained according to its approved schedule. For each cycle, contractors provide formal email confirmation to InnPower staff upon completion of work. InnPower then conducts field inspections and verification assessments to confirm the accuracy and completeness of the trimming and clearing activities before sign-off by management. All vegetation management cycles covering the impacted regions were completed as planned prior to the storm, and InnPower's infrastructure maintenance activities were executed in accordance with its established Distribution System Plan and preventive maintenance schedules. These practices ensured that the affected areas were in compliance with maintenance standards prior to the event.

1-Staff- 12 Materiality: Customers service disruptions
Ref: Manager's Summary, pp. 17-18

Preamble:
In the above noted reference, InnPower states:

> A significant number of customers experienced power outages, with extensive damage reported in areas like Innisfil, Barrie, Orillia, and Peterborough. In total, approximately 21,200 customers, representing 89% of InnPower's customer base, experienced service interruptions.

Question(s):

a. Please provide details of outages by duration per customers per category in all areas affected.

Outage duration data by customer category (e.g., residential, commercial, institutional) cannot be distinctly reported, as InnPower's SCADA system and outage management tools do not categorize interruptions by customer class. Instead, the system tracks outage duration and restoration progress by feeder and service/customer. As a result, outage metrics are aggregated across all customer categories within each affected area.

b. Please provide InnPower's customer-forecasted restoration times and the actual times.

InnPower did not establish formal forecasted customer-level restoration times for the March 2025 ice storm for several practical and operational reasons. The scale and severity of the event were exceptional: damage was widespread across multiple feeders and all vegetation management cycles, and the full scope of infrastructure impairment broken poles, fallen limbs, downed lines, damaged transformers was not known until crews were in the field. In addition, cellular communications were compromised in many areas, constraining real-time data flow and coordination at the outset.

Given these conditions, attempting to provide accurate restoration time estimates in advance would not have been reasonable. Restoration activity was conducted under dynamic conditions, with shifting resource allocations, overlapping work fronts, and emergent safety constraints. Furthermore, InnPower did not systematically track detailed forecast versus actual performance intervals during the recovery phase; the emphasis was placed on restoring service safely and expeditiously rather than on tracking and matching estimated drawdowns. Throughout the event, InnPower endeavored to communicate proactively to customers on a best-efforts basis, providing updates as conditions allowed, leveraging outage maps, social media, and coordination with municipal partners.

Restoration efforts were guided by a structured and prioritized response strategy consistent with industry best practices. The approach focused on restoring the system from the top down, first re-energizing the 44 kV sub-transmission lines supplying distribution stations, followed by the

restoration of main feeders, and finally reconnecting branch circuits and individual customers. This method was designed to restore power to the greatest number of customers as quickly and safely as possible, ensuring that each stage of restoration maximized system recovery and customer impact.

Where possible, restoration activities were overlapped to accelerate recovery while maintaining safety and coordination across crews. InnPower also prioritized the restoration of critical customers and essential community services, including water and wastewater facilities, emergency services, and key municipal infrastructure, to minimize risk to public health and safety.

This approach reflects the realities of emergency storm response: during a major event, pre-event forecasts lose reliability, and real-time adaptability, safety, and clear customer communication take priority over rigid schedule adherence.

As previously noted, InnPower restored service to 90% of affected customers within 56 hours and restored service to 100 % of customers within 154 hours and 15 minutes.

1-Staff- 13 Causation: Assets Condition
Ref 1: Manager's Summary, p. 62
Ref 2: Manager's Summary, p. 21

Preamble:
In Reference 1, InnPower states:

> The extreme conditions caused many trees to fall into the lines, causing critical feeders to trip out. In addition, there were several broken poles, insulators and conductors throughout the area.

In Reference 2, InnPower states:

> The capital materials installed as part of storm restoration work fall into the following primary infrastructure categories: Poles, Transformers (pole-mounted and pad-mounted) and Conductor (overhead and underground).

Question(s):

a. Please provide the number of poles/transformers that were damaged or broken during the storm.

IPC Table 21: Number of Poles/Transformers Damaged During Storm

Asset	Number of Units
Transformer (75 kVA, single phase)	1
Transformer (100 kVA, single phase)	1
Transformer (25 kVA, single phase)	7
Transformer (50 kVA, single phase)	2
Wooden pole – 35 ft	3
Wooden pole – 40 ft	8
Wooden pole – 50 ft	3

b. Please provide the number of poles/transformers that were installed during restoration.

Please refer to Staff Question 1-Staff-13 a. The number of pole/transformers that were installed reflect those that were damaged or broken during the storm.

c. Please provide details of the number of poles/transformers and the condition of the replaced or repaired poles/transformers before the storm in Table 6 and 7 in below:

InnPower actively tracks individual asset health through its Senpilot system, which together maintain specifications, inspection data, and condition attributes at the asset level. Inspection results feed into InnPower's Health Index framework, which evaluates assets based on both condition and criticality to establish a priority ranking for those in poor health. These metrics were initially established through the 2021 Asset Condition Assessment (ACA) prepared by METSCO Energy Solutions and submitted as part of InnPower's 2024 Conditions of Service (EB-2023-0033). The ACA serves as the baseline for ongoing asset health monitoring, and its methodologies have since been incorporated into Senpilot to support continuous updates and prioritization.

While individual asset health data is tracked, there is currently a system limitation whereby legacy health information may be overwritten when new assets are added or replaced. This issue can make it difficult to retrieve historical condition data for specific assets following replacement events such as the March 2025 ice storm. InnPower is actively working to resolve this through planned system enhancements to ensure historical condition data is preserved.

Based on the ACA and subsequent updates, the majority of InnPower's distribution assets including wood poles and transformers were in Good to Very Good condition at the system level prior to the storm. The assets replaced or repaired following the event were not flagged as being in poor condition or nearing end-of-life within InnPower's tracking systems or capital programs. These assets were operating normally and were not identified as at-risk prior to the extraordinary storm event.

Please note, the details for OEB Table 7 can be found in 1-Staff-7 a.

OEB Table 6: Condition of Wooden/Steel Poles Replaced

Description	Type	Condition	Quantity	Percentage	Remaining Useful Life
		Good			
		Fair			
		Fair-Poor			
		Poor			
		No Record			
		Total			

OEB Table 7: List of Major Asset Quantities Replaced due to the Storm

Assets Description	Type	Quantity	Total($)	Remaining Useful Life

1-Staff- 14 Quarter 4 Prescribed Interest Rates Confirmation
Ref: Rate Generator Model, Continuity Schedule (Tab 3)

Preamble:

On September 11, 2025, the OEB published the 2025 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

a. Please confirm that Tab 3 (Continuity Schedule) of the Rate Generator Model for each rate zone reflects the Quarter 4 2025 OEB-prescribed interest rate of 2.91%. If not, please update, as necessary.

