CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

EXHIBIT 4:
OPERATING EXPENSES

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4.1 OPERATING EXPENSES OVERVIEW

4.1.1 OVERVIEW OF OPERATING EXPENSES

The operating costs outlined in this Exhibit represent expenditures that are required to maintain and operate CNPI's distribution system assets at the targeted levels of performance, to meet customer expectations, ensure public and employee safety and provide quality service. These operating costs are necessary to comply with the Distribution System Code, safety, cyber security, and environmental requirements, and government direction.

OM&A expenses consist of, but are not limited to: the required expenditures necessary to maintain and operate CNPI's distribution system assets; the costs associated with metering, billing, and collecting from CNPI's customers; the costs associated with ensuring the safety of all stakeholders; and costs to maintain distribution service quality and reliability.

CNPI is proposing to recover a total of $12,383,274 (excluding property tax) through distribution rates for 2027 Test Year OM&A, as detailed in Table 4 - 1.

Table 4 - 1: Summary of Operating Costs

	2022 Board Approved	2027 Test	Difference
Operations	1,911,789	2,570,922	659,133
Maintenance	2,056,623	2,481,211	424,587
Billing and Collecting	1,736,564	1,870,476	133,912
Community Relations	78,761	92,089	13,328
Administrative and General (incl LEAP)	3,815,430	5,368,575	1,553,145
Total OM&A	**9,599,168**	**12,383,274**	**2,784,106**

2027 OM&A expenses of $12,383,274, represents an increase of $2,784,106, or a Compound Annual Growth Rate ("CAGR") of 5.2% from 2022 Board Approved.

The primary drivers of the increase from 2022 Board Approved to 2027 Test are:

- LEAP funding increase of $127,000 to comply with recent program changes to support all eligible applicants.
- Bad debt expense increase of $73,000 attributable to increasing inflationary pressures on customers;
- Third party locates program cost increase of $70,000 due to increases in volume and cost of third party locates over the period;
- Cybersecurity measures estimated cost increase of $184,000 to protect customer information privacy and the security of operations infrastructure from cyber threats;

- Telecommunication cost increase of $51,000;
- Third party software subscription and Enterprise Technology ("ET") based consultant fees cost increase of $228,000, partially due to a change in accounting for these costs;
- Regulatory expenses increase of $236,000, driven by increases in OEB Cost Assessments and regulatory application costs;
- Appendix 2-K impact (combination of change in FTEs and total compensation rate increases) on OM&A of $1,070,000;
- Training and travel cost increase of $123,000 to support CNPI's employee training, engagement and DEI programs as well as supporting and facilitating collaboration;
- Necessary building repairs and maintenance cost increase of $73,000; and
- Third party collections support cost increase of $27,000;

See Section 4.2.2 for further detailed explanations on the cost drivers identified above.

Table 4-2 shows an excerpt of Appendix 2-JA. A summary of CNPI's 2022 to 2027 operating cost trend and OM&A per customer trend is provided in Table 4-3.

Table 4 - 2: OEB Appendix 2-JA Summary of Recoverable OM&A Expenses

	2022 Last Rebasing Year OEB Approved	2022 Last Rebasing Year Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year
Reporting Basis	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE
Operations	$ 1,911,789	$ 2,009,458	$ 2,109,545	$ 2,194,331	$ 2,322,507	$ 2,410,236	$ 2,570,922
Maintenance	$ 2,056,623	$ 2,239,433	$ 2,766,105	$ 2,376,646	$ 2,452,663	$ 2,227,905	$ 2,481,211
SubTotal	**$ 3,968,412**	**$ 4,248,892**	**$ 4,875,650**	**$ 4,570,977**	**$ 4,775,170**	**$ 4,638,141**	**$ 5,052,133**
%Change (year over year)		7.1%	14.8%	-6.2%	4.5%	-2.9%	8.9%
%Change (Test Year vs Last Rebasing Year - Actual)							18.9%
Billing and Collecting	$ 1,736,564	$ 1,542,005	$ 1,752,600	$ 1,756,504	$ 1,911,880	$ 1,859,907	$ 1,870,476
Community Relations	$ 78,761	$ 129,992	$ 61,474	$ 81,964	$ 150,083	$ 93,991	$ 92,089
Administrative and General	$ 3,815,430	$ 3,860,819	$ 4,206,982	$ 4,836,666	$ 4,874,497	$ 4,858,057	$ 5,368,575
SubTotal	**$ 5,630,755**	**$ 5,532,816**	**$ 6,021,056**	**$ 6,675,134**	**$ 6,936,460**	**$ 6,811,955**	**$ 7,331,141**
%Change (year over year)		-1.7%	8.8%	10.9%	3.9%	-1.8%	7.6%
%Change (Test Year vs Last Rebasing Year - Actual)							32.5%
Total	**$ 9,599,168**	**$ 9,781,708**	**$ 10,896,706**	**$ 11,246,111**	**$ 11,711,630**	**$ 11,450,096**	**$ 12,383,274**
%Change (year over year)		1.9%	11.4%	3.2%	4.1%	-2.2%	8.1%

Table 4 - 3: OEB Appendix 2-L OM&A Cost per Customer and per FTE

	2022 OEB Approved	2022 Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year
Reporting Basis	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE
OM&A Costs							
O&M	$ 3,968,412	$ 4,248,892	$ 4,875,650	$ 4,570,977	$ 4,775,170	$ 4,638,141	$ 5,052,133
Admin Expenses[6]	$ 5,630,755	$ 5,532,816	$ 6,021,056	$ 6,675,134	$ 6,936,460	$ 6,811,955	$ 7,331,141
Total Recoverable OM&A from Appendix 2-JA [5]	$ 9,599,168	$ 9,781,708	$ 10,896,706	$ 11,246,111	$ 11,711,630	$ 11,450,096	$ 12,383,274
Number of Customers [2,4]	30,111	30,141	30,405	30,693	30,922	31,164	31,438
Number of FTEs [3,4]	68	68	68	70	69	73	73
Customers/FTEs	443	443	447	438	448	427	431
OM&A cost per customer							
O&M per customer	$132	$141	$160	$149	$154	$149	$161
Admin per customer	$187	$184	$198	$217	$224	$219	$233
Total OM&A per customer	$319	$325	$358	$366	$379	$367	$394
OM&A cost per FTE							
O&M per FTE	$58,359	$62,484	$71,701	$65,300	$69,205	$63,536	$69,207
Admin per FTE	$82,805	$81,365	$88,545	$95,359	$100,528	$93,314	$100,427

Total OM&A per customer has increased from $319 per customer in 2022 Board Approved to $394 per customer in 2027 Test. This represents a compound annual growth rate of 4.3%. CNPI notes that the compound annual growth rate for OEB inflation over the same period is estimated to be 3.78%. Table 4-4 below shows the OEB's Inflation Factor over the recent period, with the applicable 2027 inflation estimated based on most recent Statistics Canada data in early 2026.

Table 4 - 4: OEB Inflation over Historical Period

Year	Rate	Notes
2023	3.70%	per 2023 Rate Setting Parameters
2024	4.80%	per 2024 Rate Setting Parameters
2025	3.60%	per 2025 Rate Setting Parameters
2026	3.70%	per 2026 Rate Setting Parameters
2027	3.10%	forecast based on available STATSCAN data
CAGR	3.78%	

Total OM&A per FTE has increased from $141,164 per FTE in 2022 Board Approved to $169,634 per FTE in 2027 Test. This represents a compound annual growth rate of 3.7%.

CNPI's Test Year budget was prepared in Q3/Q4 2025 based on budget proposals from CNPI's management team to meet CNPI's goals for quality of service as outlined in Exhibit 1. The budgets were presented to CNPI's Executive team for adjustments and approvals. Labour costs were budgeted based on known and forecasted compensation adjustments, which are outlined in Section 4.4.

In preparing its 2027 Test Year budget numbers, CNPI has reviewed the OEB published inflation rates (the Input Price Index or IPI) for use by utilities with respect to IRM rate applications, including the 3.7% rate that was published for 2026 IRM applications. CNPI has considered an assumed inflation rate range of 2.0% to 3.0% for 2027 Test, applicable to non-labour items where CNPI did not have detailed, more accurate costing information available.

4.1.2 OVERVIEW OF OPERATING FUNCTIONS

OPERATIONS AND MAINTENANCE

Operations and Maintenance includes the responsibilities associated with the effective and efficient delivery of all aspects of system engineering and planning, construction, maintenance and operations of the distribution systems. This incorporates the following departments: Line Services, Meter Services, Planning & Engineering, Procurement and Materials Management, Fleet and Facilities, Technical Services and Customer Service and Billing. CNPI’s Fort Erie Service Centre is the main operating centre with a smaller service centre in Gananoque, Ontario.

PLANNING & ENGINEERING

CNPI Engineering includes all activities associated with project engineering and designs, long-term asset management, capital program budgeting, execution of Construction Verification Program (CVP), and standards development. The department is located in Fort Erie and has a variety of technical skilled staff in order to accomplish the activities listed below:

CAPITAL / MAINTENANCE PROGRAMS

- Identify long range capital program and projects
- Develop short range capital programs and projects
- Develop and manage annual capital budgets
- Develop maintenance plans and programs
- Coordinate, monitor, report on annual capital program progress
- Maintain the Distribution System Plan to ensure alignment of all capital and maintenance programs

AGREEMENTS / CORPORATE DATA / REGULATORY REQUIREMENTS

- Develop and manage asset recording through corporate systems (GIS, SAP)
- Develop / negotiate / administer property and access agreements
- Manage regulatory compliance to Electrical Safety Authority Reg. 22/04
- Aggregate and report company outage statistics
- Develop / negotiate / administrate Joint Use tenant agreements
- Develop and manage highway and railway agreements
- Assist and participate with rate applications and other OEB matters
- Manage property and access engagements, disputes or concerns

ENGINEERING

- Distribution System planning
- Project development, engineering, design, and project management
- Develop designs and standards for overhead and underground power line construction
- Develop standards for material and equipment specifications
- Develop asset management plans and justifications
- Manage small and large customer connections
- Provide technical support for field level troubleshooting and maintenance
- Assist with the development of business processes
- Coordinate with customers on technical issues

LINE SERVICES

The Lines function includes all activities associated with field operations, overhead and underground line construction, maintenance, and outage restoration of CNPI’s distribution line network. In order to accomplish the above activities, there are two service centres, one positioned in Fort Erie and the other in Gananoque. These service centres have equipment, tools and materials inventory to allow for all routine maintenance and outage restoration activities to be dispatched from those locations. A larger inventory of equipment and materials inventory is located at the service centre in Fort Erie.

Routine activities of the line department include:

LINE CONSTRUCTION

- Construct overhead and underground line based on the designs prepared by the engineering department.
- Carry out necessary steps defined in the CVP.
- Perform service work related to new customer connections, service upgrades and other disconnect/reconnect requests.

INSPECTIONS

- Line patrols, utilizing various equipment and methods in order to complete the inspection cycle in a variety of geographic and climate conditions.

MAINTENANCE

- Maintenance is performed on pole installations or line hardware (such as switches and connections) as problems are identified through the inspection process or other means.

OUTAGE RESPONSE

- Outage response is a significant activity for CNPI's lines function. CNPI's reliability is impacted by the climate and storm conditions along the shoreline of Lake Erie.

OPERATIONAL SWITCHING

- Line department is responsible for line switching for construction, outage management, and customer requirements.

CUSTOMER CONCERNS

- CNPI responds to customer concerns, which may relate to technical, power quality, or public safety in nature.

VEGETATION MANAGEMENT

The overall objective of CNPI's Vegetation Management Plan is to manage vegetation in proximity to electrical equipment on a regular schedule to carry out the following:

- Enhance public safety near electrical equipment;
- Avoid vegetation caused outages thereby sustaining and improving reliability;
- Allow worker accessibility to the system; and
- Manage and plan vegetation work activities in a least cost sustainable manner.

CNPI's line department manages tree training cycles, perform line switching and isolations, and providing supporting services, if needed. The tree trimming activities are contracted out to companies specialized in this type of work.

METERING SERVICES

There are eight delivery points supplying electricity to the CNPI system. Each of these delivery points are registered IESO metered facilities which require regular maintenance as prescribed by the market rules and are managed by a registered Meter Service Provider ("MSP"). Metering also includes the cost of operating and maintaining all retail meters (e.g. Smart, MIST and interval meters) and their associated communications networks .

The meter trades and staff are responsible for completing the following:

- Meter exchanges as a result of troubleshooting, meter failures/meter communication failures;
- Disconnects / reconnects for non-payment, customer vacancies or customer requests;
- Annual meter exchange program;
- Supporting annual wholesale meter exchange program (supplement the MSP trade staff); and transformer rated meter verification

TECHNICAL SERVICES (SYSTEM CONTROL AND STATIONS)

CNPI's System Control Center monitors system operating status via a SCADA system and performs dispatching and switching functions. The Control Center also plays a key role during system restoration effort.

Stations includes all activities associated with maintenance of CNPI distribution stations throughout its system. The stations house various equipment including transformers, switches and protective devices. The electrical trades staff are responsible for completing the following:

- Station inspections;
- Annual power transformer oil testing;
- Transformer and switch testing & maintenance;
- Oil containment inspection & maintenance;
- Infrared scanning of electrical facilities;
- Voltage regulator checks;
- Recloser inspection, maintenance and testing; and
- Outage management and record keeping.

PROCUREMENT & MATERIALS MANAGEMENT

Materials Management includes activities associated with procurement, storage and handling of materials and related distribution hardware that is required for capital and maintenance programs. There is a larger warehouse located in Fort Erie in addition to a smaller inventory location in the Gananoque service centre. Both locations include poles, wire, transformers and critical spares inventory. There are dedicated resources that are accountable for all procurement and inventory management including shipping and receiving.

FLEET, FACILITIES AND STORES

As noted earlier, CNPI has two service centres; Fort Erie and Gananoque. Activities performed in the fleet, facilities and stores function involve the operation and maintenance of these facilities including snow removal and yard maintenance. This function also manages the company's fleet at each location.

CUSTOMER SERVICE & BILLING

Customer Service primarily involves Billing, Collecting, Communication, and Account Maintenance.

CNPI utilizes the FortisOntario SAP system for managing its customer information and contact management. Local functions include Account Maintenance, Billing, Communication and all associated customer inquiry assistance.

Customer Service also involves Community Relations and supporting Public Safety programs, Communication, and attending regular municipal and community stakeholder meetings.

GENERAL AND ADMINISTRATION

HEALTH, SAFETY & ENVIRONMENT

An integral component of CNPI's operations is its Health, Safety & Environment ("HSE") department and its systematic approach to proactively managing safety and the environment.

CNPI utilizes an integrated management system for HSE, consistent with the standards of ISO 45001 (Health & Safety) and ISO 14001 (Environment) and developed within the context of FortisOntario's structure. The management system is based upon the premise of "Plan, Do, Check and Act". Both standards have been developed based on the foundation of a strong Internal Responsibility System. This is a key value contained in the *Occupational Health and Safety Act*. All HSE responsibilities are identified through the management system and have been clearly assigned to all levels of CNPI's organization and its parent company FortisOntario including: the Board of Directors, the Executive, Departments (Managers, Supervisors and workers) and Committees (Executive Environmental & Safety Committee, Central Environment & Safety Committee, Joint Health & Safety Committee and Environmental Leadership Team). FortisOntario's corporate HSE department consists of 4 full-time employees with some staff located directly at CNPI. The HSE department has combined responsibilities managing all FortisOntario business units with approximately 200 employees and 37 facilities (including substations) across Ontario. CNPI's service territory inherently possesses unique HSE challenges associated with its geographical location and operational differences, and benefits from a standardized approach to managing HSE.

The following is an overview of FortisOntario's HSE departmental functions.

- Hazard Assessment
- Perform Detailed Incident investigations
- Develop and maintain:
  - Operational Control Procedures
  - Health, Safety & Environmental Procedures,
  - Emergency Response Procedures
  - Health, Safety and Environmental Management System

- Legal Compliance
- Environmental Compliance Reporting
- Environmental Assessment and Sustainability
- Performance Indicators
- Training
- Audits and Inspections

One of the core principles consistent with the ISO standards 45001 & 140001 associated with the FortisOntario HSE management system is the need for continual improvement. The HSE department explores new ideas and facilitates recommendations to improve the system, and to promote HSE responsibility. In an industry in which technology is evolving rapidly, and in an environment where CNPI's workers are exposed to risk, it is imperative that CNPI continues to commit the appropriate resources to sustain its current level of HSE performance. CNPI has consistently achieved high levels of success in the areas of health, safety and environmental management as evidenced by its HSE record.

CNPI promotes HSE work practices through many elements of the system including regular safety meetings, workplace inspections and work observations and training throughout its service territory. Training requirements for CNPI include standardized utility sector focused training as well as additional training on Bare Hand Techniques.

HUMAN RESOURCES

Headquartered in Fort Erie, the Human Resources department has corporate responsibilities throughout the FortisOntario organization. The priorities of the department are to ensure adequate staffing levels, succession planning and employee retention with a focus on employee development and positive ongoing labour relations.

A leadership coaching and development training program has been offered to a number of management and supervisory employees to further develop their management and leadership skill set. Health plan cost management, pension administration and workplace safety and insurance board administration, and other benefit related activities are managed by the Human Resources department. The company maintains a modified return to work program and regularly tracks, reports and manages human resources in an effort to remain aligned with corporate objectives. CNPI maintains positive labour relations with its represented employees and has a cooperative working relationship with IBEW leadership. The company has begun conducting Employee Engagement surveys every second year to gather information to assess the level of employee engagement and develop plans to advance the level of employee engagement.

COMMUNICATIONS AND COMMUNITY RELATIONS

Community involvement and public relations remain an important core value of CNPI. Continued local community involvement in selective focus areas will aid in achieving the goal of being recognized as a valued member of the communities CNPI serves.

The implementation of social media (X and Facebook) has provided additional channels to promote CNPI's community involvement initiatives.

CNPI continues to present Public Electrical Safety and Conservation programs for local elementary students. Each school within the service territory is scheduled to have the presentation every fourth year.

ENTERPRISE TECHNOLOGY

CNPI owns and maintains the Customer Information System ("CIS") and Enterprise Resource Planning ("ERP") SAP solution as the ET system to provide a fully integrated billing and back office solution. The ET corporate department is responsible for all hardware, software, and cloud infrastructure maintenance and programming. Cybersecurity for both ET and Operational Technology (OT) is an important function supported by the ET department.

FINANCE

The corporate Finance department supports the accounting and reporting administration of the company. Located centrally in the Fort Erie office, the Finance department is responsible for ongoing accounting tasks and deliverables including accounts payable, accounts receivable, asset accounting, payroll, treasury and cash management, financing requirements, pension and OPEB accounting, and financial reporting and forecasting. In addition, the department is responsible for retailer settlements, regulatory accounting, tax filings, and ensuring that internal controls are operating effectively.

REGULATORY

CNPI supplies Regulatory Affairs services as a shared corporate service to the FortisOntario group of LDCs to provide rate-setting support and assistance with achieving and maintaining compliance with new and existing regulatory requirements. The Regulatory Affairs department balances its use of internal resources and external consultants with the goal of meeting department objectives in a cost-effective manner. Through the use of the shared Regulatory Affairs department, FortisOntario's LDCs benefit from economies of scale related to certain shared tasks; for example, regulatory compliance work and policy analysis and implementation support can often be completed to support all three LDCs without duplication of effort.

4.2 SUMMARY AND COST DRIVER TABLES

4.2.1 SUMMARY OF COST DRIVERS

A summary of 2022 Board Approved to 2027 Test OM&A cost drivers, consistent with OEB Appendix 2-JB, is provided in Section 4.2.2, along with detailed explanations of each cost driver. Capitalization of labour, consistent with Appendix 2-D is found in Section 4.2.3 below. OM&A per customer and per FTE summary and analysis, consistent with OEB Appendix 2-L is provided in Section 4.2.4. Finally, OM&A variance analysis on a program basis, consistent with OEB Appendix 2-JC, is provided in Section 4.3.2.

Where CNPI may not have had more detailed, accurate costing information available, CNPI has generally considered an inflationary assumption of a range between 2.0% and 3.0% when developing certain 2026 Bridge and 2027 Test Year planned values. This value is slightly lower than inflationary parameters previously released by the OEB. For some increases, a different rate may have been used. For example, for unionized staff increases (see Section 4.4.2 below), increase percentages were used that aligned with increases in accordance with collective agreements in place.

4.2.2 COST DRIVER ANALYSIS

Table 4 - 5 outlines key OM&A cost drivers from 2022 Board Approved through the 2027 Test Year, consistent with OEB Appendix 2-JB.

Table 4 - 5: Recoverable OM&A Cost Driver Table (OEB Appendix 2-JB)

OM&A	2022 Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year
Reporting Basis	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE
Opening Balance²	$ 9,599,168	$ 9,784,453	$ 10,897,520	$ 11,247,955	$ 11,711,630	$ 11,450,096
Bad Debt Expense	-$ 65,000	$ 134,000	-$ 31,000	$ 190,000	-$ 185,000	$ 30,000
Third Party Locates Program	$ 114,000	-$ 30,000	-$ 38,000	$ 18,000	$ 6,000	$ -
Third Party Disconnection	$ 8,000	$ 42,000	$ 18,000	$ 27,000	-$ 28,000	-$ 40,000
Meter Maintenance Costs (Excluding Internal Labour)	$ 40,000	-$ 8,000	$ 46,000	-$ 17,000	-$ 62,000	$ 3,000
Cybersecurity	$ 44,000	$ 9,000	$ 64,000	-$ 5,000	$ 70,000	$ 2,000
Telecommunications	-$ 6,000	$ 107,000	-$ 39,000	-$ 44,000	$ 27,000	$ 6,000
Third Party Software Subscription and ET Based Consultant Fees	$ 49,000	$ 98,000	$ 33,000	$ 17,000	$ 9,000	$ 22,000
Regulatory Expenses	-$ 10,000	$ 18,000	$ 36,000	$ 2,000	$ 48,000	$ 142,000
App 2-K Impact on OM&A	-$ 161,000	$ 498,000	$ 3,000	-$ 36,000	$ 338,000	$ 428,000
Training and Travel	-$ 49,000	$ 100,000	-$ 58,000	$ 56,000	$ 25,000	$ 49,000
One-time Recruiting	$ 62,000	-$ 41,000	-$ 21,000	$ 8,000	-$ 8,000	$ -
Building Repairs and Maintenance	-$ 35,000	$ 50,000	-$ 6,000	$ 64,000	-$ 79,000	$ 79,000
Third Party Customer Engagement	$ 53,000	-$ 53,000	$ -	$ -	$ -	$ -
Third Party February 22 to 23, 2023 Wind Storm	$ -	$ 70,000	-$ 70,000	$ -	$ -	$ -
Inventory Adjustments	$ -	$ -	$ 171,000	-$ 171,000	$ -	$ -
One-Time Distribution Station Repairs	$ -	$ -	$ -	$ 77,000	-$ 77,000	$ -
2-N Rent True-up	$ -	$ -	$ -	$ 75,000	-$ 75,000	$ -
LEAP Funding	$ -	$ -	$ -	$ -	$ -	$ 127,000
Miscellaneous	$ 141,285	$ 119,067	$ 242,436	$ 202,674	-$ 270,533	$ 85,177
Closing Balance²	$ 9,784,453	$ 10,897,520	$ 11,247,955	$ 11,711,630	$ 11,450,096	$ 12,383,274

Each cost driver identified in Table 4 - 5 above is explained in the following sub-sections. In instances where a cost driver has been identified that is related to a shared service or corporate allocation (2-N), the costs reflected in 2-JB are the net costs that are allocated to CNPI.

4.2.2.1 BAD DEBT EXPENSE

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Decrease of $65k, Increase of $134k, Decrease of $31k, Increase of $190k, Decrease of $185k, Increase of $30k

CNPI's bad debt expense has fluctuated significantly over the historical years. Throughout the course of the pandemic, in accordance with OEB guidance and policy, CNPI worked with its customer base to establish payment arrangements to enhance collectability. Once internal efforts have been exhausted, CNPI utilizes a third party collection agency to aid in collection efforts. The expansion of LEAP funding availability starting in 2024 is believed to have been a contributor to a slight, temporary decrease in the bad debt expense experienced in 2024. CNPI continues to experience bad debt expense levels higher than the level included in the 2022 Board Approved OM&A due to macro-economic pressures being experienced by its customer base such as generally higher interest rates and cost of living increases. Although CNPI continues to have a renewed focus on collection activities, in consideration of the ongoing state of the local economy, CNPI has reflected the expected annual bad debt expense amount in 2027 Test Year accordingly.

4.2.2.2 THIRD PARTY LOCATES PROGRAM

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge

Increase of $114k, Decrease of $30k, Decrease of $38k, Increase of $18k, Increase of $6k

With the ongoing marketing effort to educate the public about safety around underground digging (i.e. "Click Before You Dig" as advertised by Ontario One Call), CNPI experienced an increase in the amount of locate requests in its service territory relative that the levels that had been included in 2022 Board Approved.

In 2023, CNPI was faced with a change of over 80% in third party locate fees per locate compared to 2022 prices. The price increase coincided with multiple changes in the industry including the establishment of penalties for missed locates through Ontario OneCall, as well as an anticipated significantly increased volume of locate work as a result of Building Broadband Faster Act ("BBFA") work.

CNPI worked with its third party locate provider to find areas of potential efficiencies. By implementing a system to safely use "office clears" (ex: improving records and communications regarding areas in which CNPI has no underground assets to avoid a field locate), CNPI was able to mitigate some of the changes in the cost per locate performed by reducing the number of locates performed to only those necessary.

CNPI has budgeted a level of locates costs that is relatively consistent with recent years' trending both 2026 Bridge and 2027 Test Year costs.

4.2.2.3 THIRD PARTY DISCONNECTION

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Increase of $8k, Increase of $42k, Increase of $18k, Increase of $27k, Decrease of $28k, Decrease of $40k

CNPI historically primarily used a third party for its disconnections. Immaterial year-over-year variances during the historic period have been affected by changes in the cost for this service and to an extent, the terms of the work performed. With the planned hiring of a Meter Technician (see 2-K explanation in Section 4.4.2), CNPI is expecting to increase the utilization of internal resourcing for disconnects and as a result has in turn decreased expected third party disconnection costs in both 2026 Bridge and 2027 Test to reflect this planned change in approach.

4.2.2.4 METER MAINTENANCE COSTS (EXCLUDING INTERNAL LABOUR)

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Increase of $40k, Decrease of $8k, Increase of $46k, Decrease of $17k, Decrease of $62k, Increase of $3k

By 2012, CNPI had substantially completed the implementation and roll-out of its multi-year smart meter program. Over the years since that initial program roll-out, third party maintenance related costs associated with those meters have generally not been significant. However, as some of the earliest deployed smarts meters have realized 15 plus years in service (the estimated useful life as originally calculated during the initial smart meter program roll-out), CNPI has noted an increase in some of the maintenance related costs for its meter program that has resulted from the replacement of batteries, resealing and also compliance related testing. The costs have fluctuated year-over-year. CNPI has a multi-year smart meter replacement program outlined within the DSP submitted as part of this Application and therefore has also reflected its best estimate of ongoing meter related maintenance costs in its 2027 Test Year.

4.2.2.5 CYBERSECURITY

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Increase of $44k, Increase of $9k, Increase of $64k, Decrease of $5k, Increase of $70k, Increase of $2k

CNPI has continued to mature its cybersecurity management system as first outlined in the 2022 COS including completing preliminary assessments and engaging the services of a Managed Security Service Provider (MSSP). As the program continues to evolve and mature, as required by the OEB and other regulations, resource requirements and associated costs continue to rise. CNPI has significantly strengthened its cybersecurity posture in alignment with the Ontario Energy Board's Cybersecurity Framework and internal corporate controls governing both corporate and operational technology environments. CNPI launched a multi-year Cybersecurity Risk Management Program (CRMP) designed to achieve risk-balanced targets across various corporate and operational technology asset classes. The CRMP program, based on the National Institute of Standards and Technology (NIST) Cybersecurity Framework, has required the implementation of; and investment in:

- Subscription-based services and cybersecurity testing engagements.
- Advanced technologies (such as Firewall monitoring and patch management).
- Substantial internal labor dedicated to program implementation and oversight.

Key initiatives under the CRMP include:

- Deployment of passive monitoring platforms across operational technology assets, integrated with managed security service provider monitoring for real-time threat detection.
- Enhanced vendor and third-party risk management, ensuring cybersecurity risks are identified during contracting and actively managed throughout engagements.
- Ongoing cybersecurity assessments, including penetration testing, Microsoft 365 configuration reviews, and incident response drills to validate control effectiveness.
- Encryption, backup, and high-availability improvements for critical systems such as the Customer Information System (CIS) and Enterprise Resource Planning (ERP), achieved through structured migration to secure cloud technologies.

These measures reflect CNPI's commitment to safeguarding customer data, operational integrity, and compliance with regulatory expectations, while proactively addressing evolving cybersecurity threats.

Through calculated and paced investments in cybersecurity technologies and services, CNPI remains confident that it meets or exceeds the minimum requirements of the OEB Cybersecurity Framework and its own organizational Policy standards. CNPI will continue to mature with the deployment and sustainment of these controls.

CNPI has determined the cybersecurity program related costs in Section 4.3.2.18 and has also identified as a separate cost driver within Table 4-5 above.

4.2.2.6 TELECOMMUNICATION COSTS

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Decrease of $6k, Increase of $107k, Decrease of $39k, Decrease of $44k, Increase of $27k, Increase of $6k

CNPI has experienced a general increase in telecommunication related costs in part due to a combination of both higher speed data connections required at substations to support SCADA, cybersecurity, and physical security systems that have been installed, as well as net new in-service substations that have been connected to networks. Costs also have increased in this area due to speed and reliability upgrades made to virtual private networks to enhance speed and resiliency to corporate sites and the cloud. Additionally, backup internet connections have been deployed at corporate offices to ensure connectivity when primary connections between sites are not available. The investments also support the enhancements to electrical infrastructure, as well as CNPI's ability to support power restoration and system control activities. Given the multi-drivers of telecommunication cost increases, these costs have not been included directly in the cybersecurity program cost driver quantified in Section 4.2.2.5 above.