Yes, Tab 3 (Continuity Schedule) of the Rate Generator Model for each rate zone reflects the Quarter 4, 2025 OEB-prescribed interest rate of 2.91%. No updates are required.

1-Staff- 15 Materiality: Base Revenue Requirements

Ref. 1: EB-2023-0033, Decision and Order, Settlement Proposal, October 13, 2022, p. 7

Ref. 2: Manager's Summary, p. 48

Preamble:

As part of the settlement proposal approved during InnPower's 2024 Cost of Service proceeding, the approved base Revenue Requirement is $13,894,270. This amount is different from the base Revenue Requirement amount of $13,883,552 provided in Reference 2.

Question(s):

a. Please explain the variance and provide the updated materiality threshold based on the approved base revenue requirement as stated in Reference 1.

Please be advised that InnPower filed a Draft Rate Order on December 4, 2023, following the OEB approval of the revised settlement proposal in its Decision and Order dated November 23, 2023.

OEB Staff had no concerns with the DRO and submitted that InnPower has accurately updated its Revenue Requirement from updates to short-term debt, return-on-equity, and cost of power.

The updated base Revenue Requirement amount is $13,883,552, as provided in Reference 2. As such, the materiality threshold does not need to be updated.

Please refer to tab "11. Cost_Allocation" in the file "IPC 2024_Rev_Reqt_Workform_1.0_20231207" filed on December 7, 2023, in the OEB's RDS to reference the most up to date numbers provided in Rate Generator Model.

1-Staff- 16 Materiality: Small Cell Wireless Attachments
Ref.: Manager's Summary, pp. 47-48

Preamble:

InnPower states:

> InnPower has received requests for pole space related to small cell wireless attachments. In the first year, revenue is forecasted at $17,333 and costs are forecasted at $18,750.

InnPower also provided a Table (see Table 8 below) to summarize the forecasted revenue, costs and net revenue over the period of 2025 to 2028.

InnPower further states:

> While the current forecast does not meet the materiality threshold, the projection is subject to a high degree of uncertainty. Given the potential for changes in circumstances and the possibility that number of attachments, revenue and/or costs may increase in future years prior to the next rebasing, it would be premature to withdraw the request on the basis of materiality alone. Instead, the application should note that, although current estimates fall below the threshold, the account remains necessary to capture and track amounts that may, over time, meet or exceed the materiality criterion.

OEB Table 8: Net Revenue for Small Cell Wireless Attachments

	2025*	2026	2027	2028	Total
Net new # of attachments	10	10	10	10	
Accumulated # of attachments	10	20	30	40	40
Revenue	$ 833	$ 5,000	$ 7,500	$ 10,000	$ 23,333
Cost recovery (make-ready, inspection)	$ 16,500	$ 16,500	$ 16,500	$ 16,500	$ 66,000
Total Revenue	**$ 17,333**	**$ 21,500**	**$ 24,000**	**$ 26,500**	**$ 89,333**
Make-ready work	$ 13,500	$ 13,500	$ 13,500	$ 13,500	$ 54,000
Inspection	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 12,000
Initial administrative costs	$ 2,250	$ 2,250	$ 2,250	$ 2,250	$ 9,000
Ongoing administrative costs		$ 750	$ 1,500	$ 2,250	$ 4,500
Total Costs	**$ 18,750**	**$ 19,500**	**$ 20,250**	**$ 21,000**	**$ 79,500**
Net Revenue (Loss)	**($ 1,417)**	**$ 2,000**	**$ 3,750**	**$ 5,500**	**$ 9,833**

Question(s):

a. Please clarify whether any of the requests for pole space have materialized to date, specifically indicating the number of completed small cell wireless attachments installations.

InnPower confirms that no small cell wireless attachment installations have been completed to date. While preliminary inquiries and requests for pole space have been received from potential attachers, none have progressed to the construction or installation stage. As such, there are no completed or active small cell wireless attachments on InnPower's distribution system at this time. These are expected to materialize by the end of 2025.

b. Please provide an assessment of the likelihood that the annual amount to be recorded in this variance account will exceed InnPower's materiality threshold.

InnPower is unable to reliably calculate or forecast the likelihood that the annual amount to be recorded in this variance account will exceed its materiality threshold. The nature and timing of costs associated with this account are contingent on external factors, such as the number of small cell attachment requests, timing of approvals, and associated engineering or administrative requirements, which remain uncertain at this stage. As such, any quantitative assessment would be speculative.

c. Please provide the potential drivers for the changes in circumstances that would result in a material increase in the number of attachments.

Potential drivers that could result in a material increase in the number of small cell wireless attachments on InnPower's distribution system include several external and market-based factors. These primarily relate to telecommunications sector growth and municipal broadband expansion initiatives, as well as increased demand for 5G network densification in urban and suburban areas.

Additional drivers may include municipal smart city programs, deployment of new wireless technologies, or changes in federal and provincial policy that accelerate the rollout of small cell infrastructure on utility poles. Local development activity, particularly along major corridors and growth areas within Innisfil and South Barrie, may also contribute to higher attachment volumes. Collectively, these factors could significantly increase the number of attachment applications received by InnPower, resulting in a material change in the frequency and value of transactions recorded in the account.

d. Please provide a calculation to show the number of attachments that would be needed on an annual and cumulative basis from 2025 to 2028 in order to exceed InnPower's materiality threshold.

InnPower would require the addition of 330 attachments to exceed the materiality threshold of $69,418. The example below assumes 110 attachments in 2026, 110 attachments in 2027 and 100 attachments in 2028.

IPC Table 22: Materiality Threshold of Net Revenue for Small Cell Wireless Attachments

	2025	2026	2027	2028	Total
Number incremental attachments	10	110	110	100	
Accumulated number of attachments	10	120	230	330	330
Revenue ($250/per attachment)	$ 833	$ 30,000	$ 57,500	$ 82,500	$ 170,833
Cost recovery	$ 16,500	$ 181,500	$ 181,500	$ 165,000	$ 544,500
Total Revenue	**$ 17,333**	**$ 211,500**	**$ 239,000**	**$ 247,500**	**$ 715,333**
Make-ready work - 100% cost recover	$ 13,500	$ 148,500	$ 148,500	$ 135,000	$ 445,500
Inspection - 100% cost recovery	$ 3,000	$ 33,000	$ 33,000	$ 30,000	$ 99,000
Initial administrative costs	$ 2,250	$ 24,750	$ 24,750	$ 22,500	$ 74,250
Ongoing administrative costs		$ 750	$ 9,000	$ 17,250	$ 27,000
Total Costs	**$ 18,750**	**$ 207,000**	**$ 215,250**	**$ 204,750**	**$ 645,750**
Net Revenue	**-$ 1,417**	**$ 4,500**	**$ 23,750**	**$ 42,750**	**$ 69,583**

e. Please provide any precedent cases where a similar variance account was requested and approved by the OEB, to InnPower's knowledge.

The OEB's Decision and Order EB-2016-0015 authorized all rate-regulated electricity distributors in Ontario to charge market rates for wireless pole attachments, replacing the previously mandated rate of $22.35 per pole per year.

This decision followed earlier proceedings, RP-2003-0249 (for wireline attachments), EB-2011-0120 (for Distributed Antenna Systems), and EB-2013-0234, where Toronto Hydro was first permitted to charge market rates for wireless attachments.

Under EB-2016-0015, all distributors were required to:

- Provide access to poles for Canadian carriers and cable companies.
- Annually report net revenues from wireless attachments and record them in a Board-approved deferral account.
- Credit those net revenues against their revenue requirement in future rate proceedings.

In summary, the OEB extended the Toronto Hydro precedent to all Ontario distributors, allowing market-based wireless attachment rates while ensuring transparency through annual reporting and deferral account treatment of net revenues.

1-Staff- 17 Materiality: RGM Vs Workform balances

Ref. 1: InnPower_2026-IRM-Rate-Generator-Model_VI
Ref. 2: InnPower_2026_Commodity_Accounts_Analysis_Workform_2.0

Preamble:

In References 1 and 2, OEB staff has observed that the "Transactions Debit / (Credit)" entries for Year 2024 on BD-28 and BD-29 in the Rate Generator Model, do not reconcile with the expected totals in the Commodity Accounts Workform as stated in Table 9 below.

OEB Table 9: Rate Generator Model and GA Analysis Workform Entries

A/C No	Rate Generator Model	Commodity Accounts_Workform	Diff
1588	(991,168)	328,074	(1,319,242.38)
1589	286,454	315,863	(29,409.20)

Question(s):

a. Please explain the difference between the Rate Generator Model and Continuity Workform.

A minor posting variance was noted in the recording of the OEB-approved disposition, where debit and credit amounts were inadvertently reversed for all accounts.

The resulting variance did not affect the total claim amount but rather reflected an adjustment between the transaction/debit column and the OEB-approved disposition column for all accounts.

b. Please confirm that the identified differences are an error and the impact(s).

The differences are attributable to a column reallocation rather than an error. There is no financial impact resulting from this amendment.

c. If the response in the above is 'Yes', please explain the nature of the adjustment InnPower intends to make.

InnPower has updated the files in Reference 1 and 2 to reflect the amended values.

1-Staff-18 UTR Question(s):

a. In the instance the OEB releases any updates rates / charges (e.g., 2026 Uniform Transmission Rates) before InnPower provides its responses to OEB staff's interrogatories, please update the Rate Generator Model (and any associated models), as applicable, and identify the rates / charges that were updated.

InnPower confirms that the applicable Uniform Transmission Rates (UTRs) have been updated in the Rate Generator Model to reflect the most recent 2026 Preliminary Uniform Transmission Rates, as issued by the Ontario Energy Board under File Number: EB-2025-0232 on October 9, 2025. These updates ensure that all rate and cost calculations are consistent with the most current information available from the OEB.

VECC Interrogatories
InnPower Corporation
EB-2025-0027

VECC-1

Ref: Manager's Summary p.18

Through coordinated efforts involving internal resources, third-party contractors and mutual assistance from Wasaga Distribution, Enova, and Orangeville Hydro, InnPower restored service to 90% of affected customers within 56 hours.

a) Please complete the following Table.

The table below provides the breakdown of Total Ice Storm Cost by Party and Nature of Expense.

IPC Table 23: Breakdown of Total Ice Storm Costs by Party and Nature of Expense

Expense Type	Internal Resources	Third-Party Contractors	Wasaga	Enova	Orangeville	Total
Labour Hours*	1,587	2,547	189	607	96	**5,026**
Labour*	$ 139,838	$ 473,927	$ 32,850	$ 117,946	$ 8,579	**$ 773,141**
Materials	$ 162,256	$ 43,958	$ -	$ 1,812	$ -	**$ 208,026**
Equipment		$ 39,311	$ -	$ -	$ -	**$ 39,311**
Vehicle	$ 7,859	$ 124,880	$ -	$ 19,984	$ 2,115	**$ 154,838**
Indirect Cost	$ 6,950	$ 38,523	$ -	$ 2,992	$ 1,184	**$ 49,649**
Total	**$ 316,904**	**$ 720,598**	**$ 32,850**	**$ 142,734**	**$ 11,878**	**$ 1,224,964**

*InnPower internal resources labour hours and cost only includes incremental labour (overtime) and capital work performed on ice storm job

b) Please provide a breakdown of Third-Party Contractor costs by contractor and in the response include the nature of the work.

The table below provides the breakdown of Third-Party Contractor costs by contractor and includes the nature of the work.

IPC Table 24: Breakdown of Third-Party Contractor Costs

Expense Type	Labour	Materials	Equipment	Vehicle	Indirect Cost	Total	Nature of Expenses
Hapamp Elmvale Ltd.	$ 1,109	$ 30,838	$ 832	$ 1,239	$ -	**$ 34,018**	Hydrovac excavation and civil works
InnServices Utilities Inc.	$ -	$ -	$ -	$ -	$ 1,113	**$ 1,113**	Administrative support and purchase of snacks and drinks
K-Line Maintenance & Construction Ltd.	$ 361,869	$ -	$ 35,418	$ 110,598	$ 30,503	**$ 538,388**	Distribution power restoration, supporting internal operations staff with system repairs
Landshark Group	$ 37,402	$ -	$ -	$ 11,744	$ 1,725	**$ 50,871**	Traffic control services and hydroexcavation services
Ontario Line Clearing & Tree Experts Inc.	$ 70,267	$ -	$ 3,060	$ 1,299	$ -	**$ 74,626**	Tree clearing and removal
Red Power Electric	$ 3,280	$ 13,120	$ -	$ -	$ -	**$ 16,400**	Services included site mobilization, radio system troubleshooting, and replacement of faulty components, including surge arrestors, a DragonWave radio, and an Ethernet cable.
The Cove Café	$ -	$ -	$ -	$ -	$ 5,182	**$ 5,182**	Meals for staff
Total	**$ 473,927**	**$ 43,958**	**$ 39,311**	**$ 124,880**	**$ 38,523**	$ 720,598	

c) Please explain if Third-Party and LDC labour costs include a premium and if so provide details.

The table below provides the breakdown of overtime and premium labour rates for internal resources and third-party contractors in capital and operating expenditures.