4.2.2.7 THIRD PARTY SOFTWARE SUBSCRIPTION AND ET BASED CONSULTANT FEES

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Increase of $49k, Increase of $98k, Increase of $33k, Increase of $17k, Increase of $9k, Increase of $22k

CNPI has experienced upward pressure in expenses over the past several years (particularly post Covid era) related to the evolution of technologies, continued use of standardized software solutions, and associated consultant support. The increases have outpaced the rate of inflation and were prompted by several other factors both within and outside of the control of the company such as:

Software vendor license structure changes

CNPI has experienced many of its software vendors migrating to annual subscription-based licensing where previously, the company purchased perpetual (capital) licenses, that usually lasted five years or more, and paid annual maintenance between 18% and 25% for support, patches, etc. The shift to a consumption-based annual subscription model has driven up annual costs.

Third party software cost increases are further outlined in Section 4.3.2.14.

The above increases generally are reflective of a similar scope of products/services, although some additional usage or growth of the platform of software solutions utilized has also been experienced. Vendors often impose software license fee increases that must be absorbed to continue to use of the product, with no or limited alternatives.

Accounting Standards Private Enterprises Accounting Guideline 20 (AcG-20 Cloud Computing Arrangements)

CNPI suspended its practice of capitalizing the annual cost of several software platforms due to the implementation of the Accounting Standard Board AcG-20 accounting guidance. Beginning in 2023, this change effectively shifted $130k annually of previously capitalized costs to CNPI operating expenses.

4.2.2.8 REGULATORY EXPENSES

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Decrease of $10k, Increase of $18k, Increase of $36k, Increase of $2k, Increase of $48k, Increase of $142k

Increases in the level of regulatory policy developments, consultations, filing requirements, reporting and compliance obligations have increased the demand for internal and external regulatory resources. Costs related to planned incremental internal staffing in 2026 are discussed in Section 4.2.2.9 and are also further described in Section 4.4.2. This will be a shared resource among FON companies.

The increased regulatory activity is mirrored in the increased OEB cost assessments charged since the 2022 Board Approved amount. The OEB's business plans have documented increased workloads resulting from large-scale long-term electrification, significant changes in technologies, increasing expectations for customer connections, and a greater level of innovation and technological change.

The OEB Cost Assessments have increased as follows:

Table 4- 6: OEB Cost Assessments

	2022	2022	2023	2024	2025	2026	2027
	Board Approved	Actual	Actual	Actual	Actual	Bridge Forecast	Test Forecast
Amount Invoiced	$ 134,352.00	$ 130,743.00	$ 146,110.00	$ 168,856.00	$ 185,820.00	$ 210,408.61	$ 290,333.23
YOY Change		-$ 3,609.00	$ 15,367.00	$ 22,746.00	$ 16,964.00	$ 24,588.61	$ 79,924.62
% Change		-3%	12%	16%	10%	13%	38%
Updated Information (Forecast using Approved 2026 OEB Budget)					$ 225,678.08	$ 247,777.71	$ 290,333.23
YOY Change					$ 56,822.08	$ 22,099.63	$ 42,555.52
% Change					34%	10%	17%

CNPI notes the 2026 Bridge Year forecast was set at $210k, however based on OEB updates (including the Q3 2025 invoice and the approved OEB budget) CNPI expects 2025 and 2026 costs to be higher than initially forecast, in the range of $220k to $245k. Based on this information, and the previous year-over-year growth in recent years, CNPI has forecasted an additional 17% increase for the 2027 Test Year.

Similarly, the work for CNPI to participate in, monitor, and adhere to the new policy requirements has likewise increased.

To meet the increased demand for regulatory support particularly during rate application proceedings, CNPI has also leveraged external resources including specialized regulatory legal expertise, and rate and regulatory consultants.

For CNPI's 2027 Application preparation, CNPI has forecasted an increase in the level of cost for external support, driven by the following factors:

- New filing requirements including Cost-Benefit Analysis for Non-Wires Alternatives;
- New filing requirements for Vulnerability Assessment/System Hardening (VASH);
- Previous COS commitment to consider an additional larger class in the General Service > 50 classification;
- Added scope to complete updated Load Profile Analysis (previous application had HONI Scaling approach);

- Added scope to complete Standby Rate Design proposal (previous application had continuation of prior rate);
- Added scope to support the completion of the Distribution System Plan (previous application compiled in-house, however turnover in some key positions and general internal resource constraints resulted in the need to outsource project management and document compilation aspects of the DSP).
- CNPI has budgeted an increased level of legal, OEB and intervenor costs, to address a possible increase due to (a) the number of intervenors approved for Cost Awards in the proceeding and (b) the possibility for increased costs due to a written or oral hearing.

The net impact of these COS Application scope changes is approximately $60k per year, beginning in the Test Year, representing 1/5th of the forecast 2027 Application Costs of $500k compared to 1/5th of the 2022 actual costs of $201k.

4.2.2.9 APPENDIX 2-K IMPACT ON OM&A

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Decrease of $161k, Increase of $498k, Increase of $3k, Decrease of $36k, Increase of $338k, Increase of $428k

The values in the cost driver table are intended to represent the estimated impact of the change in FTEs on OM&A, including any impact related to the change in the average total compensation (per employee costs as included in Appendix 2-K) rates year-over-year. FTE Variance explanations have been provided in 4.4.2 of this Application. CNPI has noted that FTE numbers have fluctuated over the historical years generally due to a combination of temporary vacancies, relative effort spent on capital versus operating and maintenance programs year-over-year, effort charged out to non CNPI-distribution and/or its affiliates within/outside of the FortisOntario group, and changes in time charged to CNPI by affiliates within the FortisOntario group. As shown in Appendix 2-K, the 2027 Test Year total FTE of 73 is an increase of five as compared to 2022 Board Approved. This increase is a combination of over three FTE increase in shared services employee allocations to CNPI, approximately a half FTE increase for time directly charged to CNPI from its affiliates within the FortisOntario group, and approximately a one FTE employee increase within CNPI (outside of shared service allocations).

4.2.2.10 TRAINING AND TRAVEL COSTS

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Decrease of $49k, Increase of $100k, Decrease of $58k, Increase of $56k, Increase of $25k, Increase of $49k

CNPI has experienced fluctuation in training and travel-related costs over the period presented. Several factors have contributed to these variations:

Pandemic-Related Impacts

The COVID-19 pandemic created a lagging effect on third-party training programs and associated travel expenses. Many external training sessions were postponed or temporarily transitioned to virtual formats during the pandemic, resulting in temporarily reduced costs. As restrictions eased, CNPI resumed in-person training for many of its training programs, in particular training that was considered either to be more effective and/or was mandatory to be completed in person. This also led to a return in travel and accommodation expenses.

Workforce Turnover and Increased Training Requirements

CNPI experienced significant staffing turnover during the historical period, driven in part by employee retirements and attrition. This turnover necessitated onboarding and role-specific training for newly hired employees, resulting in incremental costs. For example, costs incurred included:

- Onboarding and technical training for new hires in operations roles required specialized third-party programs.
- Ongoing safety and compliance training remained mandatory for employees, adding to overall training expenditures.

The cost impact of this turnover is reflected in higher training expenses compared to pre-pandemic levels. Certain turnover and other employee mandatory training related costs are expected to continue.

Diversity, Equity, and Inclusion (DEI) Initiatives

CNPI launched its Diversity, Equity, and Inclusion Leadership Team (“DEILT”) program. This initiative includes an annual DEI information session for all employees that is designed to foster awareness and understanding of diversity, equity, and inclusion principles. While the cost of these sessions is modest relative to overall training expenses, they represent a new recurring cost category aligned with CNPI’s commitment to organizational culture and expectations for inclusive practices.

Company-Wide Mindfulness Training

CNPI introduced a company-wide mindfulness training program as part of its commitment to employee well-being, Health and Safety excellence, and organizational resilience. This initiative is designed to enhance focus (especially in high safety risk areas), reduce stress, and support mental health across the workforce, contributing to improved productivity and engagement. The program reflects CNPI’s proactive approach to fostering a positive work environment and aligns with best practices for employee development and wellness.

Employee Engagement Initiative

CNPI implemented an Employee Engagement Initiative aimed at fostering a collaborative and inclusive workplace culture. This program is designed to strengthen communication, enhance employee satisfaction and retention, and promote organizational alignment with strategic objectives. Activities under this initiative include structured feedback mechanisms, recognition programs, and team-building sessions, all of which contribute to improved morale and operational efficiency. These efforts support CNPI's long-term commitment to workforce stability and productivity, which are essential for delivering reliable service to customers.

Supervisor Training Resumption and Expansion

Supervisor-related training, which was temporarily paused during the pandemic, since resumed and has been expanded. This training has become increasingly critical due to the number of employees promoted or hired into supervisory roles following recent turnover. Enhanced leadership development programs ensure health and safety performance, compliance with labour standards, improve team management, and support operational efficiency. These programs typically involve external facilitators and structured workshops, contributing to incremental cost increases.

4.2.2.11 ONE-TIME RECRUITMENT COSTS

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge

Increase of $62k, Decrease of $41k, Decrease of $21k, Increase of $8k, Decrease of $8k

FTE variance explanations have been provided in 4.4.2 of this Application. CNPI experienced increased employee turnover during the historical period. Recruitment efforts have generally involved posting jobs on various job websites, the company website and the company's social media channels. CNPI has found that that approach for certain positions being recruited for yielded both a low number and overall lower quality of applicants. As such, in an effort to ensure that the highest quality candidates were brought forward for consideration, CNPI engaged third party recruiting firms. These third party incurred costs were not budgeted in 2022 Board Approved and are shown as one-time increases in OM&A costs in the historical period presented. Going forward, CNPI plans to continue its hiring efforts without the use of a third party recruiting firm, as a result of increased measures to support employee retention, such as increased shared Human Resources department staffing.

4.2.2.12 SERVICE CENTER BUILDING REPAIRS AND MAINTENANCE

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual, 2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge, 2026 Bridge to 2027 Test

Decrease of $35k, Increase of $50k, Decrease of $6k, Increase of $64k, Decrease of $79k, Increase of $79k

CNPI has experienced fluctuation in repairs and maintenance costs of the Fort Erie service center. For example, in both 2023 and 2025, additional repairs and maintenance work was completed by a third party on the HVAC system. Weather dependent third party snow removal costs have also fluctuated and CNPI experienced an increase in those costs in 2025, for example. Additionally, CNPI has experienced an increase in rates charged by various third parties that provide repairs and services for the building. Some of the third party services regularly engaged include (not limited to): waste management, HVAC, snow removal, janitorial, elevator support, and security services. The 2027 Test Year reflects CNPI's expected ongoing cost estimates given upwards cost pressures noted.

4.2.2.13 THIRD PARTY CUSTOMER ENGAGEMENT COSTS

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual

Increase of $53k, Decrease of $53k

In 2021, CNPI launched a redesigned website featuring a new customer portal designed to enhance user experience and improve access to digital services. To support this rollout, CNPI initiated a focused marketing campaign in 2022, partnering with a third-party agency to drive awareness and encourage customers to switch to e-billing.

This campaign included targeted digital outreach. As a result, CNPI saw a strong response, with 38% of customers converting to e-billing during the campaign period, a clear indicator of growing customer engagement and digital adoption.

The costs associated with the 2022 campaign were considered one-time marketing expenses, strategically invested to accelerate customer adoption. While CNPI continues to promote the benefits of e-billing through ongoing communications, annual costs remain significantly lower as compared to the initial investment made in 2022.

Looking ahead, CNPI plans to enhance its customer engagement efforts in 2026, which will be supported by some additional third-party marketing and customer feedback initiatives. Although some ongoing costs are anticipated to maintain regular customer input and ensure continuous improvement, these costs are not material relative to the one-time costs incurred in 2022.

CNPI remains committed to delivering a modern, customer-focused experience and will continue to invest in tools and strategies that support digital transformation and customer satisfaction.

4.2.2.14 THIRD PARTY FEBRUARY 2023 WIND STORM COSTS

2022 Board Approved to 2022 Actual, 2022 Actual to 2023 Actual

Increase of $70k, Decrease of $70k

CNPI experienced a major storm event in December 2022 and given the magnitude and financial impact of that event, a z-factor claim was submitted in proceeding EB-2023-0009. Costs of that major event were subsequently approved within that proceeding. In February 2023 (more specifically, February 22nd to 23rd), CNPI experienced both a freezing rain and wind-based storm that caused nearly 12,000 customer interruptions. Given the challenging weather conditions, it took roughly 19 hours to restore at least 90%

of customers that were interrupted. The February storm resulted in incremental third party costs incurred, although they were not as material as the December 2022 storm, and so a z-factor claim was not submitted. The third party costs incurred related to having contractors repairing damaged poles and providing general support to restore power in a timely manner. Third party costs also included standby costs required to ensure proper advanced planning and a timely response effort.

4.2.2.15 INVENTORY ADJUSTMENTS

2023 Actual to 2024 Actual, 2024 Actual to 2025 Actual

Increase of $171k, Decrease of $171k

As part of its inventory management program, CNPI completes cycle counts. In 2024, a more fulsome inventory count was completed and the result of that count led to one-time inventory adjustments. CNPI continues to work on enhancing its inventory management program through such initiatives as improved and enhanced controls over inventory (regularity and coverage over counts, stock issuance and return process, access and security controls).

4.2.2.16 ONE-TIME DISTRIBUTION STATION REPAIRS

2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge

Increase of $77k, Decrease of $77k

CNPI experienced a one-time increase in its distribution station O&M costs in 2025 primarily due to the decommissioning of a distribution station transformer, and also the replacement of distribution station transformer oil.

4.2.2.17 2-N RENT

2024 Actual to 2025 Actual, 2025 Actual to 2026 Bridge

Increase of $75k, Decrease of $75k

CNPI recorded a one-time true-up correction of historical rent amounts charged by FortisOntario for the Fort Erie service center. the correction related to 2021 to 2024 rent rates that had used incorrect inflation factor assumptions. The 2027 test year reflects rates per the current rental agreement along with an assumed inflation factor of 3% for the 2027 rate increase.

4.2.2.18 LEAP FUNDING

2026 Bridge to 2027 Test

Increase of $127k

As set out in the Report of the Board on Low Income Energy Assistance Program (the LEAP Report)[1], the OEB determined 0.12% of a distributor's OEB- approved service revenue requirement is a reasonable commitment by all distributors to emergency financial assistance. Given that the 2022 OEB-approved total forecast service revenue requirement was $23,184,975, this meant $27,822 was set aside for LEAP funding starting in 2022. Under this funding arrangement, CNPI provided the $27,822 to its LEAP agencies annually, to be provided on a "first-come, first-served" basis for qualified LEAP applicants until funding was exhausted.

On February 12, 2024, the OEB issued a letter communicating changes to the Low-income Energy assistance Program Emergency Financial Assistance (LEAP EFA)[2]. Notably, in this letter, the OEB communicated its expectation that Local Distribution Companies increase their funding to LEAP agencies such that no qualified LEAP applicant is denied due to lack of funding. For regulatory efficiency, the OEB also established a generic deferral account, effective March 1, 2024, to allow rate-regulated electricity and natural gas distributors to record incremental LEAP EFA contributions that are beyond the amounts embedded in distribution rates. This has helped to ensure that no eligible LEAP EFA applicant should be denied assistance due to lack of funding. This deferral account was effective March 1, 2024, and given the ongoing need in CNPI's service territory, CNPI has accumulated material balances into this deferral account and is seeking disposition (see Exhibit 9). The Accounting Order (EB-2023-0135) within the February 2024 OEB letter states that it is not expected that distributors will need the new deferral accounts beyond their next cost-base rate applications.

As such, CNPI has considered total LEAP related funds dispersed over the most two recent historical year actuals (2024 $142,822, 2025 $147,468[3]), along with the ongoing state of the local economy, to increase the basis of LEAP funds included in OM&A for 2027 Test Year from the 2022 calculated amount of $27,822 to a 2027 LEAP funding estimate of $155,000.

4.2.3 CAPITALIZATION OF LABOUR

Since CNPI's implementation of the Modified IFRS accounting basis, in 2013, CNPI capitalizes only costs which are directly attributable to an asset. CNPI therefore capitalizes labour at a fully loaded (or "burden") labour rate where internal resources are used in the construction of an asset. On a departmental basis, CNPI uses direct wages, employee benefits and directly attributable overhead including vehicle costs if applicable to calculate the fully loaded labour rates. These are then used in the allocation of labour between OM&A and capital.

Table 4-7 below shows CNPI's capitalized labour and burden over the historical and test periods.

[1] Low-Income Energy Assistance Program (EB-2008-0150), Report of the Board issued March 10, 2009
[2] Changes to the Low-income Energy Assistance Program Emergency Financial Assistance and Accounting Orders OEB File No. EB-2023-0135 issued February 12, 2024
[3] LEAP funding included in OM&A expense for 2024 and 2025 shows the "baseline level" as incremental funding provided has been recorded in the DVA rather than in OM&A.

Table 4 - 7: Capitalized Labour and Burden (Appendix 2-D)

OM&A Before Capitalization	2022 Historical Year	2023 Historical Year	2024 Historical Year	2025 Historical Year	2026 Bridge Year	2027 Test Year
Operations and Maintenance	$ 5,316,292	$ 6,034,083	$ 5,778,432	$ 5,994,723	$ 5,836,235	$ 6,539,169
Billing and Collecting	$ 1,559,755	$ 1,770,661	$ 1,776,911	$ 1,922,534	$ 1,887,419	$ 1,884,681
Community Relations	$ 129,992	$ 61,474	$ 81,964	$ 150,083	$ 93,991	$ 92,089
Administrative and General	$ 3,971,456	$ 4,330,003	$ 4,969,767	$ 5,046,345	$ 5,025,465	$ 5,569,869
Total OM&A Before Capitalization (B)	$ 10,977,495	$ 12,196,221	$ 12,607,074	$ 13,113,685	$ 12,843,110	$ 14,085,809

Applicants are to provide a breakdown of capitalized OM&A in the below table. Capitalized OM&A may be broken down using the categories listed in the table below if possible. Otherwise, applicants are to provide its own break down of capitalized OM&A.

Capitalized OM&A	2022 Historical Year	2023 Historical Year	2024 Historical Year	2025 Historical Year	2026 Bridge Year	2027 Test Year	Directly Attributable? (Yes/No)	Explanation for Any Change in Treatment of Capitalized Overhead
employee benefits								
costs of site preparation								
initial delivery and handling costs								
costs of testing whether the asset is functioning properly								
professional fees								
Insert description of additional item(s) and new rows if needed								
Operational Departments	$ 1,067,400	$ 1,158,433	$ 1,207,455	$ 1,219,553	$ 1,198,094	$ 1,487,036	Yes	No change since last CoS, costs are directly attributable to labour costs charged to capital and are included in burden rate. Balance includes all directly attributable costs except for direct wages.
Customer Service Department	$ 17,750	$ 18,061	$ 20,407	$ 10,654	$ 27,512	$ 14,205	Yes	No change since last CoS, costs are directly attributable to labour costs charged to capital and are included in burden rate. Balance includes all directly attributable costs except for direct wages.
Administrative and General Departments	$ 107,892	$ 122,207	$ 131,257	$ 171,848	$ 167,408	$ 201,294	Yes	No change since last CoS, costs are directly attributable to labour costs charged to capital and are included in burden rate. Balance includes all directly attributable costs except for direct wages.
Total Capitalized OM&A (A)	$ 1,193,042	$ 1,298,701	$ 1,359,119	$ 1,402,055	$ 1,393,014	$ 1,702,535		
% of Capitalized OM&A (=A/B)	11%	11%	11%	11%	11%	12%		

4.2.4 OM&A COST PER CUSTOMER

Table 4 - 8 summarizes CNPI's OM&A costs on a per customer and per FTE basis from 2022 Board Approved through the 2027 Test Year, consistent with OEB Appendix 2-L. Customer counts are average customer counts which is consistent with the counts used for load forecasting in this Application, while FTE counts represent the average FTE for the year which is consistent with the values per Appendix 2-K.

Table 4 - 8: Recoverable OM&A Costs per Customer and per FTE (OEB Appendix 2-L)

	2022 OEB Approved	2022 Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year
Reporting Basis	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE
OM&A Costs							
O&M	$ 3,968,412	$ 4,248,892	$ 4,875,650	$ 4,570,977	$ 4,775,170	$ 4,638,141	$ 5,052,133
Admin Expenses[6]	$ 5,630,755	$ 5,532,816	$ 6,021,056	$ 6,675,134	$ 6,936,460	$ 6,811,955	$ 7,331,141
Total Recoverable OM&A from Appendix 2-JA[5]	$ 9,599,168	$ 9,781,708	$ 10,896,706	$ 11,246,111	$ 11,711,630	$ 11,450,096	$ 12,383,274
Number of Customers[2,4]	30,111	30,141	30,405	30,693	30,922	31,164	31,438
Number of FTEs[3,4]	68	68	68	70	69	73	73
Customers/FTEs	443	443	447	438	448	427	431
OM&A cost per customer							
O&M per customer	$132	$141	$160	$149	$154	$149	$161
Admin per customer	$187	$184	$198	$217	$224	$219	$233
Total OM&A per customer	$319	$325	$358	$366	$379	$367	$394
OM&A cost per FTE							
O&M per FTE	$58,359	$62,484	$71,701	$65,300	$69,205	$63,536	$69,207
Admin per FTE	$82,805	$81,365	$88,545	$95,359	$100,528	$93,314	$100,427

Total OM&A per customer has increased from $319 per customer in 2022 Board Approved to $394 per customer in 2027 Test. This represents a compound annual growth rate of 4.3%.

Total OM&A per FTE has increased from $141,654 per customer in 2022 Board Approved to $169,634 per FTE in 2027 Test. This represents a compound annual growth rate of 3.7%.

4.3 PROGRAM DELIVERY COSTS WITH VARIANCE ANALYSIS

4.3.1 SUMMARY OF PROGRAMS

Although CNPI does not currently track and analyze its costs exactly as presented below, in accordance with Chapter 2 filing requirements, CNPI has completed Table 4 - 9 below, which replicates OEB Appendix 2-JC. CNPI has classified its OM&A costs into a series of programs that have considered the RRFE categories of Customer Focus, Operational Effectiveness, and Public Responsiveness. Variance analysis is provided in Section 4.3.2 where program variances exceeded CNPI's materiality threshold of $145,000.

Table 4 - 9: OM&A Programs Table (OEB Appendix 2-JC)

Programs	2022 OEB Approved	2022 Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year	Variance(2022 OEB vs. 2022 Actuals)	Variance (Test Year vs. 2025 Actuals)	Variance (Test Year vs. 2022 OEB Approved)
Reporting Basis	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE	ASPE			
Customer Focus										
Customer Service, Mailing Costs, Billing and Collections, LEAP	1,500,920	1,416,260	1,518,348	1,507,029	1,489,264	1,595,275	1,672,682	-84,660	183,417	171,762
Community Relations	78,761	129,992	61,474	81,964	150,083	93,991	92,089	51,231	-57,994	13,328
Bad Debts	146,000	81,490	215,277	184,517	374,948	190,000	220,000	-64,510	-154,948	74,000
Meter Reading	117,489	72,077	46,797	92,780	75,490	102,454	132,795	-45,411	57,305	15,306
Sub-Total	1,843,169	1,699,819	1,841,896	1,866,290	2,089,785	1,981,720	2,117,565	-143,350	27,780	274,396
Operational Effectiveness										
Stations	353,886	329,618	534,426	413,856	511,963	453,510	470,314	-24,268	-41,649	116,428
Load Dispatching	192,848	274,583	222,744	294,919	250,991	347,016	362,274	81,735	111,283	169,426
Supervision and Engineering	194,307	101,596	117,032	142,308	109,008	214,397	226,130	-92,711	117,122	31,823
Meters Maintenance	764,550	769,390	820,804	907,723	911,678	817,733	921,216	4,841	9,538	156,666
Overhead Lines and Feeders	727,516	970,158	1,144,686	898,614	938,221	864,953	1,011,970	242,642	73,749	284,454
Distribution Transformers	140,780	117,374	135,861	127,520	112,649	144,466	169,608	-23,406	56,959	28,828
Right of Way Maintenance Program	545,399	588,146	624,460	610,108	667,440	666,646	679,677	42,747	12,236	134,278
Underground Lines, Feeders, and Services	307,686	466,417	433,227	419,447	405,795	330,500	352,947	158,731	-52,849	45,261
Poles Towers & Fixtures	155,518	57,661	158,475	129,219	135,474	117,121	128,785	-97,857	-6,689	-26,733
Salaries, Wages, Benefits and Other General and Administrative Services	1,664,093	1,695,482	2,054,472	2,382,267	2,195,716	2,189,433	2,263,665	31,390	67,950	599,573
Other External Administrative Services	837,328	767,451	643,874	879,176	842,959	976,836	1,050,936	-69,877	207,977	213,608
Rent and Maintenance of General Plant	1,009,784	1,062,130	1,143,706	1,111,230	1,372,791	1,110,794	1,202,252	52,346	-170,539	192,468
Other Operating and Maintenance	585,900	573,948	683,936	627,265	731,949	681,800	729,211	-11,952	-2,738	143,311
Cybersecurity	74,000	118,000	127,000	191,000	186,000	256,000	258,000	44,000	72,000	184,000
Sub-Total	7,553,595	7,891,955	8,844,703	9,134,651	9,372,635	9,171,204	9,826,986	338,360	454,351	2,273,391
Public and Regulatory Responsiveness										
Regulatory & Compliance	202,403	192,679	210,921	247,014	249,209	297,173	438,722	-9,725	189,513	236,319
Sub-Total	202,403	192,679	210,921	247,014	249,209	297,173	438,722	-9,725	189,513	236,319
Miscellaneous	0	0	0	0	0	0	0	0	0	0
Total	**9,599,168**	**9,784,453**	**10,897,520**	**11,247,955**	**11,711,630**	**11,450,096**	**12,383,274**	**185,285**	**671,644**	**2,784,106**

4.3.2 PROGRAM VARIANCE ANALYSIS

4.3.2.1 CUSTOMER SERVICE, MAILING COSTS, BILLING AND COLLECTIONS, LEAP

OEB Accounts 5305, 5315, 5320, 5340 and 6205

2022 Board Approved to 2022 Actual (Decrease of $85k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $172k)

The increase from 2022 Board Approved to 2027 Test is primarily due to the increase of LEAP funding from $28k to $155k. This has been outlined in Section 4.2.2.18.

CNPI has remained active in its promotion of e-billing uptake throughout the historic period, with e-billing promotions, and bolstered by Canada Post delivery disruptions in 2024 and 2025 (as CNPI promoted signing up for e-billing so that customers could obtain their invoice and balance information). As a result, CNPI has observed an overall increase to an e-billing proportion of approximately 48% (as of mid-2025), as compared to approximately 26% in 2021. Though there are upwards pressures for the cost of the software supporting CNPI's e-billing function, e-billing remains relatively more cost-effective, on a per-customer basis, than paper bills, which involve additional materials and mailing costs.

Additionally, in 2026, CNPI implemented a change to its bill stock and envelopes which is expected to decrease invoice costs by approximately $10,000 per year.

These initiatives have allowed CNPI to mitigate some of the increases to the costs of billing, including increases in per-unit postage costs (approximately 3.5% in 2022,7% in 2024 and 25% in 2025).

2025 Actual to 2027 Test (Increase of $183k)

The increase from 2025 Actual to 2027 Test is primarily due to the increase of LEAP funding estimate from $28k to $155k. This has been outlined in Section 4.2.2.18. Additionally, some staffing resources deployed to complete community relations program support in 2025 will return to providing more general customer service and other support in 2026 Bridge and thereafter.

4.3.2.2 COMMUNITY RELATIONS

OEB Accounts 5405, 5420, and 5425

2022 Board Approved to 2022 Actual (Increase of $51k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $13k)

The increase from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Decrease of $58k)

The decrease from 2025 Actual to 2027 Test is not material.

4.3.2.3 BAD DEBTS

OEB Account 5335

2022 Board Approved to 2022 Actual (Decrease of $65k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $74k)

Although CNPI has experienced fluctuating bad debt expenses over the historical years presented, there has generally been an increase in the bad debt expenses relative to 2022 Board Approved. CNPI expects that trend to continue going forward. See Section 4.2.2.1. The increase from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Decrease of $155k)

Although CNPI has experienced fluctuating bad debt expenses over the historical years presented, there has generally been an increase in the bad debt expenses relative to 2022 Board Approved. There were several more significant account balances deemed to be uncollectible in 2025. CNPI expects to continue to enhance its collections process alongside offering LEAP program relief. In light of ongoing economic conditions, CNPI does however expect that bad debt expense levels over the forecast period will not significantly vary from the recent trending experienced and therefore has used recent historical actual averaging as a basis for its 2027 Test Year. See Section 4.2.2.1 for additional bad debt expense cost driver commentary.

4.3.2.4 METER READING

OEB Account 5310

2022 Board Approved to 2022 Actual (Decrease of $45k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $15k)

The increase from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Increase of $57k)

The increase from 2025 Actual to 2027 Test is not material.

4.3.2.5 STATIONS

OEB Accounts 5012, 5016, 5017, 5110, and 5114

2022 Board Approved to 2022 Actual (Decrease of $24k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $116k)

The increase from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Decrease of $42k)

The decrease from 2025 Actual to 2027 Test is not material.