IPC Table 25: Detailed Breakdown of Overtime and Premium Labour Rates in Capital and Operating Expenditures

Expense Type	Internal Resources	Third-Party Contractors	Total
Regular Labour Hours	See below	1,266	
Regular Operating Labour Hours (excl.)*	2,710	-	
Regular Capital Hours (incl.)	654	-	
Overtime Labour Hours	933	1,282	
Total Labour Hours	**4,297**	**2,547**	
Regular Labour Cost	See below	$ 181,722	
Regular Operating Labour Cost (excl.)*	$ 136,103		
Regular Capital Cost (incl.)	$ 31,228		
Overtime Labour Cost	$ 108,611	$ 292,204	
Total Labour Cost	**$ 275,941**	**$ 473,927**	
Average Regular Labour Rate/Hr	$ 49.74	$ 143.60	
Average Overtime Rate/Hr	$ 116.41	$ 228.02	
Average Premium Paid/Hr	**$ 66.67**	**$ 84.42**	
Additional Premium Paid $	**$ 62,202**	**$ 108,185**	**$ 170,387**

*Amounts are not included in ice storm claim, rather shown for analysis purposes

Please also see response to 1-Staff-3 b.

d) Please provide the total number of hours to restore power to 100% of customers.

The total number of hours to restore power to 100 % of customer was 154 hours and 15 minutes.

VECC-2

Ref: Manager's Summary p.18

InnPower indicates restoration activities included tree removal.

Please provide a breakdown of the costs related to tree removal, and in the response differentiate between internal, third party, Wasaga Distribution, Enova, and Orangeville Hydro costs.

Please refer to response in 1-Staff-11 a.

VECC-3

a) Please describe InnPower's Vegetation Management strategy and in the response include InnPower's tree trimming cycle and a map showing the trimming zones.

Please refer to response in 1-Staff-11 d. & e., as well as 1-Staff-3 g.

b) Please provide the Vegetation Management budget approved in rates.

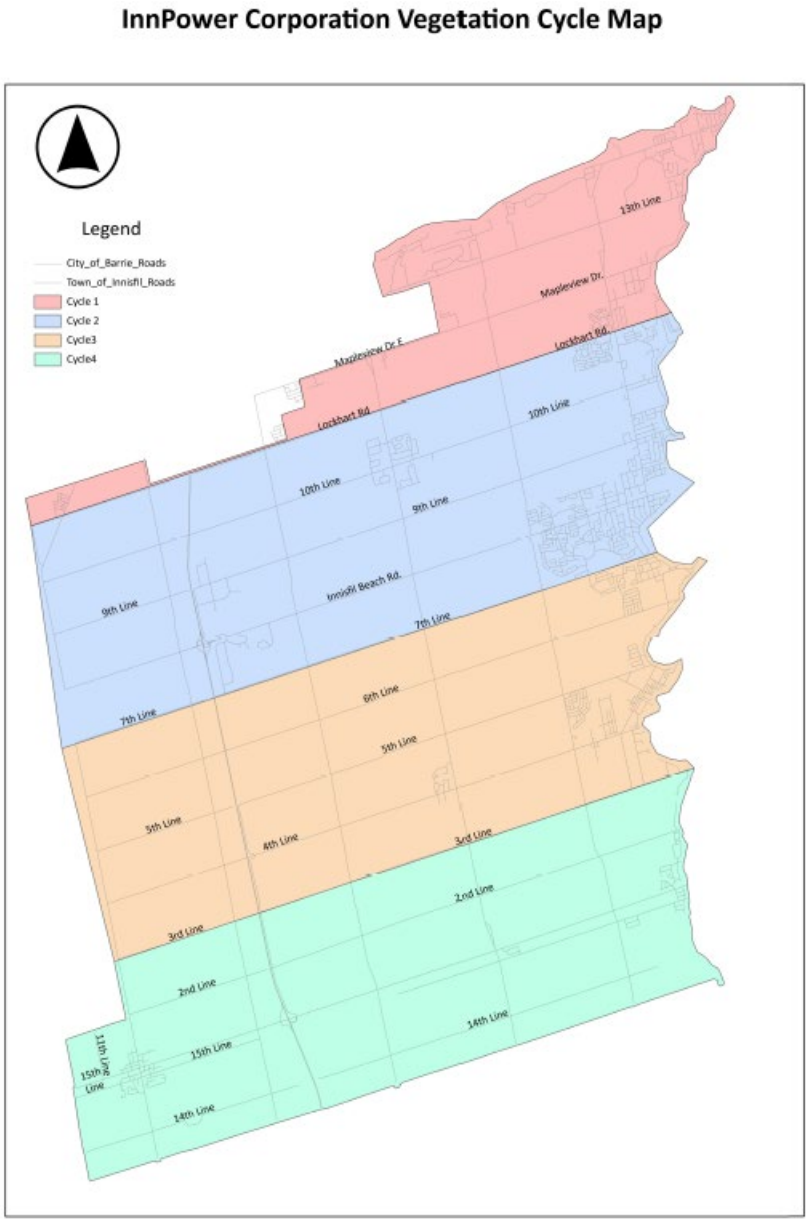
Please refer to response in 1-Staff-2 a.

c) Please complete the following Table:

VECC Table 1: Trimming Zones and Vegetation Management

	2020	2021	2022	2023	2024	2025
Planned Trimming Zones	Cycle 2	Cycle 3	Cycle 4	Cycle 1	Cycle 2	Cycle 3
Actual Trimming Zones	Cycle 2	Cycle 3	Cycle 4	Cycle 1	Cycle 2	Cycle 3
Vegetation Management Budget	$180k	$250k	$300k	$350k	$325k	$340k
Vegetation Management Actuals	$243k	$337k	$284K	$349k	$358k	$331k (YTD)

IPC Figure 2: InnPower Vegetation Management Program by Cycle



d) Please explain any variances in planned vegetation management activities and spending by year.

Please refer to response in 1-Staff-11 b.

VECC-4

Ref: Manager's Summary p.22

InnPower indicates all response and restoration activities—such as dispatching standby crews, hiring mutual assistance teams, and using overtime—were executed following InnPower's Emergency Preparedness Plan.

a) Please provide a copy of InnPower's Emergency Response Plan.

InnPower's Emergency Response Plan (EPP) contains sensitive operational and security information, and disclosure could pose risks to system reliability and public safety. InnPower therefore requests that VECC clarify or narrow the scope of their inquiry. If full access is required, InnPower can provide the EPP on a confidential basis in accordance with OEB confidentiality rules.

b) Please confirm InnPower followed its Emergency Response Plan. If not, discuss any variations.

InnPower confirms that it followed its Emergency Response Plan (ERP) during the March 2025 ice storm. The plan was fully activated as soon as the severity of the weather and resulting outages became apparent. Response activities were carried out in accordance with established procedures, including incident command activation, crew mobilization, public safety coordination with local emergency services, and continuous communication between operations, customer service, and municipal partners. All decision-making followed the chain of command outlined in the ERP, with oversight from the Chief Operating Officer (COO) and coordination through InnPower's Interim Emergency Operations Centre.

c) Please provide details of any proposed updates to the Emergency Response Plan following the storm

Following the March 2025 ice storm, InnPower completed an update of its Emergency Response Plan (ERP) to incorporate lessons learned from the event and to align with the OEB's direction under File No. EB-2021-0307 – Amendments to the Distribution System Code Regarding Customer Communication During Severe Weather Events.

The updated plan now includes a strengthened definition of "emergency" that clearly differentiates between routine

outages, large-scale system interruptions, and events posing elevated safety or reliability risks. A formal definition of “Major Event” has also been added, consistent with OEB reporting standards and the IEEE 1366 methodology, to ensure consistent activation of enhanced response protocols. The plan further establishes that the Chief Operating Officer (COO) will officially declare a Major Event and provide immediate notification to the President and Chief Executive Officer (CEO) to ensure executive oversight and coordination. In addition, minimum customer communication requirements have been incorporated to meet OEB expectations for timely outage notifications, estimated restoration updates, and coordinated messaging with municipal emergency management partners. These updates strengthen InnPower’s preparedness, operational accountability, and customer communication practices during severe weather events while ensuring full compliance with current OEB requirements.

VECC-5
Ref: Manager's Summary p.21

The capital materials installed as part of storm restoration work fall into the following primary infrastructure categories: Poles, Transformers (pole-mounted and pad-mounted) and Conductor (overhead and underground).

a) Please provide the number of poles, pole-mounted transformers, pad-mounted transformers, and metres of overhead conductors and underground conductors installed and the associated costs.

Please refer to the response in 1-Staff-7 a.

b) Please provide the number of assets in part (a) previously identified as being in poor or very poor condition.

Please refer to the response in 1-Staff-13 c.

c) For each asset type (Poles, Transformers (pole-mounted and pad-mounted) and Conductor (overhead and underground)), please provide the average replacement costs for the period 2023 to 2025 and show the calculation.

IPC Table 26: Average Replacement Cost by Asset Type for 2023 to 2025

Asset Type	Year	Total # Assets by Year	Average by Year	Average Across 23-25
Poles, Towers and Fixtures	2023	289	$ 16,263.79	
	2024	225	$ 15,357.02	
	YTD 2025*	70	$ 27,405.98	$ 19,675.60
Transformer	2023	97	$ 15,500.04	
	2024	292	$ 19,420.27	
	YTD 2025	22	$ 17,507.23	$ 17,475.85
Overhead Conductor**	2023	38,835	$ 0.67	
	2024	23,508	$ 0.50	
	YTD 2025	7,706	$ 1.24	$ 0.81
Underground Conductor**	2023	145,954	$ 1.45	
	2024	84,858	$ 2.91	
	YTD 2025	-	$ -	$ 2.18

*YTD September 30, 2025
* *Total # Assets is km of line

VECC-6

a) Please provide the number of interruptions, number of customer interruptions and number of customer interruption minutes by Cause Code for each of the years 2020 to 2025.

IPC Table 27: Interruptions by Cause Code for 2020 to 2025

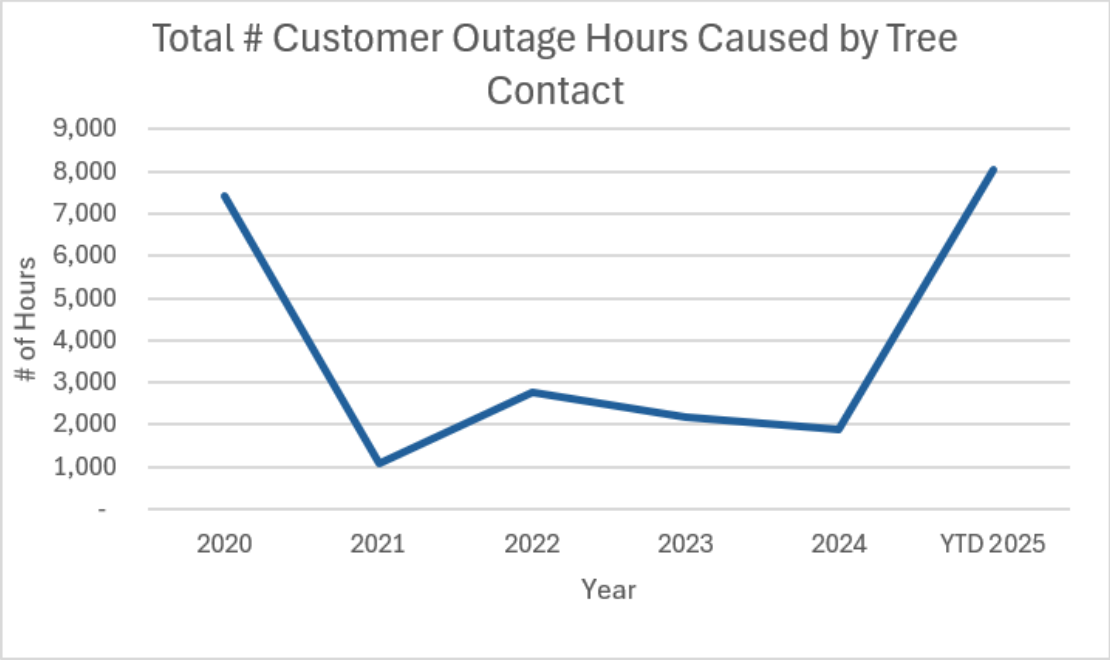
Cause Code	Description	2020	2021	2022	2023	2024	YTD 2025*
0 Unknown	Total # of Outages	23	20	17	27	27	23
	Total # of Customers Impacted	8,622	442	6,076	4,762	8,917	2,137
	Total # of Customer Hours	3,365	296	2,119	2,899	3,122	5,615
1 Planned Outage	Total # of Outages	65	74	71	64	68	44
	Total # of Customers Impacted	308	555	246	1,362	1,411	1,643
	Total # of Customer Hours	610	759	748	3,008	4,884	6,647
2 Loss of Supply	Total # of Outages	1	-	-	5	2	3
	Total # of Customers Impacted	3,528	-	-	6,624	2,975	13,661
	Total # of Customer Hours	7,232	-	-	11,612	1,628	10,237
3 Tree Contact	Total # of Outages	31	21	25	23	38	21
	Total # of Customers Impacted	4,236	400	2,322	982	1,654	8,246
	Total # of Customer Hours	7,408	1,090	2,757	2,183	1,871	8,035
4 Lightning	Total # of Outages	3	2	1	1	-	-
	Total # of Customers Impacted	12	2	9	1	-	-
	Total # of Customer Hours	28	4	9	2	-	-
5 Defective Equipment	Total # of Outages	53	14	26	34	24	20
	Total # of Customers Impacted	2,599	3,456	609	1,926	1,778	4,647
	Total # of Customer Hours	7,796	9,347	902	3,837	6,577	17,859
6 Adverse Weather	Total # of Outages	16	15	27	18	47	10
	Total # of Customers Impacted	4,296	1,578	5,851	5,628	17,889	3,833
	Total # of Customer Hours	14,024	6,086	11,166	7,001	15,603	7,568
7 Adverse Enviroment	Total # of Outages	-	-	-	-	1	3
	Total # of Customers Impacted	-	-	-	-	57	5
	Total # of Customer Hours	-	-	-	-	34	5
8 Human Element	Total # of Outages	8	4	4	-	6	-
	Total # of Customers Impacted	583	30	2,068	-	1,689	-
	Total # of Customer Hours	873	60	1,912	-	2,475	-
9 Foreign Interference	Total # of Outages	38	27	23	24	37	23
	Total # of Customers Impacted	199	7,278	565	4,104	21,343	7,794
	Total # of Customer Hours	336	17,304	1,566	9,143	12,955	10,768
10 Major Event Days	Total # of Outages	4	4	1	-	14	2
	Total # of Customers Impacted	18,113	13,270	14,244	-	16,563	21,200
	Total # of Customer Hours	62,095	38,382	29,377	-	10,305	1,209,892