4.3.2.6 LOAD DISPATCHING

OEB Account 5010

2022 Board Approved to 2022 Actual (Increase of $82k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $169k)

The increase from 2022 Board Approved to 2027 Test is primarily due to a combination of supporting software price increases (both pricing and increased scope usage of products) and a shift in personnel effort. Throughout the historical period, CNPI expanded the usage of its outage management system which included the deployment of customer outfacing maps. This has allowed for more effective communication with customers, especially during outages, in response to previous customer feedback confirming the value of such an initiative. In terms of outage tracking and reporting, during the historical period, CNPI also switched to leveraging information from its outage management system which has allowed for more reliable, timely and accurate reporting of its outage statistics. This information was previously manually tracked, with greater resource requirements, higher opportunity for human error, and less flexible/timely reporting.

In terms of staffing, through attrition of electricians, CNPI replaced a retiring electrician with a second dedicated control room operator. Prior to recent electrician retirements, select electricians on staff had previously been trained to back-up the existing control room staff, in addition to their other regular day-to-day tasks. This had created extra strain on the electrician resourcing. With the addition of the second dedicated control room operator, based on the nature of work, this has shifted some labour-related costs to this category.

The investments outlined above (i.e. a dedicated secondary control room operator) are critical to maintaining system performance, improving operational efficiency, meeting evolving system demands, and supporting CNPI’s commitment to reliable service delivery.

2025 Actual to 2027 Test (Increase of $111k)

The increase from 2025 Actual to 2027 Test is not material.

4.3.2.7 SUPERVISION AND ENGINEERING

OEB Accounts 5005, and 5105

2022 Board Approved to 2022 Actual (Decrease of $93k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $32k)

Although there has been some variability in the historical actuals of this program over the years presented (primarily due to a combination of temporary vacancies, related party support, and capital vs O&M effort), the increase from 2022 Board Approved to 2027 Test is not material and is expected to reflect a more normalized expected state of the staffing compliment based on ongoing resourcing needs.

2025 Actual to 2027 Test (Increase of $117k)

The increase from 2025 Actual to 2027 Test is not material. 2027 Test is expected to reflect a normalized state of the staffing compliment based on ongoing resourcing needs.

4.3.2.8 METERS MAINTENANCE

OEB Accounts 5065, and 5175

2022 Board Approved to 2022 Actual (Increase of $5k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $157k)

The increase from 2022 Board Approved to 2027 Test is primarily due to inflationary and other cost increases experienced related to: third party disconnections, AMI, ODS, and MSP related costs increases plus general labour cost increases. A more significant portion of the meter population has reached or exceeded its expected service life and older meters require more frequent inspections, resealing, repairs, recalibrations, and component replacements, which increases maintenance workload and costs. In its DSP, CNPI has outlined a plan to replace its smart meters over a period of time (rather than a full replacement over a shortened period of time like had been experienced when the smart meter program was originally rolled out 15 plus years ago), and so it is expected that this will in turn attract higher than historical maintenance costs for those meters that will not be immediately replaced. In addition to serving as a resource for succession planning purposes, the hiring of the meter technician (see Section 4.4.2) will be used, in part, as a resource to address the expected incremental maintenance repair workload. Meters maintenance is also highlighted as a cost driver in Section 4.2.2.4.

2025 Actual to 2027 Test (Increase of $10k)

The increase from 2025 Actual to 2027 Test is not material.

4.3.2.9 OVERHEAD LINES AND FEEDERS

OEB Accounts 5020, 5025, 5095, 5125, and 5130

2022 Board Approved to 2022 Actual (Increase of $243k)

The increase from 2022 Board Approved to 2022 Actual was due to additional internal effort related to operating and maintenance of the overhead lines and feeders relative to OEB approved.

2022 Board Approved to 2027 Test (Increase of $284k)

The increase from 2022 Board Approved to 2027 Test is primarily due to general inflationary related costs for both materials and/or contracted overhead operating and maintenance services, along with a shift of internal labour effort to O&M as some of CNPI's large multi-year capital projects (ie. delta-to-Wye conversion) wind down and CNPI plans to re-focus its staffing efforts on necessary ongoing overhead operating and maintenance activities. These investments are essential to maintain system reliability, address aging infrastructure, and support ongoing compliance with safety and operational standards.

2025 Actual to 2027 Test (Increase of $74k)

The increase from 2025 Actual to 2027 Test is not material.

4.3.2.10 DISTRIBUTION TRANSFORMERS

OEB Accounts 5035, 5055, and 5160

2022 Board Approved to 2022 Actual (Decrease of $23k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $29k)

The increase from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Increase of $57k)

The increase from 2025 Actual to 2027 Test is not material.

4.3.2.11 RIGHT OF WAY MAINTENANCE PROGRAM

OEB Account 5135

2022 Board Approved to 2022 Actual (Increase of $43k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $134k)

The increase from 2022 Board Approved to 2027 Test is primarily due to general inflationary related costs. During the historical period, CNPI switched contractors for this program and although unit costs are slightly higher with the new contractor, CNPI is receiving a more enhanced quality of service which has significantly outweighed the increased costs. Also, CNPI has taken a somewhat more aggressive vegetation management approach in this program which in turn CNPI attributes a reduced after hour call-out and also has improved outage statistics. Additionally, CNPI has noted that it has generally been incurring additional third party costs for danger trees that are identified during ROW maintenance program execution; these costs fall outside the scope of the general vegetation management contracts themselves. The danger trees need to be addressed to mitigate potential outages where those trees may fall onto CNPI lines in the event of strong winds or precipitation. Over time, increased identification and removal of danger trees beyond CNPI's ROWs is expected to lessen the overall impact of high impact, low frequency events such as ice storms or severe winter storms.

2025 Actual to 2027 Test (Increase of $12k)

The increase from 2025 Actual to 2027 Test is not material.

4.3.2.12 UNDERGROUND LINES, FEEDERS, AND SERVICES

OEB Accounts 5040, 5045, 5090, 5145, 5150 and 5155

2022 Board Approved to 2022 Actual (Increase of $159k)

The increase from 2022 Board Approved to 2022 Actual was due to additional internal effort related to operating and maintenance of the underground lines, feeders and services relative to OEB approved. Additionally, third party locates costs were significantly higher than OEB approved (see Section 4.2.2.2).

2022 Board Approved to 2027 Test (Increase of $45k)

The increase from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Decrease of $53k)

The decrease from 2025 Actual to 2027 Test is not material.

4.3.2.13 POLES TOWERS & FIXTURES

OEB Account 5120

2022 Board Approved to 2022 Actual (Decrease of $98k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Decrease of $27k)

The decrease from 2022 Board Approved to 2027 Test is not material.

2025 Actual to 2027 Test (Decrease of $7k)

The decrease from 2025 Actual to 2027 Test is not material.

4.3.2.14 SALARIES, WAGES AND BENEFITS AND OTHER GENERAL AND ADMINISTRATIVE SERVICES

OEB Accounts 5605, 5610, 5615, 5620, 5625, 5635, 5645, 5660, 5665, 5675 (Partial), and 5680

2022 Board Approved to 2022 Actual (Increase of $32k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $600k)

This program generally covers the following:

- Shared service wages, benefits and other directly related operating costs, net of shared service recoveries from affiliates per Appendix 2-N
- Shared ET and equipment recoveries from affiliates per Appendix 2-N
- General and administrative software, network, insurance, telephone, office supplies and other related expenses

The increase from 2022 Board to 2027 Test is primarily the result of both general inflationary increases along with the following additional factors:

Increase in Shared Services Staffing

Shared service staffing is discussed in Sections 4.4.2 and 4.5.1. Over the historical, Bridge and Test Year, CNPI has increased its shared service staffing resources in the areas of Enterprise Technology, Human Resources, Regulatory and Finance. The relative FTE shared service allocation to CNPI distribution specifically increased from approximately 18 in 2022 Board Approved to approximately 21 in 2027 Test Year. The following is a list of general drivers that have increased the overall resource needs in the shared services group.

Growing Workload and Complexity

Over the past several years, the volume of transactions, service requests and general deliverables handled by the shared services team has significantly increased, and generally with increased complexity in part due to the enhanced regulatory framework that has been deployed. The growth is driven by factors such as:

- Expansion of business operations (system growth has meant new customer additions) and higher transaction volumes.
- Increased compliance and reporting requirements.
- More complex processes due to system integrations and evolving regulatory and cybersecurity standards.

Previous staffing levels were deemed to be insufficient to maintain service quality and turnaround times under these conditions.

Service Level Impact

The existing team had been operating nearly at or above capacity, which has led to:

- Longer processing times for critical tasks (e.g., regulatory-related filings, general day-to-day accounting related deliverables).
- Increased risk of error due to workload pressure.

- Reduced ability to support strategic initiatives and process improvements.
- Turnover in staffing.

Without the additional resources, service levels had a higher risk of decline, potentially impacting both internal stakeholders and external parties.

Risk Mitigation

Understaffing increases operational risk, including:

- Compliance breaches due to delayed or inaccurate reporting.
- Financial exposure from missed deadlines or incorrect/incomplete data.
- Employee burnout and turnover, which further strains resources.

Adding staff has/will helped/help to distribute workload more appropriately, ensured/ensure back-ups are more adequately in place for certain critical shared service related functions and also ensured/ensure adherence to internal controls and compliance standards.

Strategic Alignment

Shared Services is a critical enabler for organizational efficiency. Increasing staffing aligns with strategic goals by:

- Creating potential capacity for the team to focus more on process optimization and automation projects.
- Enhancing customer service (both internal and external) and stakeholder satisfaction.

The investment in shared services helped to ensure more timely, accurate service delivery and has also positioned the team to support future growth and transformation initiatives.

<u>Increase in Shared Service Allocation from FortisOntario</u>

An increase in the relative percentage of Appendix 2-N corporate service allocations to CNPI from FortisOntario is discussed in Section 4.5.1. At a high level, the increase in both the quantum and complexity of regulatory reporting requirements along with other industry changes has resulted in an increased relative level of oversight effort at the Executive and administrative level for each of the FortisOntario owned regulated entities, including CNPI Distribution.

<u>Increase in Insurance Costs</u>

Insurance premium cost increases have increased by an amount lower than materiality, but have outpaced the rate of inflation since 2022 Test Year in part due to the following drivers:

Market-Wide Premium Inflation

The insurance industry has experienced sustained premium increases driven by global economic conditions, higher claims frequency, and inflationary pressures on repair and replacement costs. These market trends have resulted in annual rate hikes across most coverage types.

Rising Risk Exposure

CNPI's asset base and operational footprint have grown during this period, increasing overall insured values. Higher property values, cybersecurity-related risks, and expanded coverage requirements have contributed to higher premiums.

Global Claims Experience and Loss Ratios

The industry globally has faced elevated loss ratios due to severe weather events, natural disasters, and other catastrophic risks. Insurers have adjusted pricing models to reflect these heightened risks, impacting renewal rates.

Third Party Software Cost Increases

CNPI has seen third party software cost increases out-pace the rate of inflation and expects this to continue into the 2027 Test Year. This has also been discussed in Section 4.2.2.7. Cost increases have been due to the following factors:

Vendor Price Adjustments

Many software providers have implemented annual price increases that have often exceeded the pace of inflation due to rising operational costs. This trend is common across the industry as vendors adjust pricing to maintain profitability. For example, CNPI experienced a fourfold increase in its server virtualization platform provider over a four year period. CNPI continues to review its software vendor providers and where feasible, will consider alternative providers if cost/benefit analysis suggests that alternative options should be chosen.

Enhanced Features and Functionality

Vendors often bundle new features, security enhancements, and compliance tools into their offerings and leave little opportunity to negotiate, opting out portions to reduce cost. While these upgrades add value, they also contribute to higher subscription or licensing fees. In some instances, CNPI has also requested the increase in the scope and/or new software based solutions to support day-to-day operations.

Shift to Subscription-Based Models

Most providers have transitioned from perpetual licenses to subscription-based models. While this offers flexibility and continuous updates, it typically results in higher long-term costs compared to one-time purchases.

Increased Compliance and Security Requirements

Growing regulatory requirements and cybersecurity threats have led vendors to invest heavily in security measures and compliance certifications. These costs are often passed on to customers through higher pricing.

Support and Maintenance Costs

Vendors are expanding support services, including 24/7 assistance and faster response times. These improvements, while beneficial, come with additional costs.

Market Consolidation

Mergers and acquisitions in the software industry have reduced competition, giving larger vendors more pricing power and less incentive to keep costs low.

Software Cost Accounting Policy Change

The shift in certain software costs from capital to OM&A has been discussed in Section 4.2.2.7. The change in accounting policy was to align with the implementation of ASPE Accounting Guideline AcG-20 (Cloud Computing Arrangements). The resulting impact was a one-time increase of $130k in OM&A.

Increase in Shared ET and Equipment Recoveries

An increase in shared ET and equipment recoveries from affiliates per Appendix 2-N has been discussed further in 4.5.1. The increasing credit recovery in this program is an offset to the increasing debit costs outlined above.

2025 Actual to 2027 Test (Increase of $68k)

The increase from 2025 Actual to 2027 Test is not material and generally driven by similar drivers as have been outlined when comparing the variance between 2022 Board Approved and 2027 Test above.

4.3.2.15 OTHER EXTERNAL ADMINISTRATIVE SERVICES

OEB Account 5630

2022 Board Approved to 2022 Actual (Decrease of $70k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $214k)

External administrative services are critical for operational efficiency and regulatory compliance. Costs accumulated in this program include costs related to: ERP and other system related consultants, third party legal fees, pension and OPEB related administrators and actuaries, employee benefit plan management, auditors (both financial statement and operational), Fortis Inc. corporate shared service fees (as outlined in Section 4.5.1), and other third party fees (i.e. training, employee engagement, DEI initiatives, recruitment, etc.). These costs have increased from 2022 Board Approved to 2027 Test due to a combination of:

Vendor Price Increases

Service providers have raised their rates due to inflationary pressures, higher labor costs, and increased overhead expenses.

Regulatory and Compliance Requirements

Stricter regulations have led to additional compliance-related work, requiring more specialized expertise and extended service hours from external providers.

Scope Expansion

The organization has expanded the scope of outsourced services to include new functions such as employee engagement, DEI and other training related initiatives, enhanced reporting, and risk management.

Technology Integration

External providers are incorporating advanced tools and platforms to improve service delivery. While these upgrades enhance efficiency and security, they come at a higher cost.

2025 Actual to 2027 Test (Increase of $208k)

The increase from 2025 Actual to 2027 Test is due to the same reasons as outlined between 2022 Board Approved to 2027 Test above.

4.3.2.16 RENT AND MAINTENANCE OF GENERAL PLANT

OEB Accounts 5670, 5672, and 5675 (Partial)

2022 Board Approved to 2022 Actual (Increase of $52k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $192k)

Rent and maintenance costs for general plant facilities include expenses related to leased properties, utilities, repairs, upkeep of common areas, and essential services that ensure operational continuity. Some of the drivers of the cost increased from 2022 Board Approved are:

Inflationary Pressures

Rising costs for utilities, building materials, and contracted maintenance services have impacted overall facility expenses. The annual lease rate increases have followed the pace of year-over-year inflation rates posted.

Preventive and Corrective Maintenance

Increased investment in preventive maintenance to avoid building and related equipment failures and ensure compliance with safety standards. Also, additional unplanned repairs incurred due to aging infrastructure (i.e. Fort Erie service center) or related equipment breakdowns.

Regulatory and Safety Compliance

Additional costs incurred to meet updated health, safety, and environmental regulations, including inspections and certifications.

Third-Party Service Provider Costs

Vendors providing janitorial, landscaping, and technical maintenance services have increased rates due to labor and material cost increases.

2025 Actual to 2027 Test (Decrease of $171k)

The decrease from 2025 Actual to 2027 Test are primarily due to the following:

2-N Rent True-up in 2025

CNPI recorded a one-time true-up correction in 2025 of historical rent amounts charged for the Fort Erie service center. See Section 4.2.2.17.

2-K Labour Support For Building Repairs and Maintenance

CNPI had an increased level of service center building repairs and maintenance in 2025 (see Section 4.2.2.12) and this resulted in increased internal labour allocation to this program in 2025. 2027 Test reflects what CNPI expects as a more normalized level of internal labour support in this program.

4.3.2.17 OTHER OPERATING AND MAINTENANCE

OEB Accounts 5070, 5075, 5085 and 5195

2022 Board Approved to 2022 Actual (Decrease of $12k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $143k)

The increase from 2022 Board Approved to 2027 Test is a result primarily of a combination of general wage increases and other rising third-party service costs for mobile workforce management and various software solutions essential for system monitoring, analysis, and operational efficiency. These investments ensure CNPI maintains reliable service delivery and meets evolving technological and regulatory requirements.

2025 Actual to 2027 Test (Decrease of $3k)

The decrease from 2025 Actual to 2027 Test is not material.

4.3.2.18 CYBERSECURITY

Multiple OEB Accounts

2022 Board Approved to 2022 Actual (Increase of $44k)

The increase from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $184k)

CNPI has provided explanations for the drivers of cost increases in the cybersecurity program in Section 4.2.2.5. CNPI has determined the total estimated the cybersecurity program related costs and removed those costs from other identified programs within this Section (to avoid duplication of cost and better represent cyber related expenese). Examples of third party based costs that have been captured within this program include CRMP related work for both implementation and ongoing monitoring, Managed Security System Provider (MSSP), cyber awareness training related costs. With respect to internal cybersecurity related effort, as the program has continued to evolve and mature, CNPI has roughly estimated that the OM&A related impact of the cybersecurity program has increased from approximately 0.5 FTE in 2022 Board Approved to an expected 2.0 FTE in 2027 Test. This increase is also in part due to an expected shift of some effort from capital to operating as the program moves to more of a monitoring and mature state. For example, as capital projects to deploy and mature network monitoring across substations and other OT sites are completed, resources are required to monitor and respond to cybersecurity events, test and deploy patches, and report on changes within the environments. Similarly on the corporate ET security side, resources are required to assess and manage digital service vendors, monitor growing numbers of security monitoring logs, and uphold rigorous system and software patching standards.

2025 Actual to 2027 Test (Increase of $72k)

The increase from 2025 Actual to 2027 Test is not material and is due to primarily the same reasons as compared to 2022 Board Approved above.

4.3.2.19 REGULATORY & COMPLIANCE

OEB Account 5655

2022 Board Approved to 2022 Actual (Decrease of $9k)

The decrease from 2022 Board Approved to 2022 Actual is not material.

2022 Board Approved to 2027 Test (Increase of $236k)

Approximately $160k of the increase from 2022 OEB Approved is related to an increase in OEB Cost Assessment, beginning in 2023, with year-over-year increases expected to outpace the rate of inflation through to 2027 Test Year. Please see Section 4.2.2.8 for an overview of the year-over-year changes to OEB Cost Assessments.

Additionally, an increase of $60k (amortized amount) is related to increased one-time COS costs forecasted for this proceeding (Section 4.2.2.8). CNPI has forecasted a higher level of external costs for this application due to greater scope of work, an increased reliance on external resources for some studies, and a provision for a higher number of intervenors and/or additional procedural steps (Ex: Oral/Written Hearing).

2025 Actual to 2027 Test (Increase of $190k)

The increase from 2025 Actual to 2027 Test is due to primarily the same reasons as compared to 2022 Board Approved above.

4.4 WORKFORCE PLANNING AND EMPLOYEE COMPENSATION

4.4.1 EMPLOYEE COMPENSATION, INCENTIVE PLAN EXPENSES AND OTHER BENEFITS

OVERVIEW

This section provides an overview of CNPI's compensation framework including an outline of CNPI's approach to employee incentive pay. Section 4.4.2, which includes OEB Appendix 2-K (Employee Costs) provides a summary of total compensation costs from 2022 Board Approved to 2027 Test Year, with explanations of year-over-year variances. Projections for 2027 salary increases are based on third-party guidance provided by Ekler attached as Attachment 4-A to this Exhibit. Additionally, Section 4.4.3 of this Exhibit outlines the status of CNPI's pension funding and assumptions used.

BASE PAY COMPENSATION – EXECUTIVE, MANAGEMENT, NON-UNION STAFF

Overall compensation for all employees of CNPI is designed to remain competitive with market compensation so as to attract and retain qualified personnel. Overall compensation includes base pay and a portion of the pay which is at risk. The following outlines the process followed by the Company in making changes to Management and Non-Union Compensation.

CNPI uses Korn Ferry's Hay methodology of Job Evaluation for position evaluation. This method of job evaluation is the most widely used job measurement system in the world. Position evaluations were initially established by Korn Ferry, and the methodology has been in place at CNPI for some time. New or substantively updated CNPI Management and Non-Union positions are evaluated by Korn Ferry-trained personnel, sometimes with support from Korn Ferry directly.

Historically, CNPI has used the year-over-year changes from a third-party compensation comparison that relied upon a reference community of participants. The third party uses a reference community to establish the year-over-year percentage change in market rates for similar positions in Ontario and provides this year over year change to CNPI. To attract and retain qualified staff, the Company sets midpoint salaries using a policy line annual adjustment recommended by this third party. For 2027, the third party was Eckler, and the letter can be found as Attachment 4-A. Actual salary adjustments are set by reference to these recommendations and based on corporate and individual performance.

For members of the Executive, the Board of Directors of FortisOntario considers compensation data and other policies to validate that the compensation practices are market competitive. All Executive salaries are set, and all increases must be approved by the Board of Directors of FortisOntario.

All salaries are approved by senior management and/or the Board of Directors as applicable. Executive and Management employees are not paid overtime.

SHORT-TERM INCENTIVE COMPENSATION AVAILABLE TO MANAGEMENT AND NON-UNION STAFF

DESCRIPTION

One element of CNPI's overall compensation package is incentive compensation, which is a common component of compensation for management positions in Canadian corporations. CNPI has not changed its incentive compensation *structure* since the last COS application for 2022, however the STI measures have evolved (ex: change outlined in Exhibit 1 for the capital-related measure).

Incentive compensation for all employees for CNPI reflects an element of compensation put at risk to elicit and sustain continued good performance. The more senior the employee, the greater the percentage of overall compensation is put at risk.

APPLICATION

The short-term incentive ("STI") plan is available to the Executive, Management and Non-Union staff of CNPI. Unionized employees do not participate in the STI plan and do not receive incentive compensation.

FORMAT

CNPI's STI plan includes both an individual and a corporate component for all Executive, Management and Non-Union staff. Key aspects of this plan together with the targets are outlined below.

MINIMUM CORPORATE PERFORMANCE CRITERION

Prior to any incentive payments being made, a minimum corporate performance criterion, or trigger, must be reached. CNPI must achieve a pre-determined corporate threshold/target as approved by the Board of Directors of FortisOntario Inc. ("FortisOntario"); otherwise, no incentive payments will be made. For more information on these criteria, see "Corporate Targets" below.

PAYOUT SUMMARY

Basis

The STI payout is based on a percentage of annual salary and ranges between 7.5% and 50% depending on position. STI objectives are set annually and establish criteria upon which the corporation and the individual performance are to be measured. The objectives are then scored which will result in an STI rating between 0% and 200%.

The incentive regime is structured in a manner that emphasizes the greater ability of the more senior individuals to affect corporate performance by making a greater portion of their compensation dependent on corporate as opposed to individual performance. For the President and CEO, and Vice Presidents, 70% of the STI is based on corporate performance and 30% on individual performance. For the balance of Management and Non-Union staff the STI is based on 25% corporate performance and 75% individual performance.

Corporate Targets

Corporate targets may include the following: cost reduction, capital project completion, customer service, safety and environment, employee engagement, and reliability. Accordingly, all corporate incentive payments included in the 2022 Actual to 2027 Test Year relate to benefits to ratepayers as described below. Corporate measures have three performance levels and are reflective of key corporate targets or goals.

Each of the corporate targets benefits the ratepayers. In particular, the cost reduction measure sets targets for reducing operating costs. The capital project measure sets targets for meeting budgeted capital project costs and completing projects with respect to DSP adherence, scope, quality, safety and scheduling/project management. These measures are primarily customer-related as they represent a cost reduction target that directly benefits ratepayers through lower rates or rates that could otherwise be higher, and the safe and timely completion of projects to bring about customer outcomes such as reliability. Customer service corporate measures ensure efficient and effective levels of service that meet Board standards and service quality indices and include measures to enhance the level of service provided to customers. Safety and environmental measures benefit the ratepayer by minimizing high risk incidents and promoting a proactive approach to managing safety and the environment. Employee engagement primarily benefits ratepayers by ensuring that ratepayers receive appropriate service levels, by supporting employee productivity in delivering service outcomes. Additionally, employee engagement supports employee retention, which in turn decreases the costs associated with employee turnover. Reliability measures primarily benefit the ratepayer by ensuring a reliable supply of electricity.

Individual Targets

Individual targets, like the corporate targets, support the broader design objective of aligning the interests of all stakeholder groups in CNPI with an overall focus on efficient delivery of service to customers.

Individual measures are developed in consultation with individuals and their immediate superiors. Each measure has three performance levels, is reflective of key projects or goals and focuses on departmental or divisional priorities. Individual measures may include the following: human resources, employee engagement, safety and environment, reliability, regulatory compliance, customer service, efficiencies, capital project completion, cost reduction and training targets. These measures primarily benefit ratepayers for the reasons discussed herein. Human Resources (including employee engagement) primarily benefit the ratepayer by ensuring that skilled personnel are recruited and retained to provide safe and reliable service and to maintain service levels. Cost reduction, capital project and efficiency measures relate to maintaining or reducing operating costs, and/or the completion of projects that support customer-valued outcomes such as reliability, which flow directly to the ratepayer through providing value for money in rates. Safety and environment, training, reliability, regulatory compliance and customer service measures directly benefit ratepayers in the form of a safe and reliable supply of electricity in compliance with regulations and established customer service levels.

Assessment and Payment

The Board of Directors of FortisOntario, CNPI's parent company, approves the corporate targets for all participants and the individual targets for the Executive. Corporate measures are reflective of key corporate targets or goals and are approved annually by the Board of Directors of FortisOntario. Actual corporate performance is assessed and approved annually by the Board of Directors of FortisOntario. Actual performance against individual targets is evaluated by the individual's immediate superior. The President and CEO makes recommendations in relation to the Vice Presidents' individual awards. The Board of Directors of FortisOntario makes recommendations and approves the President and CEO award, and reviews the recommendations and approves payments respecting the Vice Presidents. Payments will be made generally in February, once all corporate and individual performance measures of the financial year have been finalized. CNPI budgets for incentive payments at target payment levels.

OTHER BENEFITS

Other benefits include employer portion of Canadian Pension Plan, employer portion of Employment Insurance, Employee Health Tax expense, WSIB expense, defined contribution pension expense, insurance benefit, extended health and dental care plan expense, defined benefit pension expense, post-retirement benefit, share purchase plan top-up expense, wellness reimbursements (fitness memberships) and employee and family assistance plan services.

COMPENSATION FOR UNIONIZED EMPLOYEES

Unionized employees of CNPI are represented by the Local Union 636 of the International Brotherhood of Electrical Workers ("IBEW Local 636"). The terms of employment, including compensation, overtime and benefits are set out within the collective agreement between CNPI and IBEW Local 636, which is effective from March 1, 2026 to February 28, 2029. The collective agreement provides for wage increases of 3.25% on March 1, 2026, 3.00% on March 1, 2027, 3.00% on March 1, 2028.

4.4.2 EMPLOYEE COSTS VARIANCE ANALYSIS

Table 4-10 below summarizes CNPI's employee complement, compensation and benefits for the 2022 Board Approved to 2027 Test Year period, consistent with OEB Appendix 2-K. CNPI has prepared this table using total FTEs, which includes FTEs that are employees of CNPI, an allocation of FTEs included in the shared services and corporate cost allocations outlined in Section 4.5 of this Exhibit, and time directly charged to CNPI from its affiliates within the FortisOntario group. Where shared services are contributing to the variance explanations provided below, CNPI has noted the relative change in FTE allocation to CNPI directly. However, within the subsequent variance explanations provided, CNPI has made reference to changes in shared services staffing as a whole. For example, a new hire in the Finance department contributes roughly 1/3 FTE to CNPI based on the shared services allocation methodology, but the explanation provided would be based on the addition of one new hire in Finance to the shared services group (of which roughly 1/3 FTE is allocated to CNPI).

The number of FTEs from the 2022 Board Approved to the 2027 Test Year has increased overall by five FTEs. See below for year-over-year variance explanations.

Table 4-10 below is an excerpt from Appendix 2-K that has been submitted as part of this Application:

Table 4 - 10: Employee Costs (OEB Appendix 2-K)

Appendix 2-K
Employee Costs

	2022 OEB Approved	2022 Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year
Number of Employees (FTEs including Part-Time)[1]							
Management (including executive)	13	13	13	13	14	14	14
Non-Management (union and non-union)	55	55	55	57	55	59	59
Total	68	68	68	70	69	73	73
Total Salary and Wages including ovetime and incentive pay							
Management (including executive)	$ 1,888,462	$ 1,956,125	$ 1,912,380	$ 2,173,148	$ 2,181,714	$ 2,221,897	$ 2,326,984
Non-Management (union and non-union)	$ 5,749,690	$ 5,738,516	$ 6,024,492	$ 6,131,545	$ 6,140,282	$ 6,617,691	$ 6,681,320
Total	$ 7,638,152	$ 7,694,641	$ 7,936,872	$ 8,304,693	$ 8,321,996	$ 8,839,588	$ 9,008,304
Total Benefits (Current + Accrued)							
Management (including executive)	$ 434,430	$ 382,161	$ 443,716	$ 423,481	$ 461,411	$ 455,707	$ 540,069
Non-Management (union and non-union)	$ 1,536,334	$ 1,224,153	$ 1,526,309	$ 1,404,124	$ 1,409,410	$ 1,526,860	$ 1,821,125
Total	$ 1,970,764	$ 1,606,314	$ 1,970,025	$ 1,827,605	$ 1,870,821	$ 1,982,567	$ 2,361,194
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	$ 2,322,892	$ 2,338,286	$ 2,356,096	$ 2,596,629	$ 2,643,125	$ 2,677,604	$ 2,867,053
Non-Management (union and non-union)	$ 7,286,024	$ 6,962,669	$ 7,550,801	$ 7,535,669	$ 7,549,692	$ 8,144,551	$ 8,502,445
Total	$ 9,608,916	$ 9,300,955	$ 9,906,897	$ 10,132,298	$ 10,192,817	$ 10,822,155	$ 11,369,498
Total Compensation Breakdown (Capital, OM&A)							
OM&A	$ 5,695,622	$ 5,559,892	$ 6,086,772	$ 6,116,540	$ 6,109,970	$ 6,447,876	$ 6,880,655
Capital	$ 3,913,294	$ 3,741,063	$ 3,820,125	$ 4,015,758	$ 4,082,847	$ 4,374,279	$ 4,488,843
Total	$ 9,608,916	$ 9,300,955	$ 9,906,897	$ 10,132,298	$ 10,192,817	$ 10,822,155	$ 11,369,498

VARIANCE ANALYSIS - FTEs

<u>2022 Board Approved and 2022 Actual to 2023 Actual</u>

The total number of FTE did not change from 2022 Board Approved, 2022 Actual through to 2023 Actual. This was primarily due to:

Increase in shared services of 0.7 FTE

Enterprise Technology (Net 0.4 FTE Increase Allocation to CNPI)

A Junior ET Technician was hired into the shared service group. This position was added to the group to address the following:

- Increased endpoint support requirements related to new cybersecurity controls and increased technology utilization.

- Enabled the allocation of a more senior ET resource to cybersecurity and network architecture to address increased need for cybersecurity control deployment and sustainment.

Fleet and Facilities (Net 0.3 FTE Increase Allocation to CNPI)

A summer student was hired into the property, maintenance and materials management department and this position was added to address:

- A significant increase in workload during the summer months due to seasonal maintenance, landscaping, and project work. Hiring a summer student provided cost-effective support while ensuring timely completion of tasks without overburdening full-time staff. This also provided a learning opportunity for students while supporting community engagement. The hiring ensured routine tasks (e.g., lawn care, painting, cleaning) are completed without delaying critical projects. Full-time staff then had the ability to focus on higher-priority projects.

A summer student has been utilized for each of the historical years presented and is included in Bridge and Test Year forecasts.

Increase in allocations from affiliate of 1.1 FTE

CNPI required increased operational support from one of its affiliates. In particular, line staff were used to assist with ongoing capital program related work in CNPI's Gananoque service region, and additional customer service billing and other customer service-related support was also required.

Decrease in CNPI (Excluding shared services) of 2.0 FTE

In an effort to find cost savings, CNPI did not replace its Metering Supervisor upon retirement, and instead reallocated metering staff to report to another supervisor within the Operations group. Other drivers of the decrease in FTE included:

- Temporary absences/vacancies in several departments including lines, planning and engineering, and customer service
- Temporary operational support provided to an affiliate for a regulatory proceeding

<u>2023 Actual to 2024 Actual</u>

There was a 2 FTE increase from 2023 Actual to 2024 Actual. This was primarily due to:

Increase in shared services of 0.6 FTE

Human Resources (Net 0.2 FTE Increase Allocation to CNPI)

A Business Analyst was hired within the Human Resources shared services group. Drivers of the requirement for the addition of this position include:

- General day-to-day support in Human Resources

- Advanced analysis for various OEB reports and filing, support for regulatory reporting and cost of service applications
- Enhanced customer communications and engagement support to align with advancing the customer experience

Additionally, there was a temporary increase in Finance shared services department due to a brief overlap in personnel related to planned retirements and the associated succession plan new hires.

Decrease in allocations from affiliate of 0.6 FTE

CNPI experienced a reduction in engineering support for its Gananoque region from an affiliate in part due to temporary staffing vacancies. Additionally, customer service billing and other customer service-related support slightly decreased from prior year.

Increase in CNPI (Excluding shared services) of 1.8 FTE

CNPI hired a GIS Analyst into the engineering group. This new hire was to address the following:

- Provide support on mapping, asset management, integration, and other tasks with geospatial components.
- Develop, implement, configure, administer, maintain, and analyze the corporate Geographic Information System (GIS), Outage Management System (OMS), and associated applications.
- Monitor the GIS/OMS system performance and conduct quality assurance / quality control activities to validate the geometry, geographical and electrical connectivity, attribute, and all related information of GIS/OMS datasets.
- Provide user support, troubleshooting, guidance, and training to regional personnel on matters relating to usage and maintenance of GIS/OMS systems.
- Manage and maintain GIS-related datasets, including the power system asset inventory and connectivity, Species at Risk, land base maps, aerial photograph, and ortho imagery.

  Analyze and optimize corporate GIS/OMS solutions to improve operational analytics, streamline existing workflows, and improve asset management, query, and reporting.

Other drivers of the increase in FTE are the reversal of temporary vacancies that were noted in the prior year variance explanation above (2022 to 2023), including:

- Temporary absences/vacancies in several departments including lines, planning and engineering, and customer service
- Temporary regulatory proceeding operational support provided to an affiliate
- Temporary increase in customer service staffing due to a combination of expected upcoming retirements (reversal of temporary increase is planned in 2027) and coverage over both planned and unplanned leaves of absence

<u>2024 Actual to 2025 Actual</u>

There was a 1 FTE decrease from 2024 Actual to 2025 Actual. This was primarily due to a decrease in allocations from affiliate of approximately 0.9 FTE, and a decrease in CNPI (excluding Shared Services) of 2.0 FTE, partially offset by an increase in shared services of 2 FTE. The details of each of these components is outlined

Increase in shared services of 1.9 FTE

A portion of the shared service FTE increase resulted from the annualized increase of the Business Analyst new hire from mid-2024 noted above (Net 0.1 FTE increase allocation to CNPI for annualized impact of 2024 new staff hired; Business Analyst).

Enterprise Technology (Net 0.6 FTE Increase Allocation to CNPI)

Additionally, an Application Programmer/Analyst was hired into ET within shared services. This position was added to the group to address the following:

- Increased adoption of cloud infrastructure & platforms as well as Microsoft 365 tools resulted in a need for more custom software development and integration outside of the CIS and ERP environments – a key role of this new position.
- Contribute to succession planning and backup for the Enterprise Application Architect, who prior to this addition was the only full-time developer on staff.
- Increased integration of new technologies and systems with cybersecurity controls requiring key skills and oversight which are provided by this resource.

A summer student was also hired into the ET shared service group to provide general departmental support and to address the following:

- Standalone software development projects using emerging technologies of which internal staff did not have the resource capacity to research and address.
- Technical documentation workloads and other administrative tasks which internal staff did not have the capacity to address.

Finance (Net 0.4 FTE Increase Allocation to CNPI)

In 2025 CNPI hired a Financial Accountant to be added to Finance group within shared services. The department had been experiencing ongoing increased workload generally due to growing compliance requirements and reporting obligations. Resourcing prior to the addition of the Financial Accountant was insufficient to address the following growing concerns:

- Difficulty in meeting tight deadlines for monthly, quarterly and annual financial reporting;
- Maintaining accuracy in financial and regulatory reporting;
- Completing value-added financial analysis and strategic financial planning;
- Ensuring adequate resourcing back-ups are in place for more critical and/or time-sensitive departmental tasks in the event of both planned or unplanned absences in the department; and
- Ensuring robust Business Process Procedures are in place and appropriately maintained.

Hiring the Financial Accountant was intended to also strengthen the team's capacity, improve efficiency, and help to ensure regulatory compliance and ongoing reporting obligations. This in turn will lessen the risk and potential for compliance breaches and/or penalties, ensure more timely financial insights affecting management decisions, and decrease stress and turnover risk among current staff who were collectively being overextended.

CNPI also experienced a planned temporary staffing increase for the majority of 2025 for succession planning purposes due to the retirement of the supervisor of fleet and facilities (Net 0.8 FTE increase allocation to CNPI).

Decrease in allocations from affiliate of 0.9 FTE

With the substantial completion of its multi-year voltage conversion projects, CNPI experienced a decrease in lines support required, specifically in its Gananoque region, from one of its affiliates.

Decrease in CNPI (Excluding shared services) of 2.0 FTE

The decrease in CNPI distribution was generally temporary as operational resources were utilized for significant planned transmission capital work completed in 2025. Additionally, due to temporary related staffing vacancies in one of its affiliates, CNPI engineering staff provided support for various capital and operating projects to that affiliate. CNPI also experienced some temporary staffing vacancies in its operating departments throughout the year due to staffing turnover.

Offsetting the above, CNPI hired an Articling Student on a fixed, short-term basis to address the following:

- As legal, compliance and governance demands continue to grow, the role provides right-sized legal support so matters progress promptly and legal oversight remains consistent across the business.
- It is a cost-effective way to add capacity, at a fraction of the cost of hiring additional counsel or routinely relying on external counsel.
- Under supervision, the student can advance workstreams including standard contracts, board and corporate materials and filings, legal research and summaries, and policy and procedure updates, improving leverage of senior legal time and reducing outsourcing.
- The role strengthens documentation and controls through regular updates, version control, and maintenance of policies, templates, and procedures, reducing operational and compliance risk.

CNPI plans to use articling students on fixed, short-term basis, throughout the forecast period.

<u>**2025 Actual to 2026 Bridge**</u>

There is an expected 4 FTE increase between 2025 Actual and 2026 Bridge, primarily due to:

Decrease in shared services of 0.2 FTE

Reversal of Temporary Increase in Fleet and Facilities and ET Staffing From Prior Year (Net 1.0 FTE Decrease Allocation to CNPI)

Noted above, CNPI experienced a planned temporary staffing increase in 2025 for succession planning purposes due to the retirement of the Supervisor of Fleet and Facilities. The temporary effect of this will reverse out in 2026, and this is the primary driver of the decrease in FTE in shared services. Similarly, the ET summer student in 2025 was temporary and the impact of that is reversed out in 2026. Offsetting these decreases are planned new hires into the shared service group as outlined below (the full annualized net CNPI impact of the new hires of these shared services to be realized in 2027 as assumed hired mid 2026 for purposes of FTE calculations).

Enterprise Technology (Net 0.4 FTE Increase Allocation to CNPI, Assume New Staff Hired Mid-Year for FTE Calculations)

CNPI is planning to add an ET Technician to the shared services group in 2026. This position will support increased need for on-site endpoint and user support, particularly due to increased technology adoption across all organizational departments as well as increased endpoint cybersecurity controls. Other drivers of this include:

- to allow senior technology administrators to focus more time on deploying and sustaining key cybersecurity controls, particularly across Operational Technology environments and assets.
- Supporting succession planning for senior technology administrators and leaders.

CNPI also plans to add an ET Data Analyst to the shared services group in 2026. This position will assist with the following:

- Contribute to improving data analytics (reporting, forecasting) by implementing data lake (technology that supports large-scale data analytics) and other cloud-based tools across the enterprise.
- Augment resources of the Enterprise Application division of the ET department during the planned CIS and ERP upgrade in the forecast period by providing key support for technology and process changes and improvements.
- Provide key succession planning support for senior Enterprise Application staff.

Regulatory (Net 0.2 FTE Increase Allocation to CNPI, Assume New Staff Hired Mid-Year for FTE Calculations)

CNPI has added a Regulatory Analyst to the shared services group in 2026. Some of the main drivers of the need for this resource include:

- Support the increasing work load in Regulatory Affairs for the various FortisOntario companies. As outlined above in Section 4.2.2.8, regulatory activity in the province has been increasing as a result of electrification and technological change. The pace of policy consultations, compliance requirements, and filing requirement changes has increased (as demonstrated by increases in identified in the OEB's own business plans, linked to the requirement for regulatory changes to adapt to changing electricity system needs).

- To provide continued support to the business in terms of regulatory compliance, on-time policy implementation, and timely and accurate OEB reporting and rate applications.
- To pursue potential offsets to some external contracted services costs.
- The reintroduction of LDC participation in eDSM (formerly "CDM") marketing activities in 2026 has also required resources from the Regulatory Affairs department, especially relating to implementation activities in 2025 and 2026 to develop and obtain approval for the eDSM plans, as well as beginning the implementation of those plans. On an ongoing basis, the existing Regulatory Affairs resources will have a more limited involvement in eDSM (specifically management/oversight), as a dedicated eDSM Coordinator (100% funded through IESO) will be responsible for this function. Nonetheless, the eDSM one-time and ongoing involvement have contributed to the need for additional Regulatory Affairs resourcing which will be supported by the new Regulatory Analyst in 2026.

With this additional staff member, CNPI's net regulatory affairs FTE allocation will be approximately 1.0 FTE, which CNPI understands anecdotally to be in line or lower than most similarly sized utilities.

Human Resources (Net 0.2 FTE Increase Allocation to CNPI, Assume New Staff Hired Mid-Year for FTE Calculations)

In recent years, CNPI in general has experienced higher than typical turnover rates. This is in part due to retirements associated with CNPI's aging workforce. With the growing number of retirements, CNPI has worked hard to hire suitable replacements, but it is very difficult to fully replace employees retiring with 20 to 30 plus years of service. Recruiting new employees is resource intensive and places a significant workload for the HR department. Given that CNPI expects that turnover rates will be elevated over the next five year horizon, in particular due to retirements, CNPI plans to hire an HR Advisor in 2026 into its shared services group. Some additional drivers of the need for this new position include:

- After recruitment efforts are complete, the HR department is responsible for onboarding and guiding new hires throughout their first year and because many new employees join without prior industry experience, this requires additional training and knowledge transfer which is supported by the HR department.
- CNPI prioritizes employee development and advancement, which often leads to internal promotions. As a result, when positions are filled internally, additional back filling of vacated roles becomes necessary.
- Workloads have also increased due to a renewed focus on employee engagement activities, including employee engagement surveys, pulse surveys, and follow-up with executives, people leaders and all employees to ensure appropriate action plans are developed and implemented. Engaged employees are more productive employes and more likely to remain at the company, and this commitment to engagement has resulted in ongoing resource requirements.

CNPI notes that among other, more difficult to quantify benefits, the increased resourcing (along with other measures including employee engagement) should allow CNPI to reduce the need for third party recruitment costs. CNPI has budgeted $0 in third party recruitment costs, compared to as much as $62,000 in actual costs in prior years, or a four-year historical average cost of approximately $23,000 (please see section 4.2.2.11).

Increase in allocations from affiliate of 1.2 FTE

CNPI will require the increase in the amount of engineering and substation electrical support from its affiliate as certain planned capital projects in the Gananoque region are completed (i.e. the North Line rebuild and substation projects). Additionally, with filling of temporarily vacant positions at its affiliate, operating and maintenance support (particularly for Gananoque region operations) will return to a more normalized state in 2026 Bridge and 2027 Test.

Increase in CNPI (Excluding shared services) of 3.3 FTE

The increase in CNPI for 2026 Bridge is related to the reversal of temporary decreases noted in 2025 explanation above for operational resources that were utilized for significant planned transmission capital work completed in 2025, CNPI engineering staff support provided for various capital and operating projects to an affiliate (primarily to backfill for temporary staffing vacancies at the affiliate), and the expected filling of temporary staffing vacancies in CNPI's operating departments. In addition to the above, a Project Manager resource has been deployed that will provide support (on a time charged basis) for large projects (generally capital in nature) to both CNPI and its affiliates. The benefits of this role include:

- Ensuring projects stay on schedule and within budget by coordinating timelines, tasks, and resources.
- Improving communication across teams and stakeholders through structured updates and clear expectations.
- Reducing risk by identifying issues early and implementing mitigation strategies.
- Driving accountability by assigning ownership and tracking progress against goals.
- Enhancing decision-making using data, documentation, and structured project methodologies.
- Improving resource planning to ensure teams aren't over- or under-utilized.
- Ensuring alignment with organizational priorities so project outcomes support broader strategic goals.
- Boosting team productivity and morale through clear direction, support, and conflict resolution.
- Creating more consistency via standardized processes, tools, and reporting.

<u>2026 Bridge to 2027 Test</u>

There was no change in FTE between 2026 Bridge and 2027 Test. This was primarily due to offsetting variances between the shared service, allocations from affiliates, and CNPI direct FTE categories:

Increase in shared services of 0.5 FTE

Enterprise Technology (Net 0.2 FTE Increase Allocation to CNPI, Assume New Staff Hired Mid-Year for FTE Calculations)

CNPI is planning to add an ET Technical Support Specialist to address the following:

- With increased use of technology across the enterprise, and the planned upgrade of the company's CIS and ERP environments, this role will be key in establishing a formal helpdesk function within the ET department to efficiently deliver application, infrastructure, and security support to the organization.
- Centralizing service desk responsibilities will permit systems administrators, architects, and analysts to more efficiently and effectively delivery on projects and enhancements by reducing their responsibilities associated with triaging and managing helpdesk tickets.

The increase is also in part due to the annualized impact of the shared service new hires in 2026 Bridge (*Net 0.7 FTE increase allocation to CNPI for annualized impact of 2026 new staff hired; ET Technician, ET Data Analyst, Regulatory Analyst, and HR Advisor*). Offsetting this is a decrease of approximately 0.4 FTE resulting from the (generally mechanistic) allocation updates completed for 2027 Test as outlined in Section 4.5.1.

Decrease in allocations from affiliate of 0.4 FTE

CNPI will reduce the amount of engineering and substation electrical support from its affiliate as certain planned capital projects in the Gananoque region are completed (i.e. North line rebuild and substation projects in 2026). Offsetting this is an expected increase in customer service related support allocated to CNPI on a time-based allocation, in part due to the relocation of the corporate based Manager, Customer Experience & Communication role to an affiliate (previously, the role based out of CNPI Niagara; allocation is based on time).

Decrease in CNPI (Excluding shared services) of 0.1 FTE

CNPI expects to slightly reduce its FTE due to the following:

Decrease in customer service due to the relocation of a Manager role as noted in the allocations from affiliate above (relocation results in offsetting variances CNPI and allocations from affiliate above). Also, CNPI expects one FTE decrease in a customer service member through attrition, as an offset to the temporary increase in FTE noted in the CNPI 2024 compared to 2023 variance explanation above.

Offsetting the decrease in customer service noted above, is the planned hiring of a Metering Technician, which is expected to address the following:

- Succession planning for an expected retirement in the forecast period; it takes the completion of roughly a four 4 year program to become fully qualified meter technician
- The position is intended to enable reductions in third party costs for disconnects and meter repairs during the succession period.

CNPI also has plans to hire a co-op student in lines in future years (roughly 0.3 FTE), and this is due to:

- Given difficulty in recruiting line staff and that multiple line staff are expected to retire in forecast period, co-op programs help build a future workforce by attracting students who may become full-time employees after graduation.
- With an aging workforce in utilities, developing young talent ensures continuity.
- Co-op students typically cost less than full-time employees while still contributing meaningfully.
- Co-op students can assist with routine tasks, freeing up experienced line workers for complex jobs.
- Students often bring the latest knowledge from their academic programs, which can lead to process improvements.
- Supporting local colleges or universities strengthens community ties.

VARIANCE ANALYSIS – TOTAL COMPENSATION

Total compensation per Table 4-10 shows a compound annual growth rate (CAGR) of 2.0% per FTE from 2022 Board Approved to 2027 Test Year. The increase can be explained due to economic and progression adjustments for a salary and wage per FTE CAGR of 1.9% along with a CAGR of 2.2% per FTE in benefit costs.

TOTAL SALARY AND WAGES

Total salaries and wages demonstrated a CAGR of 1.9% per FTE from 2022 Board Approved to 2027 Test Year. The increase can be explained due to economic and progression adjustments and is below the CAGR of OEB posted IRM inflationary factors year-over-year. This lower rate is in part attributed to the turnover experienced in the historical period due to the backfill of retiring employees at the upper end of respective pay range, with less tenured employees that generally have started at a lower level within the applicable pay range.

Negotiated collective bargaining unit increases and details regarding non-union and management salary increases and incentive payment structure are described in Section 4.4.1 of this Exhibit.

TOTAL BENEFITS

Total benefits demonstrated a CAGR rate of 2.2% per FTE from 2022 Board Approved to 2027 Test Year. The main contributors are changes in defined benefit pension plan and post retirement benefit expenses along with OMERS program expansion, which are described further in Section 4.4.3 of this Exhibit.

4.4.3 PENSION EXPENSE AND POST-RETIREMENT BENEFITS EXPENSE

OVERVIEW

CNPI participates in three pension plans: a defined benefit plan, a defined contribution plan, and the Ontario Municipal Employees Retirement System ("OMERS").

The FortisOntario Inc. Combined Pension Fund, registered under the Pension Benefits Act (Ontario), 1990, is the asset trust fund for two pension plans sponsored by FortisOntario Inc. The first, the FortisOntario Inc. Employees' Retirement Plan ("Employees' Retirement Plan") is a defined benefit plan to which RBC serves as Trustee. The second is the FortisOntario Supplementary Retirement Plan, a defined contribution plan to which Sun Life Financial serves as Trustee. Mercer's Human Resource Consulting ("Mercers") serves as the actuary.

The FortisOntario Inc. Combined Pension Fund includes retired employees of FortisOntario and CNPI, and active employees of CNPI. The allocation of pension costs is determined by Mercers.

EXPANSION OF OMERS ELIGIBILITY

The prevalent pension plan offered at Canadian Niagara Power has been a defined contribution RRSP/DCPP plan while OMERS is the prevalent pension plan offered at the vast majority of LDCs in Ontario. OMERS also offers the most flexible arrangements for individuals who transfer from Hydro One or other large utilities across Canada. As a result, many prospective employees are looking for OMERS when applying for positions at Canadian Niagara Power. To assist with recruitment and retention CNPI has introduced OMERS to be more exclusively offered within the organization, to become a competitive employer within the Ontario electricity distribution sector.

Over the years, CNPI assessed that not providing OMERS has introduced a significant threat to employee retention. CNPI has seen many employees from specialized, in-demand functions (electricians, lines, control room, Engineers and finance employees) resign, with many citing OMERS as the main driver for leaving the company and seeking employment with an OMERS employer.

Attracting employees with industry experience without offering OMERS is also a challenge. The exclusion of OMERS from the compensation package has resulted in applicants declining employment contract offers or withdrawing from the hiring process at the onset. The productivity loss, training and other costs of losing employees is estimated to be upwards of $300,000 (based on a four-year apprentice leaving after completing an apprenticeship). This estimate includes the initial two years of labour while the employee is an apprentice, internal staff covering the work gap during vacancy and recruiting, increased overtime to perform departmental work, external costs for outsourced work, internal and external training costs, onboarding, recruiting costs, safety gear and clothing.

Often, apprentices must be hired to fill trades positions and salaried positions are filled by candidates who are new graduates or do not have direct industry knowledge. Through this trend of often hiring less experienced candidates, FortisOntario also incurs a "flight of human capital" risk, whereby staff who are trained up to full competency at CNPI pose an increased risk of retention or flight once they have developed their skills, knowledge and experience.

While difficult to quantify, high turnover leaves existing employees to carry the additional workload until roles are replaced, spend time training new employees, often multiple times and since new employees often have a steep learning curve and that adds to the workloads of tenured employes. The result can lead to burnout and depleted morale of existing employees left to pick up the responsibilities of those that have resigned.

By recent example, the CNPI Planning department was left short staffed as a direct result of losing three employees, partly due to resignations to join other LDCs. A combined total of 20 years of industry experience left CNPI with those employees. While an internal candidate was successfully promoted, that left three vacancies within the department at one time. To date the Company has been unsuccessful in recruiting successors with industry experience. The extra workload has been taken on by the rest of the department, overtime has increased and external consultants have been utilized to fill gaps, all at higher costs. CNPI expects that longer training times will be required to train employees with little or no industry experience.

Discussions were held with OMERS to confirm that FortisOntario is eligible to designate additional employee classes as OMERs participants and that the timing of designation can vary if required under the umbrella of an associated employer, such as collective bargaining. By implementing the pension plan this way, existing employees would have the choice to join OMERS and all future hires in the designated classes would automatically become OMERS members. The effective date would be January 1, 2027.

CNPI has accordingly made adjustments to its test year pension costs, which affect the levels of OM&A and capital additions included in the 2027 test year budget.

The total incremental costs is estimated to be $321,000[4]. The total forecasted OM&A impact is estimated to be approximately $151,000, and the total estimated test year capital costs $99,510. The estimated balance would be allocated out through shared services. The impacts of the change, as applicable, have been incorporated into Appendix 2-K/ Section 4.4.2 above.

In conducting its preliminary assessment for the merits of expanding OMERS eligibility, CNPI considered the possible rate impacts associated with the change, and determined that rate impacts were not expected to be significant, and will also be offset by productivity and cost reductions in other areas as outlined above(reduced third party recruitment fees, reduced third party consulting fees, improved productivity through attraction and retention of experienced staff).

REVIEW OF THE LEGACY 1508 SUB-ACCOUNTS

In response to the commitments made in the Settlement Proposal underpinning the OEB's Decision in OEB File No. EB-2021-0011, CNPI has completed a review of the legacy 1508 sub-accounts to assess the appropriateness of the accounting entries tracked in these DVAs, and whether these accounting entries and cumulative adjustments reflect the requirements as prescribed in the OEB's EB-2013-0368/EB-2013-0369 December 12, 2013, decision and order and associated January 9, 2014 accounting order. The review also examined whether it is appropriate for CNPI to continue to set its base

[4] Assumptions for the initial uptake were made to estimate the incremental costs associated with offering OMERS.

rates in its current cost of service proceeding underpinned by Section 3461, rather than Section 3462. The detailed report is included as Attachment 4-E to this Exhibit. In summary, the report highlights that the balances recorded in the legacy pension and OPEB sub-accounts accurately reflect the underlying accounting entries over the period from 2014 to 2025, that Section 3461 results in a more stable and predictable pattern of pension and OPEB cost recovery, and that CNPI proposes that the balances will remain recorded in the respective sub-accounts and continue to be carried forward pending a future proceeding in which disposition may be requested.

EMPOLOYEES' RETIREMENT PLAN (DEFINED BENEFIT)

The plan is available to all employees hired prior to July 1, 1999. Funding is based on a tri-annual actuarial valuation. The most recent valuations reconcile to the 2027 budget, included as Attachment 4-B to this Exhibit. A member will receive an annual pension determined on a prescribed formula based primarily on the number of years of credited service and earnings. The values in the valuations have been reflected in the PILS calculations in Exhibit 6.

The defined benefit pension expense amounts are prepared for CNPI by Mercers. In early 2026, Mercers provided updated estimates of the 2026 and 2027 pension expense amounts based on current known market information as of December 31, 2025. Table 4 - 11 summarizes CNPI's defined benefit pension expenses and underlying assumptions from 2012 Board Approved to the 2027 Test Year. The credit of $5,349 was included in the OM&A for the 2027 test year.

Table 4 - 11: Defined Benefit Pension Expense

Pensions	2022 Actual	2022 Board Approved	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
Amounts accrued in FS							
OM&A	$ (14,049)	$ 75,892	$ 74,733	$ (48,278)	$ (21,841)	$ (18,693)	$ (5,349)
Allocated out to related parties through shared service	$ (5,640)	$ 30,513	$ 29,216	$ (20,843)	$ (9,554)	$ (8,381)	$ (2,603)
Capital	$ (8,479)	$ 52,483	$ 43,095	$ (29,414)	$ (13,888)	$ (11,839)	$ (3,496)
Total	$ (28,168)	$ 158,888	$ 147,044	$ (98,535)	$ (45,283)	$ (38,913)	$ (11,448)
Amounts included in rates	$ 128,375	$ 128,375	$ 128,375	$ 128,375	$ 128,375	$ 128,375	$ (8,845)
Paid contribution / benefit amounts (cash)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net excess amount included in rates relative to amounts actually paid	$ 128,375	$ 128,375	$ 128,375	$ 128,375	$ 128,375	$ 128,375	$ (8,845)
Funded status-surplus	$ 2,362,740	$ 7,880,000	$ 4,794,435	$ 5,225,005	$ 5,378,738	$ 5,486,000	$ 5,596,000
Significant assumptions used:							
Discount rate - beginning of year	**4.55%**	**4.55%**	**4.55%**	**5.55%**	**5.55%**	**5.55%**	**5.55%**
Discount rate - end of year	**4.55%**	**4.55%**	**5.55%**	**5.55%**	**5.55%**	**5.55%**	**5.55%**
Expected long-term rate of return on plan assets	**5.45%**	**4.00%**	**5.45%**	**5.50%**	**5.15%**	**5.20%**	**5.15%**
Rate of compensation increase	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**	**3.50%**
Average remaining service period of active employees [years]	**2**	**4**	**4**	**3**	**2**	**2**	**1**

SUPPLEMENTARY RETIREMENT PLAN (DEFINED CONTRIBUTION)

This plan is available to employees who are not currently enrolled in the OMERS plan after completing six months of employment. Members of the Employees' Retirement Plan, as described above, may make contributions to the Supplementary Pension Plan ranging from 2% to 6% of their basic earnings. CNPI matches 50% of the members' contribution.

Eligible employees who are not members of the Employees' Retirement Plan may contribute to the Supplementary Retirement Plan from 1% to a maximum of 6.5% of their annual basic earnings. CNPI matches 100% of the members' contribution. Contributions cannot exceed the overall maximum under the Income Tax Act (Canada).

Table 4 - 12 summarizes CNPI's 2022-2027 expenses for this plan. For 2027, the defined contribution expense is $496,752, of which 46.7% ($231,983) was included in the OM&A for the 2027 test year.

Table 4 - 12: Defined Contribution Pension Expense

	2022 Actual	2022 Board Approved	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
Pension premiums	$ 373,519	$ 355,800	$ 392,727	$ 454,600	$ 461,785	$ 482,280	$ 496,752

OMERS

Prior to OMERS program eligibility expansion, employees who were enrolled in OMERS at the time of a lease, merger or an acquisition with CNPI were already eligible for the OMERS plan. Table 4 - 13 summarizes CNPI's 2022-2027 OMERS expenses for this group of OMERS employee. For 2027, the "existing" OMERS expense is $104,352, of which 46.7% ($48,732) was included in the OM&A for the 2027 test year. The amounts outlined in the table below are exclusive of the incremental costs for expanded OMERS eligibility which are outlined in the section above ("Expansion of OMERS Eligibility").