* YTD September 30, 2025

b) Please discuss the trend in Tree Contact interruptions.

The figure below provides the total number of customer outage hours caused by tree contact from 2020 to YTD 2025.

IPC Figure 3: Total Number of Customer Outage Hours Caused by Tree Contact



Between 2020 and 2024, tree contact outages and customer impact declined significantly, demonstrating the effectiveness of InnPower's vegetation management program. Following the program's expansion and implementation of a structured four-year trimming cycle in 2020, customer outages from tree contact fell by over 90% in 2021 and remained consistently low through 2024. This improvement reflects proactive vegetation control, hazard tree removal, and systematic maintenance across all four cycles.

c) Please provide a summary of InnPower's historical Z-factor applications related to storm events and in the response include the requested amount compared to the approved amount.

Over the past 10 years, InnPower has filed only one Z-Factor application with the Ontario Energy Board (OEB). This application, submitted under proceeding EB-2016-0085, pertained to a major storm event that occurred between March 24 and 28, 2016. The application sought recovery of approximately $276,045 in incremental costs, including labour, materials, vehicle usage, subcontractor services, and eligible depreciation directly attributable to storm restoration work. Following the OEB Community Day session and in response to customer feedback and preferences, InnPower voluntarily withdrew its request for Z-Factor recovery associated with the 2016 ice storm. This decision reflected InnPower's responsiveness to stakeholder feedback and its commitment to prudent regulatory practice and transparency in managing extraordinary event-related expenditures.

In this instance, the financial impact of the 2016 ice storm was not significant to InnPower's overall financial performance, and the associated costs were manageable within existing operating and capital budgets. As a result, the company determined that the expenditures could be absorbed without meaningful impact on its financial position or customer rates. This outcome reflected the moderate scale of the event and InnPower's ability to effectively manage restoration activities within its existing financial and operational framework.

d) Please discuss InnPower's historical investments in resilient infrastructure.

IPC Table 28: Historical Resiliency-Related Capital Investments (2020–2024)

Year(s)	Project / Program	Description of Work	Investment Category	Resiliency Outcome
2020–2021	**System Renewal – Feeder Reinforcement Program**	Replacement of deteriorated poles, crossarms, and primary conductor on key feeders in Alcona and along Innisfil Beach Road; upgraded to CSA C22.3 No. 1 standards. Spidacalc (non linear loading analysis tool), plus additional storm hardening design principles in all work including customer driven work.	Asset Hardening / System Renewal	Improved structural strength and resistance to wind and ice loading; reduced pole-failure risk and outage frequency.
2020–2021	**Vegetation Management Program Expansion**	Transitioned to a four-zone, four-year trimming cycle; expanded hazard-tree removals and right-of-way clearing across full service area.	Preventive Maintenance / Reliability	80% reduction in tree-contact outages by 2024; enhanced reliability during storm events.
2021–2023	**SCADA & Protection System Upgrades – Brian Wilson DS**	Replaced legacy breakers, protection relays, and integrated substation SCADA controls for remote monitoring and operation.	Automation / System Modernization	Faster fault isolation; improved situational awareness and restoration coordination during extreme weather.
2022–2023	**Recloser Modernization & Dielectric Conversion**	Replaced oil-filled reclosers with SCADA-enabled dielectric units on main feeders.	Asset Modernization / Environment	Enhanced reliability and safety; reduced environmental risk and improved remote switching.

Over the past several years, InnPower Corporation has made strategic and sustained investments in resilient infrastructure to strengthen system reliability, minimize outage impacts, and ensure the safe, reliable delivery of electricity to its growing customer base. These historical investments demonstrate InnPower's proactive approach to addressing infrastructure aging, extreme weather risks, and evolving customer needs. The company's efforts have focused on system renewal, modernization, and redundancy, with all new and replacement assets designed to meet enhanced durability and safety standards under Canadian Standards Association (CSA) C22.3 No. 1 and Ontario Regulation 22/04.

System Renewal and Modernization

As outlined in DSP Section 5.4.2 – System Renewal (SR01), InnPower's capital renewal activities between 2020 and 2024 were directed toward the systematic replacement of aging poles, crossarms, conductors, and transformers using higher-strength, weather-resistant materials. Renewal projects concentrated on key feeders in Alcona, Innisfil Beach Road, and Innisfil's growth corridor, where asset condition and exposure to storm activity were highest. These targeted replacements improved performance under heavy wind and ice-loading conditions, reduced pole-failure risk, and minimized service interruptions during adverse weather events.

Additionally, InnPower completed major upgrades at the Brian Wilson Municipal Transformer Station (MTS), including the replacement of aged breakers and protection relays and the integration of Supervisory Control and Data Acquisition (SCADA) for remote switching and system monitoring. These upgrades enhanced operator visibility, reduced response times during outages, and improved the utility's ability to isolate and restore power under high-stress system conditions. Collectively, these renewal activities have contributed to measurable improvements in system reliability and operational resilience.

System Hardening and Automation

As identified in DSP Section 5.3 – System Modernization Initiatives, InnPower implemented several hardening and automation measures from 2021 to 2024 to enhance network resiliency and improve fault response capability. The expansion of SCADA control across distribution assets further enhanced situational awareness, allowing field crews to respond more efficiently during severe weather conditions.

InnPower also modernized its protection and switching infrastructure by replacing oil-filled reclosers with SCADA-enabled dielectric units. This change not only improved remote operability and fault-clearing performance but also eliminated environmental risk associated with oil-based equipment. These modernization projects have proven effective in enhancing reliability and maintaining continuity of service under challenging operating conditions.