Table 4 - 13: OMERS Pension Expense

	2022 Actual	2022 Board Approved	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
Pension premiums	$ 129,698	$ 181,704	$ 128,946	$ 95,497	$ 97,710	$ 101,316	$ 104,352

POST-RETIREMENT BENEFITS EXPENSE

CNPI provides certain health, dental and life insurance benefits, under unfunded defined benefits plans, on behalf of its retired employees.

The post retirement benefit expense amounts are prepared for CNPI by Mercer under section 3461. In July 2025, Mercer provided updated estimates of the 2027 post retirement benefit expense amounts based on the current known market information as at May 31 , 2025.

Table 4 - 14 outlines Post Retirement Benefits expenses and assumptions used for 2022 Board Approved to the 2027 Test Year. The expense of $168,115 was included in the OM&A for the 2027 test year.

Table 4 - 14: Post-Retirement Benefits Expense

OPEBs	2022 Actual	2022 Board Approved	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
Amounts included in rates							
OM&A	$ 174,966	$ 230,511	$ 195,977	$ 189,565	$ 170,449	$ 172,027	$ 168,115
Allocated out to related parties through shared service agreements	$ 70,240	$ 92,678	$ 76,614	$ 81,840	$ 74,563	$ 77,128	$ 81,814
Capital	$ 105,594	$ 159,411	$ 113,009	$ 115,495	$ 108,388	$ 108,946	$ 109,872
Total	$ 350,800	$ 482,600	$ 385,600	$ 386,900	$ 353,400	$ 358,100	$ 359,800
Paid contribution / benefit amounts (cash)	$ 286,600	$ 312,000	$ 345,500	$ 312,700	$ 299,800	$ 349,600	$ 348,200
Net excess amount included in rates relative to amounts actually paid	$ 103,322	$ 77,922	$ 44,422	$ 77,222	$ 90,122	$ 40,322	$ (70,214)
Funded status-deficit	$ (6,420,600)	$ (7,694,000)	$ (7,141,700)	$ (6,337,500)	$ (6,112,000)	$ (6,234,000)	$ (6,359,000)
Significant assumptions used:							
Discount rate - beginning of year	3.20%	4.55%	5.30%	4.60%	4.70%	5.00%	4.80%
Discount rate - end of year	5.30%	4.55%	4.60%	4.70%	5.00%	4.80%	4.80%
Assumed ultimate health care tre	4.95%	4.00%	4.88%	4.79%	4.74%	4.74%	4.64%
Average remaining service period of active employees [years]	15	15	15	17	17	17	17

EB-2015-0040 REPORT OF THE ONTARIO ENERGY BOARD: REGULATORY TREATMENT OF PENSION AND OTHER POST-EMPLOYMENT BENEFITS ("OPEB") COSTS

CNPI confirms that all Pension and OPEB expenses outlined in this Exhibit are presented on an accrual basis, consistent with its historical practice as approved in its 2022 cost of service application, and consistent with the default methodology required by the OEB's report in EB-2015-0040. Details of entries for CNPI's Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential variance account are provided in Exhibit 9, along with the associated request for disposition of the calculated interest amounts.

4.5 SHARED SERVICES AND CORPORATE COST ALLOCATION

4.5.1 OVERVIEW

CNPI is a wholly owned subsidiary of FortisOntario Inc. ("FortisOntario"). FortisOntario also owns two other regulated distribution businesses licensed by the OEB; Algoma Power Inc. ("API") and Cornwall Street Railway Light and Power Company Limited ("Cornwall Electric"). FortisOntario owns an unregulated district heating plant in Cornwall (i.e., Cornwall District Heating). Fortis Inc. is a partner in the First Nations-led Wataynikaneyap Power LP transmission partnership (ET-2015-0264) with 24 First Nations partners and FortisOntario provides project management services to via Wataynikaneyap Power PM Inc.

The business units of the FortisOntario group are as follows:

- FortisOntario (includes Executive and Cornwall District Heating)
- API;
- Cornwall Electric;
- CNPI – Distribution; and

- CNPI – Transmission.

SERVICE AGREEMENTS

Pursuant to a Services Agreement between FortisOntario and its OEB-licensed affiliates, CNPI shares certain services with its affiliates. In addition to shared services, certain assets and employees are also shared. The current Services Agreement is attached as Attachment 4-C.

CORPORATE AND ADMINISTRATIVE SERVICES – SHARED SERVICES

In order to maximize efficiencies of scale and avoid duplication, certain administrative and corporate services are shared by the business units. The shared services include Executive and Administrative, Regulatory, Finance, Procurement and Contract Management, Property Maintenance and Materials Management, Human Resources, Health, Safety and Environmental, Enterprise Technology, and Fort Erie service center rent and maintenance costs.

Cost-based pricing is used for the shared services. Each of the individual functions was reviewed to determine the appropriate allocation to assign costs to each business unit. In preparing the current Application for 2027 Test Year, CNPI re-examined the underlying methodology used as an input into the 2022 Application to determine:

1) any mechanistic updates required to reflect changes in business conditions (e.g. change in FTE's, changes in underlying costs, changes in labour requirements between business units, etc.); and,
2) whether there were any functions where an update in methodology was warranted for increased accuracy or granularity.

Although the combination of mechanistic and updated methodology resulted in a shift of some costs (and FTE allocation) between business units, the 2027 Test Year dollars that remained in CNPI distribution were not materially impacted by these updates. Given the nature of the changes made, a third-party review of the updated model was not completed. A summary of the updates to shared services are noted below.

As noted in Section 6.7.4, no amounts related to shared services are recorded in either Account 4375 or 4380. Rather all costs and recoveries are reflected within various Administrative Expense OEB accounts that roll up into the Administrative and General category of Appendix 2-JA. Credit cost recoveries for shared services provided to affiliates (from CNPI) as noted in Appendix 2-N are recorded in the Salaries, Wages, Benefits and Other General and Administrative Services program of Appendix 2-JC.

Corporate Services

The corporate services group from FortisOntario is allocated based on the estimated time spent on each of the business units. Given the general increase in regulatory compliance related requirements, there has been a general shift in overall support towards the regulated subsidiaries since 2022 Board Approved. For 2027 Test Year, this has meant an immaterial increase in allocations to CNPI Distribution.

Regulatory

The Regulatory services group was allocated based on the estimated time spent on each of the business units. For 2027 Test Year, this time review was updated and as a result, there was not a material dollar fluctuation in allocations to CNPI Distribution.

Finance, Procurement and Contract Management

The Finance and Procurement and Contract management services groups are broken down into various functions, and allocation methodologies exist for each of those functions. The range of allocation methodologies within the groups include: the relative split of capital and operating expenditures between business units, the number of FTEs, some positions subjectivity based on expected relative effort. The overall approach for the 2027 Test Year basis of allocation did not significantly vary from that utilized in 2022 Board Approved, and there was not a material shift in dollar allocations to CNPI for 2027 Test Year.

Human Resources

The Human Resources services group was allocated based on relative FTEs. For 2027 Test Yearthere was not a material dollar fluctuation in allocations.

Health, Safety and Environmental

The HSE services group was allocated based on relative FTEs. For 2027 Test Year there was not a material dollar fluctuation in allocations.

Enterprise Technology

The ET services group was allocated based on relative FTEs, weighted by position to reflect usage and reliance on the information systems including the ET services group resourcing.

For 2027 Test Year, FTEs and associated weighting were updated and as a result, there was not a material dollar fluctuation in allocations.

Fort Erie Service Center Rent

The Fort Erie service center is owned by FortisOntario and rented by CNPI.

Appropriate total rent for the building was determined previously by an independent appraisal as an estimate of market value. Since the appraisal, the rate has been increased annually by CPI year-over-year per the agreement, including the rent estimate for 2027 Test Year. The allocation of the rent costs for 2022 to 2026 was based on previously determined FTE relative allocations (or direct assignment) to business units. For 2027 Test Year, FTEs were updated and as a result there was not a material dollar fluctuation in allocations amongst the business units.

The current five-year lease agreement in place was effective January 1, 2025, and the agreement has an option to renew for an additional five years.

Fort Erie Service Center Materials Management and Maintenance Costs

Given that a significant portion of the materials management and center maintenance costs were incurred to support the activities of the transmission and distribution units based out of Fort Erie, the Fort Erie service center materials management and maintenance costs for the 2027 Test Year were allocated based on the relative amount of operating expenditures across the CNPI distribution (Niagara region) and transmission business units for 2022 to 2026. There was not a material dollar fluctuation in allocations with this update.

SHARED ASSETS

CNPI has assets recorded in its financial accounting records (ET based hardware and software plus additional local equipment) of which its affiliates benefit from the utilization of. CNPI recovers a fee from its affiliates for the use of those assets which is noted under Corporate Cost Allocation in Appendix 2-N. The fee is updated annually the amount charged is derived by calculating an equivalent return on the shared assets, plus adding a depreciation expense component along with a grossed-up tax amount. The amounts recovered from affiliates are recorded as a credit recovery in OEB 5675.

CORPORATE SERVICES – FORTIS INC.

Fortis Inc., FortisOntario's parent company, allocates to the FortisOntario group, and other Fortis-owned companies, costs for strategic planning, finance and administrative services such as costs incurred related to the listing of Fortis shares on the Toronto Stock Exchange and New York Stock Exchange, and charges related to the administration of share purchase plans, and other costs. Consumers benefit from these services by providing CNPI with access to capital, which provides the required capital investment in the CNPI distribution system for a reliable and safe supply of electricity. The charges allocated to FortisOntario are subsequently charged to the five business units within FortisOntario based on relative rate base and/or relative revenues. Cost-based pricing is used for the charges.

BOARD OF DIRECTOR RELATED COSTS

There are no Board of Director-related costs for affiliates included in CNPI's costs.

VARIANCE ANALYSIS

Table 4 - 15 summarizes CNPI's shared service and corporate allocation costs, from 2022 Board Approved through the 2027 Test Year, consistent with OEB Appendix 2-N.

Table 4 - 15: Shared Services and Corporate Cost Allocation (OEB Appendix 2-N)

Year: 2022 Board Approved

Shared Services

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Price for the Service $	Cost for the Service $
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$56,344	$56,344
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$75,580	$75,580
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$664,658	$664,658
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$572,336	$572,336
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$75,305	$75,305
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$42,470	$42,470
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$533,877	$533,877
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$427,106	$427,106
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$17,549	$17,549
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$6,709	$6,709
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$145,134	$145,134
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$105,513	$105,513
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$27,589	$27,589
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$10,547	$10,547
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$228,163	$228,163
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$165,875	$165,875
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$39,783	$39,783
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$6,793	$6,793
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$119,042	$119,042
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$14,918	$14,918
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,338	$2,338
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$124,966	$124,966
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$6,184	$6,184
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$20,189	$20,189
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$554,988	$554,988
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$259,044	$259,044

Year: 2022 Board Approved

Corporate Cost Allocation

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Corporate Costs %	Amount Allocated $
FortisOntario	CNPI-Distribution	Building Rent	market based	65%	$410,315
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	8%	$125,576
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	3%	$38,070
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	31%	$478,299
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	21%	$382,675

Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

Year: 2022 Actuals

Shared Services

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Price for the Service $	Cost for the Service $
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$57,092	$57,092
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$70,351	$70,351
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$647,599	$647,599
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$558,263	$558,263
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$87,389	$87,389
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$47,748	$47,748
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$600,644	$600,644
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$479,707	$479,707
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$19,741	$19,741
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$7,301	$7,301
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$158,199	$158,199
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$114,845	$114,845
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$28,622	$28,622
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$10,610	$10,610
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$229,418	$229,418
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$166,575	$166,575
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$39,477	$39,477
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$6,533	$6,533
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$114,480	$114,480
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$14,328	$14,328
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,220	$2,220
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$141,444	$141,444
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$8,196	$8,196
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$23,949	$23,949
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$550,030	$550,030
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$240,155	$240,155

Year: 2022 Actuals

Corporate Cost Allocation

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Corporate Costs %	Amount Allocated $
FortisOntario	CNPI-Distribution	building rent	market based	65%	$410,456
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	8%	$125,576
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	3%	$38,070
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	31%	$478,299
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	21%	$382,675

Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

Year: 2023 Actuals

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$58,030	$58,030
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$72,368	$72,368
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$668,202	$668,202
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$579,726	$579,726
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$95,840	$95,840
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$53,711	$53,711
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$671,783	$671,783
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$534,706	$534,706
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$22,854	$22,854
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$8,478	$8,478
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$185,685	$185,685
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$134,588	$134,588
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$39,988	$39,988
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$14,833	$14,833
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$324,894	$324,894
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$235,489	$235,489
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$45,291	$45,291
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$7,708	$7,708
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$133,497	$133,497
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$16,709	$16,709
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,171	$2,171
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$153,498	$153,498
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$8,873	$8,873
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$22,538	$22,538
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$545,279	$545,279
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$193,234	$193,234

1

Year: 2023 Actuals

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	Corporate Costs	Amount Allocated
From	To			%	$
FortisOntario	CNPI-Distribution	building rent	market based	65%	$418,665
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	7%	$119,478
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	3%	$42,106
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	31%	$484,999
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	21%	$393,141

Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

2

Year: 2024 Actuals

Shared Services

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Price for the Service $	Cost for the Service $
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$59,075	$59,075
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$78,035	$78,035
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$687,694	$687,694
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$589,460	$589,460
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$104,218	$104,218
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$58,012	$58,012
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$723,441	$723,441
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$577,559	$577,559
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$22,599	$22,599
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$8,536	$8,536
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$182,904	$182,904
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$132,786	$132,786
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$38,326	$38,326
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$14,381	$14,381
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$309,968	$309,968
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$224,931	$224,931
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$48,434	$48,434
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$8,167	$8,167
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$141,814	$141,814
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$17,747	$17,747
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,339	$2,339
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$148,539	$148,539
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$8,607	$8,607
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$24,016	$24,016
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$673,890	$673,890
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$228,200	$228,200

1

Year: 2024 Actuals

Corporate Cost Allocation

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Corporate Costs %	Amount Allocated $
FortisOntario	CNPI-Distribution	building rent	market based	65%	$427,039
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	7%	$111,108
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	3%	$38,946
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	31%	$448,600
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	21%	$363,687

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Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

Year: 2025 Actuals

Shared Services

Name of Company: From	Name of Company: To	Service Offered	Pricing Methodology	Price for the Service $	Cost for the Service $
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$62,070	$62,070
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$83,612	$83,612
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$726,113	$726,113
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$620,781	$620,781
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$98,848	$98,848
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$54,778	$54,778
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$683,448	$683,448
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$545,979	$545,979
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$24,405	$24,405
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$9,194	$9,194
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$196,908	$196,908
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$142,968	$142,968
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$36,039	$36,039
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$13,572	$13,572
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$290,774	$290,774
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$211,113	$211,113
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$51,089	$51,089
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$8,571	$8,571
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$149,097	$149,097
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$18,658	$18,658
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,541	$2,541
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$179,290	$179,290
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$10,387	$10,387
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$24,016	$24,016
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$714,665	$714,665
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$253,824	$253,824

1

Year: 2025 Actuals

Corporate Cost Allocation

Name of Company: From	Name of Company: To	Service Offered	Pricing Methodology	Corporate Costs %	Amount Allocated $
FortisOntario	CNPI-Distribution	building rent	market based	65%	$548,068
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	7%	$113,072
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	3%	$39,560
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	31%	$455,675
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	21%	$369,442

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Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

1

		Year:	2026	Bridge	

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$64,217	$64,217
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$90,004	$90,004
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$768,268	$768,268
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$657,432	$657,432
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$122,355	$122,355
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$70,080	$70,080
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$863,246	$863,246
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$690,802	$690,802
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$25,867	$25,867
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$10,043	$10,043
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$212,894	$212,894
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$154,819	$154,819
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$34,278	$34,278
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$13,309	$13,309
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$282,116	$282,116
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$205,159	$205,159
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$71,538	$71,538
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$12,406	$12,406
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$213,028	$213,028
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$26,704	$26,704
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,338	$2,338
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$135,668	$135,668
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$7,863	$7,863
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$24,916	$24,916
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$697,911	$697,911
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$237,485	$237,485

2

		Year:	2026	Bridge	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	Corporate Costs	Amount Allocated
From	To			%	$
FortisOntario	CNPI-Distribution	building rent	market based	65%	$444,291
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	8%	$119,928
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	3%	$40,062
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	31%	$461,454
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	21%	$374,598

Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

Year: 2027 Test

Shared Services

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Price for the Service $	Cost for the Service $
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$61,751	$61,751
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$92,540	$92,540
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$862,929	$862,929
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$719,986	$719,986
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$93,907	$93,907
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$47,543	$47,543
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$970,996	$970,996
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$769,997	$769,997
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$29,259	$29,259
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$9,974	$9,974
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$319,180	$319,180
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$234,858	$234,858
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$27,797	$27,797
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$9,476	$9,476
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$303,232	$303,232
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$223,123	$223,123
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$88,004	$88,004
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$0	$0
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$197,137	$197,137
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$84,512	$84,512
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,333	$2,333
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$122,387	$122,387
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$8,667	$8,667
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$24,016	$24,016
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$845,665	$845,665
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$243,064	$243,064

1

Year: 2027 Test

Corporate Cost Allocation

Name of Company From	Name of Company To	Service Offered	Pricing Methodology	Corporate Costs %	Amount Allocated $
FortisOntario	CNPI-Distribution	building rent	market based	61%	$465,422
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	8%	$139,892
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	2%	$32,678
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	25%	$577,240
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	20%	$467,231

Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

2

3

Table 4 - 16 summarizes the variances included in the Appendix 2-N tables above. Subsequent sub-sections provide explanations of any variance above CNPI's materiality threshold of $145,000 between 2022 Board Approved and 2027 Test, and then 2025 Actual and 2027 Test.

Table 4 - 16: Shared Services and Corporate Cost Allocation –Variances

Year: 2027 Test vs 2022 Board Approved

Shared Services

Name of Company		Service Offered	Pricing Methodology	2027 Test	2022 Board Approved	Variance
From	To			$	$	$
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$61,751	$56,344	$5,407
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$92,540	$75,580	$16,961
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$862,929	$664,658	$198,271
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$719,986	$572,336	$147,650
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$93,907	$75,305	$18,602
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$47,543	$42,470	$5,073
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$970,996	$533,877	$437,118
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$769,997	$427,106	$342,891
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$29,259	$17,549	$11,710
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$9,974	$6,709	$3,265
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$319,180	$145,134	$174,046
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$234,858	$105,513	$129,344
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$27,797	$27,589	$209
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$9,476	$10,547	-$1,072
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$303,232	$228,163	$75,070
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$223,123	$165,875	$57,248
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$88,004	$39,783	$48,221
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$0	$6,793	-$6,793
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$197,137	$119,042	$78,095
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$84,512	$14,918	$69,593
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,333	$2,338	-$5
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$122,387	$124,966	-$2,579
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$8,667	$6,184	$2,483
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$24,016	$20,189	$3,828
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$845,665	$554,988	$290,677
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$243,064	$259,044	-$15,980

Year: 2027 Test vs 2022 Board Approved

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	2027 Test	2022 Board Approved	Variance
From	To			$	$	$
FortisOntario	CNPI-Distribution	building rent	market based	$465,422	$410,315	$55,107
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	$139,892	$125,576	$14,316
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	$32,678	$38,070	-$5,392
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	$577,240	$478,299	$98,941
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	$467,231	$382,675	$84,556

Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

Year: **2027 Test vs 2025 Actuals**

Shared Services

Name of Company		Service Offered	Pricing Methodology	2027 Test	2025 Actuals	Variance
From	To			$	$	$
CNPI-Distribution	CNPI-Transmission	Finance & Procurement	cost-base	$61,751	$62,070	-$319
CNPI-Distribution	FortisOntario	Finance & Procurement	cost-base	$92,540	$83,612	$8,928
CNPI-Distribution	Algoma Power	Finance & Procurement	cost-base	$862,929	$726,113	$136,816
CNPI-Distribution	Cornwall Electric	Finance & Procurement	cost-base	$719,986	$620,781	$99,205
CNPI-Distribution	CNPI-Transmission	Enterprise Technology (OM&A component)	cost-base	$93,907	$98,848	-$4,941
CNPI-Distribution	FortisOntario	Enterprise Technology (OM&A component)	cost-base	$47,543	$54,778	-$7,235
CNPI-Distribution	Algoma Power	Enterprise Technology (OM&A component)	cost-base	$970,996	$683,448	$287,548
CNPI-Distribution	Cornwall Electric	Enterprise Technology (OM&A component)	cost-base	$769,997	$545,979	$224,018
CNPI-Distribution	CNPI-Transmission	Human Resources	cost-base	$29,259	$24,405	$4,854
CNPI-Distribution	FortisOntario	Human Resources	cost-base	$9,974	$9,194	$780
CNPI-Distribution	Algoma Power	Human Resources	cost-base	$319,180	$196,908	$122,272
CNPI-Distribution	Cornwall Electric	Human Resources	cost-base	$234,858	$142,968	$91,890
CNPI-Distribution	CNPI-Transmission	Health, Safety, Environment	cost-base	$27,797	$36,039	-$8,242
CNPI-Distribution	FortisOntario	Health, Safety, Environment	cost-base	$9,476	$13,572	-$4,096
CNPI-Distribution	Algoma Power	Health, Safety, Environment	cost-base	$303,232	$290,774	$12,459
CNPI-Distribution	Cornwall Electric	Health, Safety, Environment	cost-base	$223,123	$211,113	$12,010
CNPI-Distribution	CNPI-Transmission	Regulatory	cost-base	$88,004	$51,089	$36,915
CNPI-Distribution	FortisOntario	Regulatory	cost-base	$0	$8,571	-$8,571
CNPI-Distribution	Algoma Power	Regulatory	cost-base	$197,137	$149,097	$48,041
CNPI-Distribution	Cornwall Electric	Regulatory	cost-base	$84,512	$18,658	$65,854
CNPI-Distribution	CNPI-Transmission	CNPI Board	cost-base	$2,333	$2,541	-$208
CNPI-Distribution	CNPI-Transmission	Property Maintenance and Materials Management	cost-base	$122,387	$179,290	-$56,903
CNPI-Distribution	FortisOntario	Property Maintenance and Materials Management	cost-base	$8,667	$10,387	-$1,719
Cornwall Electric	CNPI-Distribution	Materials Management	cost-base	$24,016	$24,016	$0
FortisOntario	CNPI-Distribution	Corporate Services	cost-base	$845,665	$714,665	$131,000
Fortis Inc.	CNPI-Distribution	Administrative services	cost-base	$243,064	$253,824	-$10,761

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Year: **2027 Test vs 2025 Actuals**

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	2027 Test	2025 Actuals	Variance
From	To			$	$	$
FortisOntario	CNPI-Distribution	building rent	market based	$465,422	$548,068	-$82,646
CNPI-Distribution	CNPI-Transmission	Shared ET & Equipment	cost-base (Note 1)	$139,892	$113,072	$26,820
CNPI-Distribution	FortisOntario	Shared ET	cost-base (Note 1)	$32,678	$39,560	-$6,882
CNPI-Distribution	Algoma Power	Shared ET	cost-base (Note 1)	$577,240	$455,675	$121,565
CNPI-Distribution	Cornwall Electric	Shared ET & Equipment	cost-base (Note 1)	$467,231	$369,442	$97,790

2 Note 1: Price for the Service is the depreciation cost plus cost of capital based on average NBV

FINANCE AND PROCUREMENT FROM CNPI DISTRIBUTION TO AFFILIATES

2027 TEST VS 2022 BOARD APPROVED (TO ALGOMA POWER INCREASE OF $198K, TO CORNWALL ELECTRIC INCREASE OF $148K)

The majority of shared costs allocated for this group are salary and benefit costs (per 2-K). See Section 4.4 for discussion on total compensation cost increases from 2022 Board Approved to 2027 Test Year. In 2025, an additional staff member (Financial Accountant) was added to the Finance shared services team. See Section 4.4.2 for supporting explanation for this resource addition.

ENTERPRISE TECHNOLOGY FROM CNPI DISTRIBUTION TO AFFILIATES

2027 TEST VS 2022 BOARD APPROVED (TO ALGOMA POWER INCREASE OF $437K, TO CORNWALL ELECTRIC INCREASE OF $343K)

ET related shared costs allocated consist generally of: salary and benefits costs (per 2-K), system consultants, networking, cloud hosting, warranty agreements, and software maintenance fees (that are not departmental specific). See Section 4.4 for discussion on total compensation cost increases from 2022 Board Approved to 2027 Test Year. There have been several FTE additions to the ET shared service team between 2022 Board Approved and 2027 Test Year: a Junior ET Technician, an Application Programmer/Analyst, a ET Technician, a Data Analyst, and a Technical Support Specialist. See Section 4.4.2 for supporting explanations for these resource additions. CNPI has experienced third party software-based cost increases that have outpaced the rate of inflation (see Section 4.2.2.7). Additionally, costs no longer capitalized resulting from a change in accounting policy regarding cloud computing arrangements (Acg-20, see Section 4.2.2.7) are reflected in ET shared costs allocated. Also, some of the more significant estimated cybersecurity related costs identified in Section 4.2.2.5 and 4.3.2.18 fall under this ET shared service category.

2027 TEST VS 2025 ACTUALS (TO ALGOMA POWER INCREASE OF $288K, TO CORNWALL ELECTRIC INCREASE OF $224K)

The explanations for this increase align with the explanations as compared to 2022 Board Approved above, including the impact of the additional staff members added in 2026 Bridge and 2027 Test (an ET Technician, a Data Analyst and Technical Support Specialist).

HUMAN RESOURCES FROM CNPI DISTRIBUTION TO AFFILIATES

2027 TEST VS 2022 BOARD APPROVED (TO ALGOMA POWER INCREASE OF $174K)

The majority of shared costs allocated for this group are salary and benefit costs (per 2-K). See Section 4.4 for discussion on total compensation cost increases from 2022 Board Approved to 2027 Test Year. There have been two FTE additions to HR shared service team between 2022 Board Approved and 2027; a Business Analyst and an HR Advisor. See Section 4.4.2 for supporting explanation for these resource additions.

CORPORATE SERVICES FROM FORTISONTARIO TO CNPI DISTRIBUTION

2027 TEST VS 2022 BOARD APPROVED (INCREASE OF $291K)

The majority of shared costs allocated for this group are salary and benefit costs (per 2-K). See Section 4.4 for discussion on total compensation cost increases from 2022 Board Approved to 2027 Test Year. Additionally, per Section 4.5.1, the Executive and administrative services have seen an immaterial increase in allocations to CNPI. This is reflective of the increased relative level of oversight effort required at the corporate level.

4.6 PURCHASES OF NON-AFFILIATE SERVICES

4.6.1 NON-AFFILIATE SERVICES

FortisOntario Policy PUR-001 is the policy that covers purchases of non-affiliate services. Policy PUR-001 was updated on January 1, 2026. Policy PUR-001, along with some of the procedures are attached as Attachment 4-D to this exhibit.

Policy PUR-001, FortisOntario's Purchasing Policy & Procedures sets out the accepted means of sourcing, including the prerequisites required to be met before proceeding with soliciting vendors for information and prices. Policy PUR001-01 allows for outsourcing of service expenses primarily through two means:

1) Competitive Procurement

Policy PUR001-01 states that all efforts shall be made to find more than one source of supply and that three bidders is the ideal number for a competitive bid. Processes such as a Request for Quotations ("RFQ"), Request for Proposals ("RFP") and Request for Tender ("RFT") are to be used for purchases over $15,000 unless the source of supply doesn't allow for competitive bidding.

In most cases the procurement process is handled directly by CNPI, however in other cases this process might be managed by affiliates, or parent companies in order to leverage economies of scale.

2) Single/Sole Source

Policy PUR001-01 allows for single or sole-sourcing in circumstances where the source for supply does not allow for competitive bidding. Section 11 (d) of Policy PUR001-01 outlines the specific requirements where single or sole sourcing is allowed. The policy also allows for purchases with an annual spend under $15,000 to be single-sourced in order to facilitate low dollar-value purchases.

Both procurement methods are subject to the rules and controls that CNPI has built into its ERP system. The purpose being to provide visibility on the acquisition and to have an authorized approval for all goods and services purchased. Approval authorizations are tiered to specific positions within CNPI with specific dollar limitations. Purchases over the $75,000 limit become the responsibility of the CNPI Executives to review and approve. High dollar expenses are authorized by one or more of the Executives upon a Purchase over $250,000 as per FIN-001 Authorization Policy.

CNPI also employs a Corporate Buyer. The buyer is responsible to seek the optimal combination of logistics activities and their attributes such as price, quality, speed and security and to manage the resulting information and monetary flows. Additional responsibilities of the buyer include overseeing the acquisition, use and disposition of goods, materials and services to fulfill internal and external customer needs. The specific duties of the buyer include but are not limited to:

1) Administration of the FortisOntario Corporate Purchasing Policy.
2) Prepare and administer competitive bidding documents and processes. This includes but is not limited to: issuing the bid; summarizing submissions; assisting with the review and selection process; finalizing and managing any contractual documents and the ongoing maintenance thereof.
3) Review and evaluate purchase orders submitted through the ERP system to ensure reasonableness, accuracy and policy compliance prior to Management approval.
4) Prepare and submit the forms for Executive signoff.
5) Review and investigate invoices for any price, product or service discrepancies.
6) Develop new supply sources and stay abreast of new trends and innovations in routinely purchased supplies, materials, services and equipment.
7) Maintain price lists on assigned commodities and negotiate prices and terms.
8) Solicit labour and equipment rates for cost comparisons.