Vegetation Management and Preventive Maintenance

InnPower's Vegetation Management Program, described in DSP Section 5.5 – Maintenance Programs, remains a

cornerstone of the utility's resilience strategy. Following the program's expansion in 2020, InnPower transitioned to a four-zone, four-year trimming cycle, ensuring full coverage across its service area. This proactive approach included hazard tree removals, right-of-way clearing, and enhanced patrol inspections, all carried out by qualified tree contractors under the supervision of InnPower management.

Each vegetation cycle is formally reviewed and signed off by InnPower management to confirm completion and compliance with regulatory and safety standards. By 2024, all four vegetation management cycles had been completed, resulting in an 80% reduction in tree-related outages since the program's initiation. This sustained improvement demonstrates the long-term reliability benefits of consistent, proactive vegetation control and underscores the program's success in mitigating outage severity during adverse weather.

Technological and Operational Resilience

In parallel with its physical infrastructure upgrades, InnPower has strengthened its technological and operational resilience through targeted investments in digital systems, data integration, and cybersecurity. Enhancements to Geographic Information Systems (GIS) and Outage Management Systems (OMS) have improved outage tracking, fault prediction, and resource coordination during restoration events. The integration of SCADA and OMS has provided system operators with real-time network visibility, enabling faster and more informed decision-making.

On the cybersecurity front, InnPower has implemented real-time monitoring, intrusion detection, and redundant communication systems to safeguard its operational technology (OT) assets and ensure business continuity. These initiatives have strengthened the utility's ability to maintain safe, secure, and reliable service delivery during both physical and digital disruptions.

Conclusion

Collectively, these historical investments from 2020 through 2024 demonstrate InnPower's consistent and data-driven approach to resilient infrastructure development. Through coordinated programs in system renewal, automation, vegetation management, and technological modernization, the company has achieved measurable reductions in

outage frequency and duration while improving its ability to respond rapidly to extreme weather events. These initiatives establish a strong foundation for ongoing reliability and operational excellence, aligning with OEB objectives for prudent, sustainable investment in InnPower's electricity distribution networks.

VECC-7
Ref: Appendix E

InnPower's Major Event Report for the March Ice Storm includes the question: "If the distributor did have prior warning, did the distributor issue any media announcements to the public warning of possible outages resulting from the pending?" The response is "No".
Please explain why InnPower did not issue any media announcements to the public.

At the time of the March 2025 ice storm, InnPower did not issue independent media announcements warning of potential outages because extensive public warnings and advisories had already been issued and actively broadcast by official municipal and federal agencies. In the days preceding the storm (March 27–29, 2025), Environment and Climate Change Canada (ECCC) issued multiple Freezing Rain Warnings and Special Weather Statements for the Barrie–Innisfil–Orillia region, forecasting prolonged periods of freezing rain, significant ice accretion, and likely power outages.[9] These alerts were amplified across major regional news outlets, including CTV Barrie and BarrieToday, which all reported on the developing storm and its expected impacts on hydro infrastructure and travel conditions.

In addition, both the Town of Innisfil and the City of Barrie shared official communications on their respective social media channels and emergency pages urging residents to prepare for potential power disruptions, charge devices, and avoid non-essential travel. The County of Simcoe Emergency Management Office also circulated preparedness messaging through the Simcoe County Alerts system and community partners. Given this coordinated, region-wide communication effort, InnPower determined that issuing a separate, utility-specific public warning would have been redundant, particularly since identical messaging was already being distributed through authoritative emergency management channels.

Instead, InnPower's communication efforts focused on real-time outage response and restoration updates as the storm impacted its distribution system. During the event, InnPower provided continuous best-effort updates via its online outage map, social media channels, and direct coordination with municipal emergency operations centres to ensure consistent information flow to both customers and first responders. This approach aligned with InnPower's Emergency Response and Communication Protocol, which prioritizes collaboration with municipal and provincial emergency agencies during large-scale weather events to maintain message consistency, avoid duplication, and dedicate operational capacity to restoration efforts.

9. Environment and Climate Change Canada (ECCC). (2025, March 29). *Freezing Rain Warning – Barrie–Innisfil–Orillia Region*. Government of Canada Weather Alerts. Retrieved from https://weather.gc.ca

This coordinated approach ensured that customers received accurate, timely, and unified messaging from trusted public sources before and during the March 2025 ice storm, while InnPower concentrated on maintaining safety and restoring service as efficiently as possible.

Social Media Postings:

Environment and Climate Change Canada - Weather · Follow
Mar 27 ·

From March 28 to 31

March may have come in like a lion, but it certainly isn't going out like a lamb. A Colorado low will impact parts of central and eastern Canada as March ends, bringing freezing rain, heavy snow, and dangerous travel conditions.

Freezing Rain Threat: Southern Ontario could see prolonged freezing rain from Friday to Sunday. Southern Quebec may experience a brief icy mix followed by snow.

Key Impacts:
⚠️ Hazardous travel – Icy roads and sidewalks.
⚠️ Power outages possible – Ice buildup on trees and power lines.
⚠️ Reduced visibility – Snow and freezing rain could make driving dangerous.

Be prepared:
✅ Stay informed—monitor weather alerts.
✅ Avoid unnecessary travel.
✅ Prepare for power outages—charge devices and have emergency supplies ready.

Stay updated by monitoring canada.ca/weather or our WeatherCAN app.

📷 The area marked with "A" on the map faces a higher risk of an ice storm.

The City of Barrie
Mar 28 ·

We're preparing for the possible ice storm, with winter maintenance and forestry crews on standby. Please don't use social media to report City service requests during the storm. Visit www.barrie.ca/alerts/ice-storm for full information.

Environment and Climate Change Canada - Weather · Follow
Mar 27 ·

From March 28 to 31

March may have come in like a lion, but it certainly isn't going out like a lamb. A Colorado low will impact parts of central and eastern Canada as March ends, bringing freezing rain, heavy snow, and dangerous travel conditions.

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Stay updated by monitoring canada.ca/weather or our WeatherCAN app.

Town of Innisfil
Mar 28 · ·

A #FreezingRain warning is in effect for our area. ⚠️ Environment Canada's forecast is calling for icy conditions and significant precipitation that may lead to slippery surfaces and localized flooding this weekend.

We've prepared as much as possible for whatever Mother Nature delivers:
✅ Roads have been pre-treated with brine to mitigate ice build-up
✅ Crews and equipment have been prepped and are ready to go
✅ Pickled sand/salt is stocked and available for trucks to deploy if needed

Ice may cause downed powerlines or tree branches. If you come across a downed powerline, always assume it's live and dangerous! Stay back at least 10 metres (the length of a school bus 🚌) and call your local utility.

Now's a great time to check your household emergency kit and make sure you have essentials like food, water, medicine, and a flashlight. For more tips, visit innisfil.ca/Preparedness. #ONstorm

South Simcoe Police · Follow
Mar 28 ·

The South Simcoe Police Service is urging residents of Innisfil and Bradford West Gwillimbury to take proactive steps ahead of a spring ice sto... See more

Appendix A: InnPower's Capitalization Policy

CAPITALIZATION POLICY

1. INTRODUCTION

Effective January 1, 2015, InnPower adopted accounting policies that are compliant with Modified International Financial Reporting Standards (MIFRS). These changes to depreciation and capitalization policies were filed and approved by the OEB in InnPower's 2017 Cost of Service application (EB-2016-0085). InnPower confirms that its capitalization policy is consistent with the OEB's regulatory accounting policies, as set out for MIFRS contained in the Report of the Board on Transition to International Financial Reporting Standards (EB-2008-0408) and the OEB's Accounting Procedures Handbook.

1.1 Recognition

An item of Property, Plant and Equipment should be recognized as a capital asset, if and only if, it is probable that future economic benefits associated with the asset will flow to the Company, and the cost of the item can be measured reliably. (IAS 1 67.74 a and b)

Intangible assets are also considered capital assets under this criterion and are recognized as identifiable non-monetary assets that lack physical substance. (IAS 38.8)

Other Criteria for recognition as a capital asset include:
Expenditures incurred to purchase or to build tangible or intangible assets that will provide benefits lasting beyond one year to the Company will be capitalized.

Expenditures incurred to improve (betterment) an existing asset will be capitalized if it is probable that future economic benefits will flow to the Company. Future economic benefits are demonstrated by the expenditure extending the asset's useful life/lifespan or increasing the asset's potential productivity/capacity or potentially lowering operating costs.

InnPower's capital assets typically include distribution facilities, meters, vehicles, office furniture, computer hardware and other equipment.

Intangible assets generally represent land rights and computer software.

Expenditures for repairs and/or maintenance designed to maintain an asset in its original state are not capital expenditures and should be charged to an operating account.

1.2 Measurement

Whether capital assets are purchased or constructed by the Company, they are stated at cost and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The cost of self-constructed assets includes direct materials, initial delivery and assembly, labour, employee benefits, professional fees, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Other costs could include

expenditures directly attributable to the assets from engineering, overheads, contracted services, and interest or borrowing costs.

Overheads are identified as being costs that support capital and operating activities, specifically within Supply Chain Management, Fleet Operations and Labour costing. Similarly, expenditures included in Overheads must be reviewed to determine whether they are “directly attributable” to bringing the asset to the location and working condition for its intended use (IAS 16.16 b). Interest or borrowing costs should be capitalized on qualifying projects where construction activity extends over one year.

Costs that are not included in the cost of an item of PP&E include training costs, administration, and other general overhead costs.

1.4 Amortization / Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of PP&E that is significant in relation to the total cost of the item. PP&E are considered tangible assets. Land and perpetual land rights are not depreciated.

Finite lived intangible assets are amortized over their estimated useful life (IAS 38).

Construction-in-progress assets are not amortized until the item of PP&E is “available for use” (in its location and condition necessary for it to be capable of operating in the manner intended by management) (IAS 16.55).

Depreciation methods, useful lives and residual values are reviewed annually. Changes in useful life and residual values resulting from this review will be accounted for on a prospective basis as a change in accounting estimate in accordance with IAS 8.

Depreciation of an asset ceases when the asset is derecognized. (IAS 16.55). Depreciation does not cease when the asset is idle or retired from active use except when the asset is classified as held for sale.

1.5 Derecognition (Retirements and Disposals)

An item of PP&E or Intangibles will be removed from the capital assets on the balance sheet when it is taken out of service, or abandoned where no future benefits are expected or when sold. The resulting loss equal to its net book value less disposal costs will be recognized in profit and loss.
In the case of a sale of an item of PP&E or Intangibles, gains and losses are determined by comparing the proceeds from the disposal with the net book value of the item disposed with the gain or loss recognized in profit or loss. (IAS 16.68)

1.6 Impairments

At the end of each annual reporting period, the Company must assess whether there is any indication that an asset may be impaired, and if so, determine and measure the impairment loss

(IAS 36.9).

An item of PP&E or intangible asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the item. IAS 36.12(f) states that a plan to dispose of an asset before the previously expected date is an indicator of impairment that triggers the calculation of the asset's recoverable amount for the purpose of determining whether the asset is impaired. Further indications of possible impairment are reflected below.

Indications of Impairment [IAS 36.12]
External sources:

- market value declines
- negative changes in technology, markets, economy, or laws
- increases in market interest rates

Internal sources:

- obsolescence or physical damage
- asset is part of a restructuring or held for disposal
- worse economic performance than expected

The above list is not intended to be exhaustive. [IAS 36.13]

If there is an indication that an impairment loss on assets exists, the recoverable amount is estimated. The impairment loss is the amount by which the asset's carrying amount or net book value exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

1.7 Definitions

Tangible Assets
Property, Plant and Equipment as set out in IAS 16.6, indicates that they are a tangible item that:

are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
are expected to be used for more than one period.

Intangible Assets
An intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchased or self-constructed) and from which future economic benefits (inflows of cash or other assets) are expected. [IAS 38.8] Thus, the three critical attributes of an intangible asset are:

identifiable
control (power to obtain benefits from the asset) resulting from a past event
future economic benefits (such as revenues or reduced future costs)

Identifiable: an intangible asset is identifiable when it: (IAS 38.12) is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract) or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Betterment
A betterment is defined as the cost incurred to enhance the service potential of a capital asset. It can include the increasing of the capacity of the asset, lowering associated operating costs, improving the quality of output, or extending the asset's useful life. Expenditures for betterments are capitalized if the capital asset will provide future economic benefit to the Company.

Repair
A repair is a cost which is incurred in the maintenance of the existing service potential of a capital asset. These costs are normally wear and tear in the normal use of the capital asset and do not enhance the service life of the asset. Repair costs are expensed in the period in which they occur.

Materiality Limits
All expenditures for capital assets, including betterments, are subject to materiality limits. While an expenditure might meet the definition to qualify as a capital asset, a materiality limit has been established to minimize the cost disadvantages where administration costs of capitalizing an asset may outweigh the intended benefits.
In view of the foregoing, expenditures that are less than $1,000 should be charged to an operating account (expensed). This limit applies to an individual asset, the total costs of a constructed asset, as well as betterments.

Componentization of Assets
For each part of an item of PP&E with a cost that is significant in relation to the total cost of the item, the item shall be depreciated separately (IAS 16.43).

A significant part of an item of PP&E may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another part of the same item. Such parts may be grouped in determining the depreciation charge (IAS 16.45).

1.8 Changes to Capitalization Policy

InnPower has not changed its capitalization policy since the last rebasing.