Table 4-17 below lists non-affiliated services that were purchased between 2022 and 2025 inclusive, that were sole-sourced in accordance with one or more of the exception criteria included in Section 4.5 of Policy PUR-001-01 dated May 16, 2014; a $100,000 materiality threshold was used. Explanations for the exceptions are provided following the table.

For some of the vendors identified below, the cost noted relates to services provided or materials purchased for both CNPI and its affiliates, paid by CNPI. For those types of invoices, although the full amount of the invoice may be paid out of CNPI, the cost is then allocated across CNPI and its applicable affiliates and a corresponding due from affiliates transaction is triggered in CNPI’s accounting system. For those examples, the annual cost amounts provided below were the gross cost incurred for that vendor in that particular year before allocation to affiliates. CNPI has applied generic labels for the goods and services procured, so that individual providers cannot be identified. For example, “legal services” may include specialized legal services in a particular field.

1
Table 4 - 17: Sole- Source Exceptions by Year

Year	Nature of Service	Exception	Annual Expense	Note
2022	Equipment Services	4.5(c), (g)	$ 367,969.33	Technical and HS&E Standards/Recent history that supplied is lower-priced
2022	Equipment Services	4.5(c), (g)	$ 404,817.13	Technical and HS&E Standards/Recent history that supplied is lower-priced
2022	Equipment Services	4.5(c)	$ 284,440.44	Technical and HS&E Standards
2022	Fuel & Building Maintenance	4.5(g)	$ 416,577.38	Recent history that supplied is lower-priced
2022	Inventory	4.5(g)	$ 146,963.56	Recent history that supplied is lower-priced
2022	Inventory	4.5(g)	$ 2,084,993.21	Recent history that supplied is lower-priced
2022	Inventory	4.5(g)	$ 101,825.71	Recent history that supplied is lower-priced
2022	IT Equipment/Software	4.5(d)	$ 272,798.27	Unique/Standardized equipment requirements
2022	IT Equipment/Software	4.5(c), (g)	$ 340,393.93	Technical and HS&E Standards/Recent history that supplied is lower-priced
2022	IT Equipment/Software	4.5(d)	$ 129,904.80	Unique/Standardized equipment requirements
2022	IT Equipment/Software	4.5(d)	$ 245,696.73	Unique/Standardized equipment requirements
2022	IT Services	4.5(c)	$ 148,990.50	Technical and HS&E Standards
2022	IT Services	4.5(c)	$ 140,346.00	Technical and HS&E Standards
2022	Legal Services	4.5(a)	$ 226,621.50	Only one supplier available
2022	Locates	4.5(c)	$ 260,760.11	Technical and HS&E Standards
2022	Metering	4.5(d)	$ 180,483.20	Unique/Standardized equipment requirements
2022	Metering	4.5(c), (d)	$ 123,263.75	Technical and HS&E Standards/Unique standardized equipment requirements
2022	Metering	4.5(c), (d)	$ 301,071.96	Technical and HS&E Standards/Unique standardized equipment requirements
2022	Metering	4.5(c), (d)	$ 241,044.19	Technical and HS&E Standards/Unique standardized equipment requirements
2022	Telephone	4.5(a)	$ 262,107.23	Only one supplier available
2022	Asset Repairs and Maintenance	4.5(a)	$ 169,660.46	Only one supplier available
2022	Asset Repairs and Maintenance	4.5(g)	$ 793,921.75	Recent history that supplied is lower-priced
2022	Asset Repairs and Maintenance	4.5(a)	$ 230,985.21	Only one supplier available

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Year	Nature of Service	Exception	Annual Expense	Note
2023	Admin Services	4.5(c), (d)	$ 211,449.05	Technical and HS&E Standards/Unique standardized equipment requirements
2023	Fuel & Building Maintenance	4.5(a)	$ 109,966.75	Only one supplier available
2023	Equipment Services	4.5(c), (g)	$ 341,570.11	Technical and HS&E Standards/Recent history that supplied is lower-priced
2023	Equipment Services	4.5(c), (g)	$ 352,878.97	Technical and HS&E Standards/Recent history that supplied is lower-priced
2023	Equipment Services	4.5(c), (g)	$ 130,786.20	Technical and HS&E Standards/Recent history that supplied is lower-priced
2023	Equipment Services	4.5(c)	$ 178,477.04	Technical and HS&E Standards
2023	Fuel & Building Maintenance	4.5(g)	$ 474,800.27	Recent history that supplied is lower-priced
2023	Inventory	4.5(g)	$ 130,764.62	Recent history that supplied is lower-priced
2023	Inventory	4.5(g)	$ 1,115,088.16	Recent history that supplied is lower-priced
2023	IT Equipment/Software	4.5(d)	$ 280,432.70	Unique/Standardized equipment requirements
2023	IT Equipment/Software	4.5(c), (g)	$ 439,311.60	Technical and HS&E Standards/Recent history that supplied is lower-priced
2023	IT Equipment/Software	4.5(d)	$ 775,264.75	Unique/Standardized equipment requirements
2023	IT Equipment/Software	4.5(d)	$ 195,428.30	Unique/Standardized equipment requirements
2023	IT Services	4.5(c)	$ 220,928.50	Technical and HS&E Standards
2023	IT Services	4.5(c)	$ 159,721.79	Technical and HS&E Standards
2023	IT Services	4.5(c)	$ 184,585.50	Technical and HS&E Standards
2023	Legal Services	4.5(a)	$ 318,490.50	Only one supplier available
2023	Line Construction	4.5(g)	$ 176,961.83	Recent history that supplied is lower-priced
2023	Locates	4.5(c)	$ 225,216.43	Technical and HS&E Standards
2023	Membership	4.5(a)	$ 202,496.00	Only one supplier available
2023	Metering	4.5(d)	$ 323,693.04	Unique/Standardized equipment requirements
2023	Metering	4.5(d)	$ 334,303.32	Unique/Standardized equipment requirements
2023	Metering	4.5(c), (d)	$ 262,248.33	Technical and HS&E Standards/Unique standardized equipment requirements
2023	Metering	4.5(c), (d)	$ 303,151.74	Technical and HS&E Standards/Unique standardized equipment requirements
2023	Metering	4.5(d)	$ 309,432.78	Unique/Standardized equipment requirements
2023	T&D Equipment	4.5(d)	$ 137,176.35	Unique/Standardized equipment requirements
2023	T&D Equipment	4.5(d)	$ 150,443.68	Unique/Standardized equipment requirements
2023	T&D Equipment	4.5(d)	$ 156,073.78	Unique/Standardized equipment requirements
2023	Telephone	4.5(a)	$ 393,945.77	Only one supplier available
2023	Asset Repairs and Maintenance	4.5(d)	$ 532,471.64	Unique/Standardized equipment requirements
2023	Asset Repairs and Maintenance	4.5(g)	$ 2,570,036.19	Recent history that supplied is lower-priced
2023	Asset Repairs and Maintenance	4.5(a)	$ 170,856.00	Only one supplier available
2023	Asset Repairs and Maintenance	4.5(a)	$ 236,884.89	Only one supplier available

Year	Nature of Service	Exception	Annual Expense	Note
2024	Admin Services	4.5(c), (d)	$ 145,682.91	Technical and HS&E Standards/Unique standardized equipment requirements
2024	Fuel & Building Maintenance	4.5(a)	$ 182,700.09	Only one supplier available
2024	Equipment Services	4.5(c), (g)	$ 306,984.61	Technical and HS&E Standards/Recent history that supplied is lower-priced
2024	Equipment Services	4.5(c), (g)	$ 265,994.41	Technical and HS&E Standards/Recent history that supplied is lower-priced
2024	Equipment Services	4.5(c)	$ 141,421.26	Technical and HS&E Standards
2024	Fuel & Building Maintenance	4.5(g)	$ 444,415.73	Technical and HS&E Standards/Recent history that supplied is lower-priced
2024	Inventory	4.5(g)	$ 1,231,238.56	Recent history that supplied is lower-priced
2024	IT Equipment/Software	4.5(d)	$ 115,327.92	Unique/Standardized equipment requirements
2024	IT Equipment/Software	4.5(c), (g)	$ 252,176.46	Technical and HS&E Standards/Recent history that supplied is lower-priced
2024	IT Equipment/Software	4.5(d)	$ 184,196.78	Unique/Standardized equipment requirements
2024	IT Equipment/Software	4.5(d)	$ 188,862.22	Unique/Standardized equipment requirements
2024	IT Services	4.5(c)	$ 163,228.50	Technical and HS&E Standards
2024	IT Services	4.5(c)	$ 104,526.19	Technical and HS&E Standards
2024	IT Services	4.5(c)	$ 281,497.20	Technical and HS&E Standards
2024	Legal Services	4.5(a)	$ 163,514.42	Only one supplier available
2024	Locates	4.5(c)	$ 225,705.29	Technical and HS&E Standards
2024	Membership	4.5(a)	$ 105,542.00	Only one supplier available
2024	Metering	4.5(c), (d)	$ 117,460.19	Technical and HS&E Standards/Unique standardized equipment requirements
2024	Metering	4.5(c), (d)	$ 263,350.08	Technical and HS&E Standards/Unique standardized equipment requirements
2024	Metering	4.5(c), (d)	$ 304,315.18	Technical and HS&E Standards/Unique standardized equipment requirements
2024	Metering	4.5(d)	$ 249,899.88	Unique/Standardized equipment requirements
2024	Station Maintenance	4.5(c), (g)	$ 140,052.20	Technical and HS&E Standards/Recent history that supplied is lower-priced
2024	Asset Repairs and Maintenance	4.5(a)	$ 120,997.02	Only one supplier available
2024	Telephone	4.5(a)	$ 202,483.11	Only one supplier available
2024	Telephone	4.5(a)	$ 139,126.80	Only one supplier available
2024	Asset Repairs and Maintenance	4.5(g)	$ 2,371,352.11	Recent history that supplied is lower-priced
2024	Asset Repairs and Maintenance	4.5(a)	$ 754,121.53	Only one supplier available

Year	Nature of Service	Exception	Annual Expense	Note
2025	Admin Services	4.5(c), (d)	$ 196,889.98	Technical and HS&E Standards/Unique standardized equipment requirements
2025	Fuel & Building Maintenance	4.5(a)	$ 103,913.55	Only one supplier available
2025	Fuel & Building Maintenance	4.5(a)	$ 159,165.06	Only one supplier available
2025	Electrical Services	4.5(c)	$ 241,302.59	Technical and HS&E Standards
2025	Equipment Services	4.5(c), (g)	$ 359,063.93	Technical and HS&E Standards/Recent history that supplied is lower-priced
2025	Equipment Services	4.5(c), (g)	$ 310,214.30	Technical and HS&E Standards/Recent history that supplied is lower-priced
2025	Equipment Services	4.5(c)	$ 143,504.49	Technical and HS&E Standards
2025	Fuel & Building Maintenance	4.5(g)	$ 490,813.69	Recent history that supplied is lower-priced
2025	Inventory	4.5(g)	$ 702,486.51	Recent history that supplied is lower-priced
2025	IT Equipment/Software	4.5(c), (g)	$ 370,761.92	Technical and HS&E Standards/Recent history that supplied is lower-priced
2025	IT Equipment/Software	4.5(d)	$ 172,679.13	Unique/Standardized equipment requirements
2025	IT Equipment/Software	4.5(c), (g)	$ 281,974.72	Technical and HS&E Standards/Recent history that supplied is lower-priced
2025	IT Equipment/Software	4.5(d)	$ 182,046.12	Unique/Standardized equipment requirements
2025	IT Equipment/Software	4.5(d)	$ 206,305.23	Unique/Standardized equipment requirements
2025	IT Equipment/Software	4.5(d)	$ 250,395.52	Unique/Standardized equipment requirements
2025	IT Services	4.5(c)	$ 120,203.81	Technical and HS&E Standards
2025	IT Services	4.5(c)	$ 104,558.90	Technical and HS&E Standards
2025	IT Services	4.5(c)	$ 282,030.38	Technical and HS&E Standards
2025	Locates	4.5(c)	$ 194,340.76	Technical and HS&E Standards
2025	Membership	4.5(a)	$ 108,141.00	Only one supplier available
2025	Metering	4.5(c), (d)	$ 265,983.60	Technical and HS&E Standards/Unique standardized equipment requirements
2025	Metering	4.5(d)	$ 240,464.00	Unique/Standardized equipment requirements
2025	Metering	4.5(c), (d)	$ 314,141.04	Technical and HS&E Standards/Unique standardized equipment requirements
2025	Asset Repairs and Maintenance	4.5(c), (g)	$ 260,524.57	Technical and HS&E Standards/Recent history that supplied is lower-priced
2025	T&D Equipment	4.5(d)	$ 110,751.30	Unique/Standardized equipment requirements
2025	Telephone	4.5(a)	$ 310,882.88	Only one supplier available
2025	Asset Repairs and Maintenance	4.5(g)	$ 863,450.76	Recent history that supplied is lower-priced
2025	Asset Repairs and Maintenance	4.5(a)	$ 392,551.29	Only one supplier available

4.7 REGULATORY ONE-TIME COSTS

In compliance with OEB policy and the Filing Requirements, certain costs associated with this cost of service application are being amortized over the normal five-year rate-setting period, by including one-fifth of the total cost in the 2027 Test Year. These regulatory costs, outlined in Table 4 - 18, include application-specific costs related to consultants, legal representation, and intervenor cost awards, and are based on experience in prior cost of service applications. As outlined in the cost drivers explanations above, several scope increases for this Application (to comply with new policies, address internal resourcing changes, and fulfil prior COS commitments/updates) have resulted in a forecasted increase in COS third party costs. The forecasted costs also include a provision for items outside of CNPI's direct control that would increase Application costs, including a higher than expected number of intervenors and/or procedural steps beyond the minimum (ie: requirement for a written or oral hearing).

CNPI confirms that its one-time costs related to this Application have been tracked separately and are therefore not included in the historical actual amounts presented elsewhere in this Exhibit 4.

Table 4 - 18: One-Time Application Costs

Category	Cost
Legal Costs	$100,000
Consultant Costs	$230,000
Intervenor & OEB Costs	$120,000
Other and Miscellaneous Costs	$50,000
Total	**$500,000**

With the exception of the one-time costs identified above, all other costs presented in the proposed 2027 Test Year OM&A budget are considered regular year over year expenses

CNPI Confirms that ongoing regulatory costs are included with the administrative costs in OM&A, and have been considered in the cost drivers variance analysis.

Table 4-19 below is consistent with Chapter 2 Appendix 2-M, which outlines the 2022 board-approved and actual costs, as well as the forecasted costs for this Application. CNPI notes that an element of OM&A reduction was allocated to account 5655 as a result of the Settlement in the last COS, and this reduction was assumed to be allocated to the Board Approved level of COS one-time costs.

CNPI incurred $86,743 in incremental costs in 2025 associated with this Application, with the remainder of the one-time Application costs expected to be incurred in the 2026 Bridge Year. CNPI has reflected $100,000 in amortized application costs in Account 5655 for the Test Year.

Table 4 - 19: Regulatory Cost Schedule (OEB Appendix 2-M)

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Costs (One-Time)	Last Rebasing (2022 OEB Approved)	Last Rebasing (2022 Actual)	Sum Of Historical Years (2023-2025)	2026 Bridge Year	2027 Test Year
		(A)	(B)	(C)	(D)	(E)
1	Expert Witness costs					
2	Legal costs	79,444	39,900	1,350	98,650	
3	Consultants' costs	90,278	86,518	85,393	144,607	
4	Intervenor costs	72,222	68,681	0	100,000	
5	OEB Section 30 Costs (application-related)				20,000	
6	incremental operating expenses for application	18,056	6,275	0		
7	contingency for added intervenors/procedure				50,000	
	Sub-total - One-time Costs	$ 260,000	$ 201,374	$ 86,743	$ 413,257	$ -

Application-Related One-Time Costs	Total (F =C+D+E)
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 500,000
1/5 of Total One-Time Costs	$ 100,000

4.8 LEAP, CHARITABLE & POLITICAL DONATIONS

4.8.1 LEAP

As set out in the March 2009, OEB issued Report of the Board: Low Income Energy Assistance Program (the LEAP Report), CNPI has allocated at least 0.12% of its OEB-approved distribution revenue requirement to provide consumers assistance in response to affordability issues. Based on CNPI's 2022 Board Approved Service Revenue Requirement of $23,184,975, CNPI determined that $27,822 was the minimum amount required for LEAP funding for 2022 Actuals to 2026 Bridge.

On February 12, 2024, the OEB issued a Letter regarding changes to the Low-Income Energy Assistance Program Emergency Financial Assistance (OEB Case No. EB-2023-0135, the "LEAP Letter"). Among other changes, the OEB announced:

- Increased maximum grant amounts;
- Increased eligibility criteria making more customers LEAP-eligible; and
- A requirement for LDCs to provide LEAP funding such that no eligible applicant will be denied funding. Following the implementation of this requirement, CNPI has provided a significantly higher amount of funding for LEAP grants in each year.

For the 2027 Test Year, CNPI has proposed $155,000 for LEAP funding in OEB Account 6205. CNPI understands that going forward LDCs are to set an appropriate forecasted LEAP funding amount forecasted to cover the grants for all eligible LEAP applicants, regardless of the prior 0.12% rule.

In CNPI, the Low-Income Energy Assistance Programs began in 2011 and CNPI has continued to provide support for this program since that time. CNPI currently works with Port Cares in Niagara and Volunteer Centre of St. Lawrence-Rideau in the EOP service territory as the lead organizations to administer the LEAP program. Table 4-20 below outlines the LEAP funding for historical years. The proposed Test Year funding amount of $155,000 is consistent with the trending in 2024 and 2025 actual funding levels required.

Table 4-20: LEAP Funding 2022-2025

Year	LEAP Funding
2022	$26,921
2023	$28,852
2024	$147,468
2025	$157,555

The LEAP Expenses for 2024-2026 recorded in account 6205 and OM&A reflective of the board-approved funding level from 2022, as CNPI has recorded amounts exceeding this funding level in Account 1508- Sub-Account LEAP EFA Funding Deferral Account which was established in the LEAP Letter.

4.8.2 CHARITABLE AND POLITICAL DONATIONS

CNPI confirms that no charitable or political donations have been included for recovery in OM&A expenses for 2027 Test other than the LEAP funding noted above.

4.9 NON-WIRES SOLUTIONS AND CONSERVATION AND DEMAND MANAGEMENT

4.9.1 CONSERVATION AND DEMAND MANAGEMENT

CNPI confirms it is participating in the provincial eDSM Framework, which is funded through the Global Adjustment via the IESO. CNPI is not requesting funding through distribution rates to support the IESO programs.

CNPI has hired an eDSM Coordinator in 2026, which is a position fully funded through the eDSM framework, together with some incremental Regulatory department costs in 2026 to support the establishment of the new program. In 2027 and beyond, CNPI expects the new eDSM Coordinator to be self-sufficient with minimal involvement from the Regulatory Affairs resources. CNPI notes that it has not reflected the FTE or any compensation impacts associated with the eDSM Coordinator in the analysis of OM&A and/or compensation (ex: Appendix 2-K), because the position is fully funded through the IESO.

CNPI is also not proposing any Local Initiatives Programs, and has not included any associated costs in this Application.

4.9.2 NON-WIRES SOLUTIONS

In the DSP included as Attachment 2-A with Exhibit 2 of this Application, CNPI has outlined its methodology for considering Non-Wires Solutions (NWS) for distribution system needs. CNPI has also applied this methodology, with one project being selected through the pre-screening process for further investigation.

The Benefit Cost Analysis included as DSP Appendix J indicated the NWS is not the optimal solution, and as such, CNPI is not proposing any NWS projects for funding with this Application.

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

ATTACHMENT 4-A:

ECKLER 2026 - 2027 SALARY PROJECTION

March 6, 2026

Kristine Carmichael
Director of Corporate and Customer Service
Canadian Niagara Power
1218 1130 Bertie St
Fort Erie, Ontario
L2A 5Y2

Subject: 2026 – 2027 Salary Projections

Dear Kristine:

We understand that Canadian Niagara Power would like industry compensation projections for 2026/2027. Based on our current data, we project average salary increases for the utility sector in 2026/2027 to be in the 3.0% - 3.4% range. While data for 2027 is still emerging, early indications suggest similar trends to 2026 values.

From available data from 2026 surveys and additional research, we can provide the following insight:

- From the MEARIE Management Salary Survey, and a sample of Ontario local distribution companies, the 2026 average salary projection is 3.09%

- From Eckler's ePlanning compensation trends survey, which collected projections from over 500 organizations, Ontario based organizatinos projected an average of 3.2% for 2026 increases. Utility organizations projected an average of 3.4%, though the sample is small, with 7 organizations reporting.

- Based upon a sample of collective bargaining agreements which contain both 2026 and 2027 negotiated adjustments, the average of agreements reviewed suggests close to 3% (most data at 3.0%, with some at 2.75%). There are some retroactive negotiations underway, though higher values are generally not expected at this point. Several negotiations in 2024 were higher-level increases in direct response to higher inflation at the time.

Assuming inflation remains steady at the 2-3% target, we believe that the utility sector should continue to move in the low-mid 3% values.

The now-in-force pay transparency requirements in Ontario under the ESA may lead to increased scrutiny of salary ranges and potentially some upward pressure on compensation, particularly for in-demand skills. However, given the existing practices of many utility organizations that already provide expected compensation on job postings, we anticipate the overall impact to be moderate.

When the 2027 salary project data are available later in late summer/fall 2026, we would be pleased to provide you with additional insights. Please do not hesitate to reach out if you have any questions. You can reach me directly at 647-293-0183 or dchongsmith@eckler.ca.

Regards,

Recoverable Signature

X

Signed by: Deirdre Chong Smith

Deirdre Chong Smith, CHRL
Director, Compensation – Ontario Practice Lead

ATTACHMENT 4-B:

CANADIAN NIAGARA POWER PENSION VALUATION REPORT, DECEMBER 31, 2022

Mercer

welcome to brighter

FortisOntario Inc. Employees' Retirement and Supplementary Pension Plan

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2022

September 2023

Financial Services Regulatory Authority of Ontario Registration Number: 0271247

Canada Revenue Agency Registration Number: 0271247

A business of Marsh McLennan

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future, and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate, and the sensitivity to three adverse scenarios. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes, and the results are sensitive to all the assumptions used in the valuation.

Should the Plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the Plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the Plan assuming it is wound up in the future. In fact, even if the Plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security, and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the Pension Benefits Act (Ontario), the Income Tax Act, and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

Contents

Section 1
Summary of results – excluding DC component

	31.12.2022	31.12.2019
Going Concern Financial Status		
Market value of assets	$27,791,000	$33,565,800
Going concern funding liabilities	$20,591,300	$23,091,900
Provision for adverse deviations in respect of the going concern liabilities	$1,894,400	$2,078,300
Funding excess (shortfall)	$5,305,300	$8,395,600
Hypothetical Wind-up Financial Position		
Wind-up assets	$27,691,000	$33,475,800
Wind-up liability	$22,477,700	$28,116,200
Wind-up excess (shortfall)	$5,213,300	$5,359,600
Wind-up ratio	124%	119%
Funding Requirements in the Year Following the Valuation[1]		
Total current service cost	$151,700	$291,900
Expense allowance	$175,000	$175,000
Provision for adverse deviations in respect of current service cost and expense allowance	$30,100	$42,000
Total	$356,800	$508,900
Employer's current service cost and provision for adverse deviations in respect of the current service cost expressed as a percentage of members' pensionable earnings	16.9%	21.8%

[1] Provided for reference purposes only. Contributions must be remitted to the Plan in accordance with the Minimum Funding Requirements and Maximum Eligible Contributions sections of this report.

	31.12.2022	31.12.2019
Minimum special payments	$0	$0
Estimated minimum employer contribution	$0	$0
Estimated maximum eligible employer contribution	$356,800	$0
Next required valuation date	12.31.2025	12.31.2022

Section 2
Introduction

To FortisOntario Inc.

At the request of FortisOntario Inc., we have conducted an actuarial valuation of the FortisOntario Inc. Employees' Retirement and Supplementary Pension Plan (the "Plan"), sponsored by FortisOntario Inc. (the "Company"), as at the valuation date, December 31, 2022. We are pleased to present the results of the valuation.

Purpose

The purpose of this valuation is to determine:

- The funded status of the Plan as at December 31, 2022 on going concern, hypothetical wind-up, and solvency bases;
- The minimum required funding contributions from 2023, in accordance with the *Pension Benefits Act (Ontario)* (the "Act"); and
- The maximum permissible funding contributions from 2023, in accordance with the *Income Tax Act.*

The information contained in this report was prepared for the internal use of the Company, and for filing with the Financial Services Regulatory Authority of Ontario and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the Financial Services Regulatory Authority of Ontario and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than December 31, 2025, or as at the date of an earlier amendment to the Plan depending on any funding implications.

Terms of Engagement

In accordance with our terms of engagement with the Company, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.
- As instructed by the Company, we have not reflected a margin for adverse deviations in the going concern valuation in excess of the provision for adverse deviations prescribed by the Act.
- We have reflected the Company's decisions for determining the solvency funding requirements, summarized as follows:
  - The same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations.

— The solvency financial position was determined on a market value basis.

- As instructed by the Company, we have reflected the impact of various plausible adverse scenarios on the going concern, solvency and hypothetical wind-up financial position.

See the Valuation Results – Solvency section of the report for more information.

Events since the Last Valuation at December 31, 2019

Pension Plan

There have been no special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2022. The Plan has not been amended since the date of the previous valuation, and we are not aware of any pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the following:

	Current valuation	Previous valuation
Discount rate:	5.55%	4.55%

A summary of the going concern methods and assumptions is provided in Appendix C.

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix D.

Regulatory Environment and Actuarial Standards

There have been a number of changes to the Act and regulations that impact the funding of the Plan.

On September 21, 2020, the Ontario government filed Regulation 520/20, providing potential temporary funding relief for eligible single employer defined benefit pension plans registered in Ontario. The new regulation allows sponsors of eligible plans to defer required employer contributions starting with those contributions due in October 2020 and ending with contributions due in March 2021. Each deferred monthly contributions plus interest were due to be paid in 2 consecutive monthly payments ranging no later than April/May 2021 to February/March 2022. This funding relief did not apply to this Plan.

On July 23, 2020 and September 14, 2021, the Canadian Institute of Actuaries (the "CIA") published revisions to Section 3500 of the Standards of Practice on Pension Commuted Values (the "Commuted Value Standards"). The effective dates of the revisions to the Commuted Value Standards were December 1, 2020 and February 1, 2022 respectively.

From the effective dates, the revised Commuted Value Standards affect various assumptions used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer.

The revised Commuted Value Standards affect implied rates of inflation used for purposes of calculating commuted values from registered pension plans and affirmed that the select and ultimate non-indexed interest rates cannot be less than zero. From the effective date, the revised standards affect the assumptions used to value the wind-up liabilities for benefits assumed to be settled through a lump sum transfer.

The CIA also announced changes to the practice-specific standards for pension plans (Part 3000) on June 22, 2022. The final changes to Part 3000 took effect December 1, 2022. The key revisions to the standards impact the approach applied when setting going concern discount rates for plans with an investment allocation glide path, the treatment of pending amendments for valuation purposes, the quantification of plausible adverse scenarios and required disclosures in funding reports.

The changes to Part 3000 are reflected in this report.

Subsequent Events

After checking with representatives of the Company, to the best of our knowledge there have been no events subsequent to the valuation date that, in our opinion, would have a material impact on the results of the valuation as at December 31, 2022.

Impact of Case Law

This report has been prepared on the assumption that all claims on the Plan after the valuation date will be in respect of benefits payable to members of the Plan determined in accordance with the Plan terms and that all Plan assets are available to provide for these benefits. It is possible that court and regulatory decisions and changes in legislation could give rise to additional entitlements to benefits under the Plan and cause the results in this report to change. By way of example, we bring your attention to the following decisions:

- The Ontario Court of Appeal's 2003 decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* restricted the use of original plan surplus where two or more pension plans were merged.
- The Supreme Court of Canada's 2004 decision in *Monsanto Canada Inc. versus Superintendent of Financial Services* upheld the requirement, with retroactive effect, to distribute surplus on partial plan wind-up under the *Pension Benefits Act (Ontario)*.

We are not in a position to assess the impact that such decisions or changes could have on the assumption that all plan assets on the valuation date are available to provide for benefits determined in accordance with the Plan terms. If such a claim arises subsequent to the date of this report, the consequences will be dealt with in a subsequent report. We are making no representation as to the likelihood of such a claim.

Section 3

Defined contribution component of the plan

The Plan is made up of defined contribution ("DC") and defined benefit ("DB") components. The DC component is considered in this Section. The remainder of the report relates to the DB component of the Plan, unless otherwise noted.

Reconciliation of DC Assets

The DC assets are held by Sun Life Financial. In preparing this report, we have relied upon the auditors' report signed by Deloitte. A reconciliation of the DC assets from the date of the previous valuation is as follows:

	2020	2021	2022
January 1st	$6,255,592	$6,625,895	$7,539,557
PLUS			
Contributions	$525,375	$551,908	$606,647
Investment returns from all sources, net of expenses	$508,059	$936,965	($708,060)
	$1,033,434	$1,488,873	($101,413)
LESS			
Benefits paid to members	$663,131	$575,210	$152,313
	$663,131	$575,210	$152,313
December 31st	$6,625,895	$7,539,558	$7,285,831

Current Service Cost

We have estimated the members' DC required contributions and employer DC current service cost based on 2022 contributions increased by the going concern salary increase assumption. The projection until the next actuarial valuation as follows as follows:

	2023	2024	2025
Employer DC current service cost	$627,900	$649,900	$672,600

For reference, the Plan terms are summarized in Appendix F.

Section 4
Valuation results – Going concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	31.12.2022	31.12.2019
Assets		
Market value of assets	$27,791,000	$33,565,800
Going concern funding target		
Going concern liabilities:		
Active members	$4,615,300	$8,806,400
Pensioners and survivors	$15,953,600	$14,259,100
Deferred pensioners	$22,400	$26,400
Subtotal	$20,591,300	$23,091,900
Provision for adverse deviations in respect of going concern liabilities as prescribed by the Act	$1,894,400	$2,078,300
Total	$22,485,700	$25,170,200
Funding excess (shortfall)[2]	$5,305,300	$8,395,600

The going concern liabilities at December 31, 2022 do not include an additional margin for adverse deviations beyond the provision for adverse deviations prescribed by the Act.

[2] Funding excess (shortfall) may or may not be equal to the going concern excess (unfunded liability) as described in the Act. Details of the going concern excess (unfunded liability) are provided in Appendix A.

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		$8,395,600
Provision for Adverse Deviations (PfAD) at previous valuation		$2,078,300
Funding excess (shortfall) before PfAD		$10,473,900
Interest on funding excess (shortfall) before PfAD at 4.55% per year		$1,495,700
Employer's special payments, with interest		$0
Employer's contributions drawn from previous funding excess with interest		($1,587,500)
Expected funding excess (shortfall)		$10,382,100
Net experience gains (losses)		
• Investment return	($5,573,300)	
• Expenses different than assumed	$10,500	
• Increase in pensionable earnings	$163,400	
• Mortality	($55,700)	
• Retirement	$107,900	
Total experience gains (losses)		($5,347,200)
Impact of changes in assumptions		$2,166,500
Net impact of other elements of gains and losses		($1,700)
Funding excess (shortfall) before PfAD		$7,199,700
Provision for Adverse Deviations at current valuation		$1,894,400
Funding excess (shortfall) as at current valuation		$5,305,300

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely. A provision for adverse deviations in respect of the current service cost is determined in accordance with the Act.

The current service cost and the provision for adverse deviations in respect of the current service cost, during the year following the valuation date, compared with the corresponding values determined in the previous valuation, is as follows:

	2023	2020
Estimated members' pensionable earnings[3]	$982,500	$1,457,800
Total current service cost[4], excluding the expense allowance and provision for adverse deviations	**$151,700**	**$291,900**
Expense allowance	$175,000	$175,000
Provision for adverse deviations in respect of the expense allowance	**$16,100**	**$15,700**
Provision for adverse deviations in respect of the current service cost (based on the percentage defined in Appendix A)		
• **As a dollar amount per year**	**$14,000**	**$26,300**
• As a percentage of members' pensionable earnings excluding the expense allowance	1.4%	1.8%
Total estimated employer's current service cost (excluding expense allowance and provision for adverse deviation in respect of expense allowance)		
• As a dollar amount per year	$165,700	$318,200
• **As a percentage of members' pensionable earnings excluding the expense allowance**	**16.9%**	**21.8%**

The key factors that have caused a change in the employer's current service cost, excluding the provision for adverse deviations, and excluding the expense allowance, since the previous valuation are summarized in the following table:

Employer's current service cost as at previous valuation	20.0%
Demographic changes	**(2.1%)**
Changes in assumptions	(2.5%)
Employer's current service cost as at current valuation	**15.4%**

[3] For those members assumed to accrue benefits

[4] The Total Current Service Costs includes no amount for escalated adjustments as defined in the Act.

Discount Rate Sensitivity

The following table summarizes the effect on the going concern liabilities and current service cost shown in this report of using a discount rate that is 1% lower than that used in the valuation. For the purposes of the illustration, we have also reduced the interest rate used to determine commuted values upon termination of employment by 1%. The effect of a change in the discount rate on the provision for adverse deviations is not reflected.

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Going concern funding liabilities	$20,591,300	$22,757,800
Current service cost		
• Total current service cost	$151,700	$176,100
• Expense allowance	$175,000	$175,000
Total	$326,700	$351,100

Plausible Adverse Scenarios

The financial impact on the going concern results of plausible adverse scenarios that would pose threats to the Plan's future financial condition is presented in Appendix G.

Section 5

Valuation results – Hypothetical wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances consistent with the hypothesized scenario on the valuation date. More details on such scenario are provided in Appendix D.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows:

	31.12.2022	31.12.2019
Assets		
Market value of assets	$27,791,000	$33,565,800
Termination expense provision	($100,000)	($90,000)
Wind-up assets	$27,691,000	$33,475,800
Present value of accrued benefits for:		
• Active members	$5,317,900	$11,184,900
• Pensioners and survivors	$17,135,100	$16,899,400
• Deferred pensioners	$24,700	$31,900
Total wind-up liability	$22,477,700	$28,116,200
Wind-up excess (shortfall)	$5,213,300	$5,359,600
Transfer Ratio	124%	119%

Wind-up Incremental Cost

The wind-up incremental cost is an estimate of the present value of the projected change in the hypothetical wind-up liabilities from the valuation date until the next scheduled valuation date, adjusted for the benefit payments expected to be made in that period.

The hypothetical wind-up incremental cost determined in this valuation, compared with the corresponding value determined in the previous valuation, is as follows:

	31.12.2022	31.12.2019
Number of years covered by report	3 years	3 years
Hypothetical wind-up incremental cost (B-A)	$902,300	$1,512,600

The incremental cost is not an appropriate measure of the contributions that would be required to maintain the windup position of the Plan even if actual experience is exactly in accordance with the going concern valuation assumptions. For example, the expected return on plan assets (based on the going concern assumptions) is greater than the discount rate used to determine the hypothetical wind-up liabilities.

Discount Rate Sensitivity

The following table summarizes the effect on the hypothetical wind-up liabilities shown in this report of using a discount rate that is 1% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Total hypothetical wind-up liability	$22,477,700	$24,873,400

Plausible Adverse Scenarios

The financial impact on the hypothetical wind-up financial position of plausible adverse scenarios that would pose threats to the Plan's future financial condition is presented in Appendix G.

Section 6

Valuation results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis, except for the following:

Exceptions	Reflected in valuation based on the terms of engagement
The circumstance under which the Plan is assumed to be wound up could differ for the solvency and hypothetical wind-up valuations.	The same circumstances were assumed for the solvency valuation as were assumed for the hypothetical wind-up valuation.
Certain benefits can be excluded from the solvency financial position. These include: (a) any escalated adjustment (e.g. indexing), (b) certain plant closure benefits, (c) certain permanent layoff benefits, (d) special allowances other than funded special allowances, (e) consent benefits other than funded consent benefits, (f) prospective benefit increases, (g) potential early retirement window benefit values, and (h) pension benefits and ancillary benefits payable under a qualifying annuity contract.	No benefits were excluded from the solvency liabilities shown in this valuation.
The financial position on the solvency basis needs to be adjusted for any Prior Year Credit Balance.	Not applicable.
The solvency financial position can be determined by smoothing assets and the solvency discount rate over a period of up to 5 years.	Smoothing was not used.
The benefit rate increases coming into effect after the valuation date can be reflected in the solvency valuation.	Not applicable.

Financial Position

The financial position on a solvency basis is the same as the financial position on the Hypothetical Wind-up basis shown in the previous section. The transfer ratio is 124% compared to 119% at the previous valuation.

Plausible Adverse Scenarios

The financial impact on the solvency financial position of plausible adverse scenarios that would pose threats to the Plan's future financial condition is presented in Appendix G.

Section 7
Minimum funding requirements

The Act prescribes the minimum contributions that the Company must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current service cost, the provision for adverse deviations in respect of the current service cost, and special payments to fund any funding shortfall or solvency shortfall that exceeds the level set out under the Act.

On the basis of the assumptions and methods described in this report, the Plan has a funding excess on a going concern basis inclusive of the provision for adverse deviations, and the transfer ratio is greater than 105%. Under these circumstances, the Act does not require the employer to contribute to the Plan until the available actuarial surplus has been applied towards the employer's current service cost and the provision for adverse deviations in respect of the current service cost, provided that the required application has been made to regulator. Details on the determination of the provision for adverse deviations and on the available actuarial surplus are shown in Appendix A.

Once the available actuarial surplus has been so applied, monthly employer contributions must resume. On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employee and employer contributions, from the valuation date until the next required valuation are as follows:

	Employer's contribution rule		
Period beginning	Monthly current service cost[5]	Provision for adverse deviations ("PfAD")	Explicit monthly expense allowance[6] including provision for adverse deviations
1.1.2023	15.4%	1.4%	$15,900
1.1.2024	15.4%	1.4%	$15,900
1.1.2025	15.4%	1.4%	$15,900

[5] Expressed as a percentage of members' pensionable earnings for those members assumed to accrue benefits.

[6] Includes Provision for Adverse Deviations in respect of expense allowance.

Period beginning	Monthly current service cost	Estimated employer's contributions				
		Monthly PfAD in respect of current service cost	Explicit monthly expense allowance including PfAD	Monthly current service cost, PfAD, and expense allowance	Available actuarial surplus applied	Minimum monthly contributions
1.1.2023	$12,600	$1,200	$15,900	$29,700	$29,700	$0
1.1.2024	$13,100	$1,200	$15,900	$30,200	$30,200	$0
1.1.2025	$13,500	$1,300	$15,900	$30,700	$30,700	$0

The estimated contribution amounts for current service cost and the provision for adverse deviations in respect of the current service cost shown above are based on projected members' pensionable earnings. Therefore, the actual employer's current service cost and provision for adverse deviations may be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions are made in accordance with the Act.

Appendix A includes details on the determination of the provision for adverse deviations.

Other Considerations

Differences between Valuation Bases

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and reduced solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost and a provision for adverse deviations in respect of the current service cost, there is no requirement to fund the expected growth in the hypothetical wind-up or solvency liability after the valuation date, which could be greater.

Timing of Contributions

Funding contributions are due on a monthly basis. Contributions for current service cost and the provision for adverse deviations including the expense allowance must be made within 30 days following the month to which they apply. Special payment contributions must be made in the month to which they apply.

Retroactive Contributions

The Company must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation

[7] Notwithstanding the available actuarial surplus in the Plan, the terms of the Plan may require the Company to make current service cost contributions.

date. This contribution, along with an allowance for interest, is due no later than 60 days following the date this report is filed.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the transfer ratio revealed in an actuarial valuation is less than one. If the transfer ratio shown in this report is less than one, the plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits, and otherwise should take the prescribed actions. If the full payment of benefits does not occur, the residual amount plus interest must be paid within 5 years of the initial transfer.

Additional restrictions are imposed when:

- The transfer ratio revealed in the most recently filed actuarial valuation is less than one and the administrator knows or 'ought to know' that the transfer ratio of the Plan has declined by 10% or more since the date the last valuation was filed.
- The transfer ratio revealed in the most recently filed actuarial valuation is greater than or equal to one and the administrator knows or 'ought to know' that the transfer ratio of the Plan has declined to less than 0.9 since the date the last valuation was filed.

As such, the administrator should monitor the transfer ratio of the Plan and, if necessary, take the prescribed actions.

Letters of Credit

Minimum funding requirements in respect of required solvency special payments that otherwise require monthly contributions to the pension fund may be met, in the alternative, by establishing an irrevocable letter of credit subject to the conditions established by the Act. Required solvency special payments in excess of those met by a letter of credit must be met by monthly contributions to the pension fund.

Contributions to the DC Component

In addition to any contribution requirements in respect of the DB component of the Plan and notwithstanding any prohibition to fund the DB component of the Plan, contributions to the individual member DC accounts should be made in accordance with the Plan terms.

If the DB component of the Plan has any available surplus then, subject to the Act, the Plan terms, and any collective or employment agreement, it may be possible for the Company to apply DB assets in satisfaction of its contribution requirements for the DC component of the Plan.

Section 8
Maximum eligible contributions

The *Income Tax Act* (the "ITA") limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan. For purposes of this section on maximum eligible contributions only, any reference to the current service cost includes the provision for adverse deviations in respect of the current service cost.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan that is underfunded on either a going concern or on a hypothetical wind-up basis, the maximum permitted contributions are equal to the employer's current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan that is fully funded on both going concern and hypothetical wind-up bases, the employer can remit a contribution equal to the employer's current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan that is fully funded on both going concern and hypothetical wind-up bases, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target.

Notwithstanding the above, any contributions that are required to be made in accordance with pension benefits legislation are eligible contributions in accordance with Section 147.2 of the ITA and can be remitted.

Schedule of Maximum Contributions

Since the surplus does not exceed 25% of the going concern funding target ($5,621,400), the Company may make monthly contributions of up to 16.9% of pensionable earnings plus $15,900 in respect of the expense provision including the provision for adverse deviation, until the next valuation.

Contributions to the DC Component

In addition to any contribution requirements in respect of the DB component of the Plan and notwithstanding any prohibition to fund the DB component of the Plan, contributions to the individual member DC accounts can be made in accordance with the Plan terms.

Section 9

Actuarial opinion

In our opinion, for the purposes of the valuations,

- The membership data on which the valuation is based are sufficient and reliable;
- The assumptions are appropriate; and
- The methods employed in the valuation are appropriate.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Ontario Pension Benefits Act.*

Armando Fernandes	Brad Duce
Fellow of the Society of Actuaries	Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries	Fellow of the Canadian Institute of Actuaries
September 26, 2023	September 26, 2023
Date	Date

Appendix A
Prescribed disclosure

Definitions

The Act defines a number of terms as follows:

Defined Term	Description				Result
Going concern assets	Total value of assets plus the sum of the following:				$27,791,000
	(a)	the present value of special payments in respect of any past service unfunded liability identified in a previously filed report		$0	
	(b)	the present value of special payments in respect of any plan amendment that increases going concern liabilities		$0	
	(c)	present value of special payments in respect of going concern unfunded liabilities identified in a previously filed report that are scheduled for payment within one year of the date of this report		$0	
Going concern excess / (unfunded liability)	The Going Concern Assets minus the sum of the following:				$5,305,300
	a.	the going concern liabilities			
		(i)	liabilities excluding the value of escalated adjustments	$20,591,300	
		(ii)	liabilities in respect of escalated adjustments	$0	
	b.	the provision for adverse deviations in respect of the going concern liabilities excluding the value of escalated adjustments		$1,894,400	
	c.	Prior Year Credit Balance		$0	

Defined Term	Description	Result
Going concern funded ratio	The ratio of: (a) Total value of assets (excluding letters of credit) less the Prior Year Credit Balance; to (b) going concern liabilities	1.35
Transfer Ratio	The ratio of: (a) Solvency Assets minus the lesser of the Prior Year Credit Balance and the minimum required employer contributions including the provision for adverse deviations until the next required valuation; to (b) The sum of the Solvency Liabilities and liabilities for benefits, other than benefits payable under qualifying annuity contracts that were excluded in calculating the Solvency Liabilities.	1.24
Solvency Ratio	The ratio of: (a) Solvency Assets related to defined benefits and ancillary benefits plus the total amount of any letters of credit minus the Prior Year Credit Balance (b) the sum of the Solvency Liabilities related to defined benefits and ancillary benefits	1.24
Prior Year Credit Balance	Accumulated sum of contributions made to the pension plan in excess of the minimum required contributions (note: only applies if the Company chooses to treat the excess contributions as a Prior Year Credit Balance).	$0
Solvency Assets	Market value of assets including accrued or receivable income and excluding the value of any qualifying annuity contracts.	$27,791,000
Solvency Asset Adjustment	The sum of:	
	(a) the difference between smoothed value of assets and the market value of assets	$0
	(b) the present value of going concern special payments required to liquidate any past service unfunded liability	$0
	(c) the present value of going concern special payments identified in December 31, 2019 valuation and scheduled for December 31, 2022	$0
	(d) the present value of going concern special payments (identified in this report) that are scheduled for payment within 6 years following the valuation date	$0
	(e) the present value of any previously scheduled solvency special payments (excluding those identified in this report)	$0
	(f) the total value of all letters of credit in respect of the special payments due before the valuation date, subject to the limit of 15% of solvency liabilities	$0
		$0

Defined Term	Description	Result
Solvency Liabilities	Liabilities determined as if the plan had been wound up on the valuation date, including liabilities for plant closure benefits or permanent layoff benefits that would be immediately payable if the employer's business were discontinued on the valuation date of the report, but, if elected by the plan sponsor, excluding liabilities for, (a) any escalated adjustment, (b) excluded plant closure benefits, (c) excluded permanent layoff benefits, (d) special allowances other than funded special allowances, (e) consent benefits other than funded consent benefits, (f) prospective benefit increases, (g) potential early retirement window benefit values, and (h) pension benefits and ancillary benefits payable under a qualifying annuity contract.	$22,477,700
Solvency Liability Adjustment	The amount by which Solvency Liabilities are adjusted as a result of using a solvency valuation interest rate that is the average of market interest rates calculated over the period of time used in the determination of the smoothed value of assets.	$0
Solvency Deficiency	The amount, if any, by which the sum of:	
	(a) the Solvency Liabilities	$22,477,700
	(b) the Solvency Liability Adjustment	$0
	(c) the Prior Year Credit Balance	$0
		$22,477,700
	Exceeds the sum of	
	(d) the Solvency Assets net of estimated termination expenses[8]	$27,691,000
	(e) the Solvency Asset Adjustment	$0
		$27,691,000
		$0
Reduced Solvency Deficiency / (Solvency Excess)	The sum of:	
	(a) 85% of the Solvency Liabilities	$19,106,100
	(b) 85% of the Solvency Liability Adjustment	$0
	(c) the Prior Year Credit Balance	$0
		$19,106,100

[8] In accordance with accepted actuarial practice, for purposes of determining the financial position, the market value of plan assets was reduced by a provision for estimated termination expenses payable from the Plan's assets that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

Defined Term	Description	Result
	minus the sum of:	
	(d) the Solvency Assets net of estimated termination expenses[8]	$27,691,000
	(e) the Solvency Asset Adjustment	$0
		$27,691,000
		($8,584,900)

Provision for Adverse Deviations

The provision for adverse deviations has been established in accordance with regulations taking into account the following parameters:

Defined Amount		Results
Fixed Income Component (L)	The sum of the Plan's target allocation of assets (excluding those allocated to annuity contracts and meeting the minimum rating requirement) as described in the regulations according to the investment policy applicable at the valuation date.	0.0%
Alternative Investment Component (M)	The sum of the Plan's target allocation of assets (excluding those allocated to annuity contracts) meeting requirements as described in the regulations according to the investment policy applicable at the valuation date.	
Investment Component (N)	Plan's target asset allocation for mutual, pooled or segregated funds	100.0%
Investment Component Fixed Income % (P)	Portion of Investment Component (N) that is allocated to investment categories accounted for in Fixed Income Component (L)	58.0%
Investment Component Alternative Investment % (Q)	Portion of Investment Component (N) that is allocated to investment categories accounted for in Alternative Income Component (M)	0.0%
Annuity Contract Allocation (R)	Annuity contracts that have been purchased from an insurance company and excluded from the Fixed Income Component (L) and Alternative Investment Component (M)	0.0%

Combined Target Asset Allocation for Fixed Income Assets (J)			
Sum of			
• Fixed Income Component (L)	0.0%		
• 0.5 × Alternative Investment Component (0.5 × M)	0.0%		
• Investment Component × Investment Component Fixed Income % (N × P)	58.0%		
• 0.5 × Investment Component × Investment Component Alternative Investment % (0.5 x N × Q)	0.0%		
		58.0%	
Divided by			
• 100% - Annuity Contract Allocation (100% - R)		100.0%	
Combined Target Asset Allocation for Fixed Income Assets			**58.0%**

Combined Target Asset Allocation for Non-Fixed Income Assets (K)	
100% – Combined Target Asset Allocation for Fixed Income Assets (100% - J)	**42.0%**
Duration of going concern liabilities at valuation date	
= (F - G) / (G × 0.01)	**10.52**
where,	
G = going concern liabilities at valuation date established using the discount rate determined for this valuation	$20,591,300
F = going concern liabilities established using the discount rate minus 1%	$22,757,800

Benchmark Discount Rate (E)	
Base rate	0.50%
Effective yield from CANSIM Series V39056 (H)	3.28%
1.5% x Combined Target Asset Allocation for Fixed Income Assets (1.5% × J)	0.87%
5.0% x Combined Target Asset Allocation for Non-Fixed Income Assets (5.0% × K)	2.10%
Benchmark Discount Rate	6.75%

Provision for Adverse Deviations	
i. 5.0% for a closed plan and 4.0% for a Plan that is not a closed plan	5.00%

ii. Provision based on Combined Target Asset Allocation for Non-Fixed Income Assets		4.20%
iii. Greater of zero and the		
• Duration of going concern liabilities at valuation date	10.52	
Multiplied by:		
– Going concern valuation gross discount rate net of active investment management fees (D), less	5.55%	
– Benchmark Discount Rate (E)	6.75%	0.00%
Provision for Adverse Deviations (i. + ii. + iii.)		9.20%

The available actuarial surplus that may be used according to the Act is established as follows:

Available actuarial surplus			
Excess of			
• Assets determined on basis of going concern valuation including accrued and receivable income but excluding the value of any letters of credit		$27,791,000	
Over			
• Going concern liabilities	$20,591,300		
• Provision for adverse deviations in respect of the going concern liabilities	$1,894,400		
• Prior Year Credit Balance	$0		
		$22,485,700	
		$5,305,300	(a)
Excess of			
• Solvency assets excluding the value of any letters of credits and lesser of Prior Year Credit Balance and minimum required employer contributions, including the provision for adverse deviations until the next required valuation		$27,791,000	
Over			
• Wind-up liabilities × 105%		$23,601,600	
		$4,189,400	(b)
The available actuarial surplus = the lesser of a) and b) above		$4,189,400	

Timing of Next Required Valuation

In accordance with the Act the next valuation of the Plan would be required at an effective date within one year of the current valuation date if:

- The ratio of solvency assets to solvency liabilities is less than 85%.
- The employer elected to exclude plant closure or permanent lay-off benefits under Section 5(18) of the regulations, and has not rescinded that election.

Otherwise, the next valuation of the Plan would be required at an effective date no later than three years after the current valuation date.

Accordingly, the next valuation of the Plan will be required as of December 31, 2025.

Special Payments

As the Plan does not have a funding shortall and there is a solvency excess, no special payments are required.

Pension Benefits Guarantee Fund (PBGF) Assessment

A PBGF assessment is required to be paid under Section 37 of the Act. The PBGF assessment base and additional information required under Section 3 of the Regulation 909 under the Act is as follows:

Solvency assets	$27,791,000	(a)
PBGF liabilities	$22,477,700	(b)
Solvency liabilities	$22,477,700	(c)
Ontario asset ratio	100%	(d) = (b) ÷ (c)
Ontario portion of the fund	$27,791,000	(e) = (a) × (d)
PBGF assessment base	$0	(f) = max(0, (b) – (e))
Amount of additional liability for plant closure and/or permanent layoff benefits which is not funded and subject to the 2% (3% for years after 2018) assessment pursuant to s.37(4)	$0	(g)
Modified PBGF liabilities	$12,066,200	
Number of Ontario Plan beneficiaries	70	
Number of Ontario Plan beneficiaries receiving monthly pensions (including bridge benefit) of $1,500 or less	23	
Number of Ontario Plan beneficiaries who have accrued monthly pensions (including bridge benefit) of $1,500 or less	1	
Amount of largest monthly pension or monthly pension benefit (including bridge benefit) that has accrued under the plan to an Ontario beneficiary	$5,564	

Percentiles of amounts payable under Plan to Ontario beneficiaries (in reference to all accrued monthly pensions, including bridge benefits for actives, disabled, suspended, transfers and deferred pensioners)	Accrued monthly pension (including bridge benefit)	PBGF liabilities
90th	$4,630	$4,467,168
80th	$4,247	$3,660,570
70th	$3,913	$2,972,785
60th	$3,727	$2,300,500
50th	$3,617	$2,300,500
40th	$3,532	$1,748,337
30th	$3,370	$1,120,585
20th	$3,169	$561,306
10th	$2,444	$24,713

Percentiles of amounts payable under Plan to Ontario beneficiaries (in reference to all monthly pensions in pay, including bridge benefits for pensioners and beneficiaries)	Accrued monthly pension (including bridge benefit)	PBGF liabilities
90th	$3,837	$12,359,141
80th	$2,885	$9,194,834
70th	$2,354	$7,329,271
60th	$2,106	$5,420,111
50th	$1,963	$4,175,711
40th	$1,580	$2,510,160
30th	$1,202	$1,360,478
20th	$978	$557,237
10th	$337	$134,610

Appendix B
Plan assets

The pension fund is held by RBC Investor and Treasury Services. In preparing this report, we have relied upon fund statements prepared by RBC Investor and Treasury Services without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	2020	2021	2022
January 1	$33,579,456	$35,831,635	$35,323,072
PLUS			
Members' contributions	$0	$0	$0
Company's contributions	$0	$0	$0
Investment income	$1,196,395	$1,310,191	$1,045,202
Realized gains (losses)	$2,102,951	$665,563	($508,705)
Unrealized appreciation (depreciation)	$398,946	($860,333)	($6,369,216)
	$3,698,292	$1,115,418	($5,832,719)
LESS			
Pensions paid	$1,291,251	$1,427,180	$1,493,625
Lump-sums paid	$0	$0	$0
Administration and investment fees	$141,647	$182,856	$192,962
Other disbursements	$13,215	$13,945	$12,765
	$1,446,113	$1,623,981	$1,699,352
December 31	$35,831,635	$35,323,072	$27,791,001
Gross rate of return[9]	11.3%	3.2%	-16.9%
Rate of return net of expenses[10]	10.8%	2.7%	-17.4%

[9] Assuming mid-period cash flows.
[10] Assuming mid-period cash flows.

The market value of assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current Valuation	Previous Valuation
Market value of invested assets	$27,791,001	$33,579,456
In-transit amounts		
• Expenses	($0)	($13,671)
Market value of assets adjusted for in-transit amounts	**$27,791,001**	**$33,565,785**

We have tested the pensions paid, the lump-sums paid, and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator has adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk that is consistent with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plan's investment policies, asset allocations, and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date are provided for information purposes:

	Investment Policy			Actual asset Mix as at December 31, 2022
	Minimum	Target	Maximum	
Equities	32%	42%	52%	43%
Fixed Income	48%	58%	68%	56%
Cash and cash equivalents	0%	0%	3%	1%
		100%		100%

Because the Plan's assets (which are invested in accordance with the above investment policy) are not matched to the Plan's liabilities (which tend to behave like long bonds), the Plan's financial position will fluctuate over time. These fluctuations could be significant and could cause the Plan to become underfunded or overfunded even if the Company contributes to the Plan based on the funding requirements presented in this report.

Appendix C

Methods and assumptions – Going concern

Valuation of Assets

For this valuation, we have used the market value of assets.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions, if any, and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to be sufficient to meet the plan's cash flow requirements in respect of accrued benefits, absent additional contributions.

As required under the Act, a funding shortfall (including the prior year credit balance) and the provision for adverse deviations must be amortized over no more than 10 years through special payments beginning one year after the valuation date. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost has been expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. However, the current service cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to remain stable as long as the average age distribution of the group remains constant.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	5.55%	4.55%
Explicit expenses:	$175,000	$175,000
Inflation:	2.00%	2.00%
ITA limit / YMPE increases:	3.00%	3.00%
Pensionable earnings increases:	3.50%	3.50%
Retirement rates:	All members retire at age 60	All members retire at age 60
Termination rates:	None	None
Mortality rates:	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)
Mortality improvements:	Fully generational using CPM Improvement Scale B (CPM-B)	Fully generational using CPM Improvement Scale B (CPM-B)
Disability rates:	None	None

The assumptions are best estimates and do not include a margin for adverse deviations.

Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death, or termination of employment, we have taken 2022 earnings and assumed that such pensionable earnings will increase at the assumed rate.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the estimated returns for each major asset class consistent with market conditions on the valuation date, the expected time horizon over which benefits are expected to be paid, and the target asset mix specified in the Plan's investment policy.

The discount rate was developed as follows:

Assumed investment return	5.55%
Margin for adverse deviations	N/A
Net discount rate	5.55%

Expenses

The assumption is based on the average amount of investment and administrative expenses over the last 3 years.

Inflation

The inflation assumption is based on market expectations of long-term inflation implied by the yields on nominal and real return bonds at the valuation date of, taking into account the mid-point of the Bank of Canada's inflation target range of between 1% and 3%.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

The assumption is based on general wage growth assumptions increased by our best estimate of future merit and promotional increases over general wage growth considering current economic and financial market conditions.

Post-Retirement Pension Increases

The Plan does not provide automatic indexing.

Retirement Rates

Due to the size of the Plan, there is no meaningful retirement experience. The assumption is based on the Plan provisions and our experience with similar plans and employee groups.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

Mortality Rates

The assumption for the mortality rates is based on the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014.

Due to the size of the Plan, specific data on plan mortality experience is insufficient to determine the mortality rates. It was determined to use the CPM mortality rates from the private sector after considering plan-specific characteristics, such as the type of employment, the industry experience, the pension and employment income for the plan members, and data in the CPM study.

There is broad consensus among actuaries and other longevity experts that mortality improvement will continue in the future, but the degree of future mortality improvement is uncertain. Two mortality improvement scales were recently published by the Canadian Institute of Actuaries (CIA) and may apply to Canadian pension valuations:

The Canadian Pensioners Mortality (CPM) study published in February 2014 included CPM Improvement Scale B (CPM-B).

A report released by the Task Force on Mortality Improvement on September 20, 2017 includes an analysis of the rate of mortality improvement for the Canadian population and provides for mortality improvement scale MI-2017 to be considered for the purpose of reflecting future mortality improvement in Canadian actuarial work, while acknowledging that it might be appropriate to use alternative mortality improvement assumptions to reflect the nature of the work.

The CIA Committee on Pension Plan Financial Reporting published a revised version of the Educational Note on the Selection of Mortality Assumptions for Pension Plan Valuations on December 21, 2017. The Educational Note indicates that given the recent publication of the CPM-B and MI-2017 improvement scales and the similar data sets used in their development, it may be appropriate to use either scale in the absence of credible information to the contrary, such as the publication of a successor scale by the CIA.

For the present valuation, we have continued to use the CPM-B scale, which is a reasonable outlook for future mortality improvement.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 22.0 years for males and 24.3 years for females.

Appendix D

Methods and assumptions – Hypothetical wind-up and solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

The Standards of Practice of the Canadian Institute of Actuaries require that the scenario upon which the hypothetical wind-up valuation is based be postulated. However, there are no benefits under the Plan contingent upon the circumstances of the plan wind-up or contingent upon other factors. Therefore, it was not necessary to postulate a scenario upon which the hypothetical wind-up valuation is made. No benefits payable on plan wind-up were excluded from our calculations. The plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

Upon plan wind-up, members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries' Standards of Practice applicable for December 31, 2022.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based an estimate of the cost of purchasing annuities.

We have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates on and after December 31, 2022 and no later than June 29, 2024 (the "Educational Note").*

The Educational Note provides guidance on estimating the cost of annuity purchases assuming a typical group of annuitants. That is, no adjustments for sub- or super-standard mortality are considered. However, it is expected that insurers will consider plan experience and certain plan-specific characteristics when determining the mortality basis for a particular group. The Educational Note states that the actuary would be expected to make an adjustment to the regular annuity purchase assumptions where there is demonstrated substandard or super-standard mortality or where an insurer might be expected to assume so. In such cases, the actuary would be expected to make an adjustment to the mortality assumption in a manner consistent with the underlying annuity purchase basis. Given the uncertainty surrounding the actual mortality basis that would be typical of a group annuity purchase, it is reasonable to assume that there is a range of bases that can be expected not to be materially different from the actual mortality basis. Therefore, an adjustment to the regular annuity purchase assumptions would be warranted when the plan's assumed basis falls outside that range.

In this context, we have determined that no adjustment to the mortality rates used in the regular annuity purchase assumptions is required.

We have not included a margin for adverse deviations in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of Benefit Settlement Elected by Member	
Lump sum:	70% of active members under age 55, and 50% of active members over age 55, elect to receive their benefit entitlement in a lump sum
Annuity purchase:	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate annuities from a life insurance company.
Basis for Benefits Assumed to be Settled through a Lump Sum	
Mortality rates:	100% of the rates of the 2014 Canadian Pensioners Mortality Table (CPM2014) with fully generational improvements using CPM Scale B
Interest rate:	4.10% per year for 10 years, 4.50% per year thereafter
Basis for Benefits Assumed to be Settled through the Purchase of an Annuity	
Mortality rates:	100% of the rates of the 2014 Canadian Pensioners Mortality Table (CPM2014) with fully generational improvements using CPM Scale B
Interest rate:	4.91% per year based on a duration of 9.1 years determined for the liabilities assumed to be settled through the purchase of an annuity.
Retirement Age	
Maximum value:	Members are assumed to retire at the age that maximizes the value of their entitlement from the Plan, based on the eligibility requirements that have been met at the valuation date
Grow-in:	The benefit entitlement and assumed retirement age of Ontario members whose age plus service equals at least 55 at the valuation date reflect their entitlement to grow into early retirement subsidies

Other Assumptions	
Final average earnings:	Based on actual pensionable earnings over the averaging period
Maximum pension limit:	$3,506.67
Termination expenses:	$100,000

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting, and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested.

Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

The provision for termination expenses payable from the Plan's assets determined is not dependent upon the plan sponsor being solvent or not on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Although the termination expense assumption is a best estimate, actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the solvency liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected solvency liabilities will depend on the membership in the Plan at the next valuation date, we must make assumptions about how the Plan membership will evolve over the period until the next valuation.

We have assumed that the Plan membership will evolve in a manner consistent with the going concern assumptions as follows:

- Members terminate, retire, and die consistent with the termination, retirement, and mortality rates used for the going concern valuation.
- Pensionable earnings, the Income Tax Act pension limit, and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions.
- Active members accrue pensionable service in accordance with the terms of the Plan.

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of the Plan on the hypothetical wind-up basis.

The solvency position is determined in accordance with the requirements of the Act.

Appendix E
Membership data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2022, provided by the Company.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments, and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.12.2022	31.12.2019
Active Members		
Number	8	15
Total pensionable earnings for the following year	$867,088	$1,508,785
Average pensionable earnings for the following year	$108,386	$100,586
Average years of pensionable service	31.2 years	30.6 years
Average age	55.1 years	57.5 years
Deferred Pensioners		
Number	1	1
Total annual pension	*	*
Average annual pension	*	*
Average age	*	*
Pensioners and Survivors		
Number	61	58
Total annual lifetime pension	$1,477,371	$1,203,395
Total annual temporary pension	$0	$58,414
Average annual lifetime pension	$24,219	$20,748
Average annual bridge pension (for those receiving a bridge)	$0	$14,604
Average age	75.1 years	74.5 years

****suppressed for confidentiality*

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Actives	Deferred Pensioners	Pensioners and survivors	Total
Total at 31.12.2019	15	1	58	74
New entrants				
Terminations:				
• Not vested				
• Transfers/lump sums				
• Deferred pensions				
Deaths			(6)	(6)
Retirements	(7)		7	0
Beneficiaries			2	2
Total at 31.12.2022	8	1	61	70

The distribution of the active members by age and pensionable service as at the valuation date is summarized as follows:

	Years of Pensionable Service				
Age	0-19	20-24	25-29	30-34	Total
Under 40					
40 to 44					
45 to 49			1		1
50 to 54				3	3
55 to 59				3	3
60 to 64				1	1
65 +					
Total			1	7	8

The distribution of the inactive members by age as at the valuation date is summarized as follows:

Age	Deferred Pensioners		Pensioners and Survivors	
	Number	Average Monthly Pension	Number	Average Monthly Pension
55 – 59			1	***
60 – 64			3	***
65 – 69			15	$2,608
70 – 74	1	***	14	$1,827
75 – 79			15	$1,756
80 – 84			4	$840
85 – 89			6	$997
90 – 94			3	$1,753
Total	1	***	61	$2,018

****suppressed for confidentiality*

Appendix F
Summary of plan provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by Fortis Ontario Inc.. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the plan provisions in effect on December 31, 2022. Since the previous valuation, the Plan has been not been amended.

DB Component

The following is a summary of the main provisions of the DB component of the Plan in effect on December 31, 2022. This summary is not intended as a complete description of the Plan.

Background

Retirement incomes are provided for employees of FortisOntario Inc. (the "Company") under the Company Sponsored Combined Plan comprised of the Employees' Retirement Plan (the "Retirement Plan") and the Supplementary Pension Plan (the "Supplementary Plan").

The Retirement Plan is a non-contributory defined benefit plan. Membership in the Retirement Plan is compulsory. On the other hand, membership in the Supplementary Plan, which is a non-contributory money purchase plan, is contingent upon employees electing membership in the Company's Group Registered Retirement Savings Plan[11]. Plan members classified as a "Tax-Exempt Employee" make contributions to the registered pension plan as opposed to the Registered Retirement Savings Plan.

The Plan became effective December 31, 1964.

[11] Plan members classified as a "Tax-Exempt Employee" make contributions to the registered pension plan as opposed to the Registered Retirement Savings Plan.

Eligibility for Membership	Membership in the Retirement Plan is mandatory. A full-time employee shall enrol as a member of the Plan on the first day of the month next following the date of hire. A part-time employee who satisfies certain minimum hours worked or an earnings test must enroll as a member of the Plan on the first day of any month next following the date the employee has completed 2 years of continuous service. • The Retirement Plan is closed to new entrants as at July 1, 1999.
Employee Contributions	No employee contributions are required.
Retirement Dates	Normal Retirement Date: The first day of the month coincident with or next following the member's attainment of the age of 65 years. • Early Retirement Date: Early retirement is permitted from age 55.
Normal Retirement Pension	A member who retires on normal retirement date will receive an annual pension equal to 1.50% of member's highest 3-year average Earnings, multiplied by years of credited service.
Pensionable Earnings	Base pay excluding overtime and bonus.
Early Retirement Pension	Early retirement benefits are reduced by 0.5% for each full month by which the early retirement date precedes age 60. Early retirement benefits are unreduced if the member has attained the age of 60 years, or if age and credited service add up to at least 90.
Normal Form of Retirement Pension	The normal form of pension is a pension payable for the lifetime of the member. If the member has a spouse at his retirement date, then the member must take an actuarially reduced pension payable to him for his lifetime, with a 60% continuance to his spouse on his death. The spouse may waive this requirement by completing and signing the appropriate form.
Maximum Pension	The total annual pension payable from the Plan upon retirement, death or termination of employment cannot exceed the lesser of: • 2% of the average of the best three consecutive years of total compensation paid to the member by the Company, multiplied by total credited service; and • $3,245.56 or such other maximum permitted under the Income Tax Act, multiplied by the member's total credited service. • The maximum pension is determined at the date of pension commencement.

Death Benefits	Pre-retirement: • If a member dies before the normal retirement date and before any pension payments have begun, the member's spouse, or beneficiary if there is no spouse, will receive a lump sum settlement equal to the value of the benefits to which the member would have been entitled had employment terminated on the date of death. Post retirement: • The normal form of payment is a lifetime pension guaranteed for five years. However, the member may elect to receive an optional form of pension on an actuarial equivalent basis.
Termination Benefits	If the member terminates employment by reason other than death or retirement, he shall be entitled to a deferred pension, payable from his normal retirement date, equal to his accrued vested pension at his date of termination. Notwithstanding the above, a member who is required to or who elects a deferred pension may, in lieu of this deferred pension, elect to: • transfer the commuted value of the deferred pension to another registered pension plan, if the other pension plan permits; • transfer the commuted value to a Locked-In Retirement Account; or • apply the commuted value to purchase an immediate or deferred annuity.
Vesting	Benefits are fully vested immediately.

DC Component

The following is a summary of the main provisions of the DC component of the Plan in effect on December 31, 2022. This summary is not intended as a complete description of the Plan.

Background	Any Employee of the Company may enrol as a participant of the Supplementary Plan on the first day of the month next following the completion of six months of continuous service. Participation in the Supplementary Plan is voluntary.
Cost	The Employer contributes the entire cost to fund the benefits. For an employee who also participates in the Retirement Plan, each year the Company contributes to the Plan an amount equal to 50% of the participant's basic contribution to the Group Registered Retirement Savings Plan (RRSP), to the extent permitted by Canada Customs and Revenue Agency in accordance with the maximum allowable contribution limits. • For an employee who only participates in the Supplementary Plan, each year the Company contributes to the Plan an amount equal to 100% of the participants' basic contribution to the Group RRSP[12], to a maximum of 6.5% of Earnings.
Normal Retirement Date	The first day of the month coincident with or next following the participant's attainment of the age of 65 years.

[12] Plan members classified as a "Tax-Exempt Employee" make contributions to the registered pension plan as opposed to the Registered Retirement Savings Plan.

Retirement Pension	(a) Pension Commencement Date The first of any month following the participant's retirement date under the Retirement Plan but before the end of the year in which the participant attains the age of 71 years. (b) Pension Account Balance The value of a participant's pension account as determined on the valuation date immediately preceding the allocations of the share. (c) Valuation Date The last day of March, June, September or December of each year, with respect to the common share account or the normal valuation date for a mutual fund, with respect to the mutual fund account. (d) Amount of Pension The amount of pension provided by applying the participant's pension account balance to purchase a pension from a life insurance company licensed to transact business in Canada. (e) Normal Pension Form If the participant does not have a spouse, the pension is payable for the lifetime of the participant. If the participant has a spouse, pension is payable in a joint and survivor form that pays a pension for the participant's lifetime, continuing to the participant's spouse at a rate of 60% of pension payable prior to the participant's death. (f) Payer of the Pension The life insurance company from which the pension has been purchased. (g) Small Account Balance If the account balance is small, it may be transferred to the participant's non-locked RRSP. (h) Canada Revenue Agency Limits The total pension from the Retirement Plan and the Supplementary Plan does not exceed the Canada Revenue Agency maximum allowable pension limits.
Optional Pensions	Any other forms elected by the participant and his eligible spouse, provided it is consistent with the requirement of any governmental authority having jurisdiction over the Supplementary Plan.
Death Benefits	The account balance on the valuation date next following the date of death is payable to a participant's designated beneficiary, or if there is no beneficiary, to the participant's estate.
Vesting	Benefits are fully vested immediately

Appendix G
Plausible adverse scenarios

In this Appendix, the financial impact on the Plan's going concern results (i.e., going concern financial position at the valuation date and current service cost from the valuation date to the next valuation date), on the Plan's hypothetical wind-up and solvency financial positions at the valuation date and on the special payments of plausible adverse scenarios that would pose threats to the Plan's future financial condition is summarized in the following tables for the following risks:

- Interest rate risk - an immediate parallel decrease in market interest rates of 120 basis points;
- Deterioration of asset values - an immediate decrease of 11% in the market value of non-fixed income assets; and
- Longevity risk - Longevity risk, that life expectancy from the valuation date at age 65 for a male and a female would increase by 1.6 years and 1.4 years, respectively.

Scenario	Going Concern Valuation Results as at 31.12.2022	Plausible Adverse Scenario Results as at 31.12.2022		
		Interest Rate Risk	Deterioration of Asset Values	Longevity Risk
Going Concern Financial Status				
Market value of assets	$27,791,000	$30,825,700	$26,505,700	$27,791,000
Going concern funding target	$20,591,300	$22,068,300	$20,591,300	$21,427,300
Provision for Adverse Deviation	$1,894,400	$2,030,300	$1,894,400	$1,971,300
Funding excess (shortfall)	$5,305,300	$6,727,100	$4,020,000	$4,392,400
Estimated Employer's Current Service Cost including expense allowance and Provision for Adverse Deviation				
January 1, 2023	$356,800	$374,800	$356,800	$361,600
January 1, 2024	$362,600	$381,200	$362,600	$367,500
January 1, 2025	$368,600	$387,900	$368,600	$373,700

Scenario	Hypothetical Wind-Up and Solvency Position as at 31.12.2022	Plausible Adverse Scenario Results as at 31.12.2022		
		Interest Rate Risk	Deterioration of Asset Values	Longevity Risk
Hypothetical Wind-up Financial Position				
Market value of assets	$27,791,000	$30,825,700	$26,505,700	$27,791,000
Termination expense provision	($100,000)	($100,000)	($100,000)	($100,000)
Wind-up assets	$27,691,000	$30,725,700	$26,405,700	$27,691,000
Wind-up liabilities	$22,477,700	$25,405,700	$22,477,700	$23,374,200
Wind-up excess (shortfall)	$5,213,300	$5,320,000	$3,928,000	$4,316,800
Solvency ratio	124%	121%	118%	119%
Transfer ratio	124%	121%	118%	119%

If the employer sponsoring the Plan became insolvent and unable to continue making contributions to meet the minimum funding requirements described in the report, the Plan would likely be wound up. The impact of this adverse scenario, as measured at December 31, 2022, would be a surplus in the Plan of $5,213,300.

The balance of this Appendix provides details of the plausible adverse scenarios selected and the determination of their impact on valuation results.

Interest Rate Risk

The purpose of this scenario is to illustrate the sensitivity of the Plan's valuation results to the potential that interest rates will be lower than expected. For this purpose, we have assumed an immediate parallel decrease in market interest rates underlying fixed income investments, where fixed income investments include the following categories as shown in the investment policy summarized in Appendix B.

Using a methodology consistent with the one used to determine the going concern discount rate, we have determined that a parallel decrease in market interest rates of 120 basis points would have a non-trivial probability (between 1 in 10 and 1 in 20) of occurring within the year following the valuation date. For purpose of this scenario, we have assumed that such a decrease in market interest rates would occur immediately on the valuation date and would have the following impact on the value of assets and going concern assumptions:

Defined Term	Description
Market value of assets	The decrease in market interest rates has been assumed to affect only the market value of the fixed income investments. The decrease is assumed to have occurred immediately on the valuation date.

Defined Term	Description
Discount rate assumption	Going concern: It was assumed that the decrease in market interest rates affects only the expected return on assets for the fixed income portion of assets. The discount rate assumption was therefore decreased from 5.55% to 4.85%. Hypothetical wind-up: The interest rates used in the valuation were reduced by 120 basis points
Other assumptions	Except as mentioned above, all assumptions used were the same as those used for this valuation. In particular, the discount rate used to value benefits assumed to be settled through a lump sum was not changed.
Provision for Adverse Deviations	The above changes would not affect the calculation of the Provision for Adverse Deviations

Deterioration of Asset Values

The purpose of this scenario is to illustrate the sensitivity of the Plan's valuation results to a deterioration of asset values. For this purpose, we assumed an immediate reduction in the market value of the Plan's non-fixed income assets, where non-fixed income investments include the following categories as shown in the investment policy summarized in Appendix B.

Using a methodology consistent with the one used to determine the going concern discount rate, we have determined that a decrease of 11.0% in the market value of value of non-fixed income assets would have a non-trivial probability (between 1 in 10 and 1 in 20) of occurring within the year following the valuation date. For purpose of this scenario, we have assumed that such a decrease would occur immediately on the valuation date and would have the following impact on the value of assets and valuation assumptions:

Market value of assets	The decrease in the market value of the non-fixed income portion of assets is assumed to have occurred immediately on the valuation date.
Going concern assumptions	This scenario is assumed to have no impact on the assumptions used for this valuation.
Wind-up & solvency assumptions	This scenario is assumed to have no impact on the assumptions used for this valuation.

Longevity Risk

The purpose of this scenario is to illustrate the sensitivity of the Plan's valuation results to the potential that pension plan members will live longer than expected. For this purpose, we have determined that a plausible adverse scenario would be to assume that future mortality improvements[13] will be in line with the average improvements experienced by the Canadian

[13] i.e. starting one year after the valuation in this context

population over the most recent 15-year period available, with uniform improvement rates for all future years but varying by age[14] and gender.

[14] improvement rates below age 45 are set to those at age 45

Appendix H
Employer Certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2022 of the FortisOntario Inc. Employees' Retirement and Supplementary Pension Plan, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the FortisOntario Inc.'s engagement with the actuary described in Section 2 of this report, particularly the decision to not reflect a margin for adverse deviations in the going concern valuation.
- A copy of the official plan documents and of all amendments made up to December 31, 2022 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2022.
- All events subsequent to December 31, 2022 that may have an impact on the Plan have been communicated to the actuary.

September 25, 2023
Date

Signed

Glen King
Name

Mercer

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Fortis Ontario's Non-Pension Post Retirement Benefit Plans
Estimated 2025/2026 Expense under Section 3461

	[redacted]				[redacted]				CNPI				[redacted]			
From	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	2024-01-01	2025-01-01	2026-01-01	2027-01-01	[redacted]	[redacted]	[redacted]	[redacted]
To	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	2024-12-31	2025-12-31	2026-12-31	2027-12-31	[redacted]	[redacted]	[redacted]	[redacted]
Change in benefit obligation																
Benefit obligation - end of prior period	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	7,141,700	6,337,500	6,112,100	6,120,600	[redacted]	[redacted]	[redacted]	[redacted]
Current service cost (employer)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	66,600	63,700	61,200	63,600	[redacted]	[redacted]	[redacted]	[redacted]
Interest cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	320,300	289,700	296,900	297,300	[redacted]	[redacted]	[redacted]	[redacted]
Employee contributions	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Plan amendments	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Benefits paid	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-312,700	-299,800	-349,600	-348,200	[redacted]	[redacted]	[redacted]	[redacted]
Net transfer in (out)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Acquisitions (divestitures)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Increase (decrease) in obligation due to curtailment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Obligation being settled	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Special termination benefits	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Actuarial loss (gain)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-878,400	-279,000	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Benefit obligation - end	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6,337,500	6,112,100	6,120,600	6,133,300	[redacted]	[redacted]	[redacted]	[redacted]
Change in plan assets																
Market value of plan assets - end of prior period	0	0	0	0	0	0	0	0	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Actual return on plan assets	0	0	0	0	0	0	0	0	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Employer contributions	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	312,700	299,800	349,600	348,200	[redacted]	[redacted]	[redacted]	[redacted]
Employee contributions	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Benefits paid	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-312,700	-299,800	-349,600	-348,200	[redacted]	[redacted]	[redacted]	[redacted]
Surplus paid out to employer	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Settlement payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net transfer in (out)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions (divestitures)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Actual plan expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Market value of plan assets - end	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reconciliation of funded status																
Benefit obligation - end	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6,337,500	6,112,100	6,120,600	6,133,300	[redacted]	[redacted]	[redacted]	[redacted]
Market value of plan assets - end	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Funded status - surplus (deficit)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-6,337,500	-6,112,100	-6,120,600	-6,133,300	[redacted]	[redacted]	[redacted]	[redacted]
Employer contributions after measurement date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unamortized transitional obligation (asset)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unamortized past service costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unamortized net actuarial loss (gain)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	10,000	-269,000	-269,000	-269,000	[redacted]	[redacted]	[redacted]	[redacted]
Accrued benefit asset (liability)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-6,327,500	-6,381,100	-6,389,600	-6,402,300	[redacted]	[redacted]	[redacted]	[redacted]
Unamortized transitional increase (decrease) in valuation allowance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Valuation allowance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued benefit asset (liability), net of valuation allowance	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-6,327,500	-6,381,100	-6,389,600	-6,402,300	[redacted]	[redacted]	[redacted]	[redacted]
Components of expense																
Current service cost (including provision for plan expenses)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	66,600	63,700	61,200	63,600	[redacted]	[redacted]	[redacted]	[redacted]
Interest cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	320,300	289,700	296,900	297,300	[redacted]	[redacted]	[redacted]	[redacted]
Expected return on plan assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of transitional obligation (asset)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of past service costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of net actuarial loss (gain)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0	[redacted]	[redacted]	12,400	0	0	0	[redacted]	[redacted]	[redacted]	[redacted]
Curtailment loss (gain)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Settlement loss (gain)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of transitional increase (decrease) in VA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in valuation allowance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net expense (income)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	399,300	353,400	358,100	360,900	[redacted]	[redacted]	[redacted]	[redacted]
Assumptions																
At beginning of period																
Discount rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	4.60%	4.70%	5.00%	5.00%	[redacted]	[redacted]	[redacted]	[redacted]
Rate of compensation increase	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	N/A	N/A	N/A	N/A	[redacted]	[redacted]	[redacted]	[redacted]
Immediate trend rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	4.88%	4.80%	4.74%	4.69%	[redacted]	[redacted]	[redacted]	[redacted]
Ultimate trend rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	4.00%	4.00%	4.00%	4.00%	[redacted]	[redacted]	[redacted]	[redacted]
At end of period																
Discount rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	4.70%	5.00%	5.00%	5.00%	[redacted]	[redacted]	[redacted]	[redacted]
Rate of compensation increase	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	N/A	N/A	N/A	N/A	[redacted]	[redacted]	[redacted]	[redacted]
Immediate trend rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	4.80%	4.74%	4.69%	4.64%	[redacted]	[redacted]	[redacted]	[redacted]
Ultimate trend rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	4.00%	4.00%	4.00%	4.00%	[redacted]	[redacted]	[redacted]	[redacted]
EARSL for in-year amortization of actuarial (gain)/loss	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	17.00	17.00	17.00	17.00	[redacted]	[redacted]	[redacted]	[redacted]

FortisOntario Inc.
2027 Pension Expense Estimates (DB Only) - CICA 3461

	[redacted]	CNP	[redacted]
Components of expense			
Current service cost (including provision for plan expenses)	[redacted]	346,475	[redacted]
Interest cost	[redacted]	770,852	[redacted]
Expected return on plan assets	[redacted]	(1,128,775)	[redacted]
Amortization of transitional obligation (asset)	-	-	-
Amortization of past service costs	-	-	-
Amortization of net actuarial loss (gain)	-	-	-
Curtailment loss (gain)	-	-	-
Settlement loss (gain)	-	-	-
Amortization of transitional increase (decrease) in VA	-	-	-
Increase (decrease) in valuation allowance	-	-	-
Special termination benefits	-	-	-
Net expense (income)	[redacted]	(11,448)	[redacted]
Assumptions			
At beginning of period			
Discount rate	[redacted]	4.80%	[redacted]
Rate of compensation increase	[redacted]	3.50%	[redacted]
Expected rate of return on plan assets	[redacted]	5.15%	[redacted]

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

ATTACHMENT 4-C:
2025 SERVICES AGREEMENT

SERVICES AGREEMENT

CANADIAN NIAGARA POWER INC.,

- and -

CORNWALL STREET RAILWAY, LIGHT AND POWER COMPANY LIMITED,

- and -

ALGOMA POWER INC.,

- and -

FORTISONTARIO INC.

September 15, 2025

TABLE OF CONTENTS

SERVICES AGREEMENT

THIS AGREEMENT is made as of September 15, 2025,

B E T W E E N:

CANADIAN NIAGARA POWER INC.,
a corporation incorporated under the laws of the Province of Ontario,

("CNPI"),

- and -

CORNWALL STREET RAILWAY, LIGHT AND POWER COMPANY LIMITED,
a corporation incorporated under the laws of the Province of Ontario

("Cornwall"),

- and -

ALGOMA POWER INC.,
a corporation incorporated under the laws of the Province of Ontario,

("Algoma"),

- and -

FORTISONTARIO INC.,
a corporation incorporated under the laws of the Province of Ontario,

("FortisOntario" and together with CNPI, Cornwall, and Algoma, the "Fortis Entities" and each a "Fortis Entity").

THIS AGREEMENT WITNESSES that, in consideration of the covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1 – GENERAL

1.01 Services

"Services" means and includes, without limitation:

a) building maintenance including security, janitorial services, snow plowing, lawn care, major and minor repairs;

b) purchasing including procurements, order tracking, delivery of operating and capital items, payment processing and vendor management;

c) stores management including maintaining stock levels, issuing and receiving, maintenance of SAP inventory management system and disposition of excess assets;

d) customer service and customer care services, including meter reading, (including verification, testing, approval, installation and removal systems) billing and collection services and related SAP systems;

e) health and safety monitoring including the development of policies and procedures, training (awareness and procedures), site inspections and field audits;

f) environmental compliance monitoring including the development of policies and procedures, training (awareness and procedures), regulatory reporting, government liaison and site inspections;

g) human resources administration including development of policies and procedures, union relations and negotiations, personnel file management, wholesale settlement services and management of employee benefit plans;

h) regulatory and compliance services;

i) bookkeeping including the provision of statutory financial and regulatory reporting, management reporting and financial systems administration;

j) payroll including the maintenance of payroll records and payroll system, calculation of pay and payroll deductions, and facilitation of payroll payments;

k) financial management including cash administration, investments and debt management, treasury services, internal audit services, and development of financial and account policies and procedures;

l) executive, legal and secretarial services;

m) tax administration, filing and payment, including compliance, regulatory reporting and filing, planning, audit reviews, transfer of tax liabilities and the payments, filing of tax reports, and exposure management;

n) information technology including the provision and management of systems, system and hardware support services, major and minor repairs, development and policies and procedures, and monitoring of information technology developments;

o) monitoring the status of generating facilities using supervisory control and data acquisition (SCADA) technology;

p) operation services including any construction, maintenance, installation, inspection, testing, commissioning, repairs, engineering, and design;

q) electricity demand side management support; and

r) such other services as may from time to time be agreed upon between the parties.

1.02 Capacities of Parties

Pursuant to the terms of this Agreement, each of the Fortis Entities shall both provide Services to the other Fortis Entities, as requested, and receive Services that they have requested from one or more of the other Fortis Entities. A Fortis Entity in the capacity as a provider of Services is referred to as a "Service Provider". A Fortis Entity in the capacity as a receiver of Services is referred to as a "Service Recipient". When reference is made to the provision of Services by "the Service Providers" or "each Service Provider" to "each Service Recipient" or "the Service Recipients", it shall be interpreted to exclude any provision of Services by any Fortis Entity to itself.

1.03 Services

Subject to the terms and conditions hereof, each Service Recipient will, from time to time, request that one or more of the Service Providers carry out one or more of the Services and each Service Provider will render the Services requested by the Service Recipient as requested.

1.04 Term of Agreement

The provision of Services by the Service Providers to the Service Recipients hereunder shall commence on September 15, 2025, and shall continue until September 14, 2030, or earlier if terminated by the parties hereto as set forth in Article 5 hereof.

ARTICLE 2 – REMUNERATION OF SERVICE PROVIDERS

2.01 Fee for Services and Cost Mechanism

In respect of fee for services, the Service Recipients shall each pay their respective Service Providers for the Services provided under the Agreement a fee reflecting cost plus a reasonable rate of return and shall be reviewed at the option of either the respective Service Recipient or Service Provider. For the purpose of this Agreement, reasonable rate of return shall mean a return on invested capital of the utility's approved rate of return.

Where a utility provides a Service, resource or product to a generating affiliate, the utility shall ensure that the sale price is no less than the utility's fully allocated cost of the Service, resource or product. Where a utility receives Services from a generating affiliate, the utility shall ensure that the sale price for such Services is no more than the generator's fully loaded cost of the Service. The fully loaded cost of an internal resource includes all attributable costs in accordance with mIFRS accounting.

For greater certainty (i) each Service Recipient shall only be liable to pay for Services provided to it, and shall not be liable to pay for any Services provided to any other Service Recipient; and (ii) each Service Provider shall only be liable for its own acts or omissions and shall not be liable for the acts or omissions of any other Service Provider.

2.02 Expenses

The Service Provider shall be responsible for all day to day expenses incurred in connection with the Services provided pursuant to Section 1.03. However, each Service Recipient shall reimburse its respective Service Provider for all extraordinary expenses actually and properly incurred by the Service Provider in the performance of the Services to such Service Recipient hereunder provided that such expenses shall be paid in accordance with the normal practices of the Service Recipient in force from time to time.

2.03 Invoices

Payment shall be made to the Service Provider with respect to the fees and expenses referred to in Sections 2.01 and 2.02. Upon request from the Service Recipient, the Service Provider shall provide a report to the Service Recipient to which it has provided Services, outlining all expenses incurred in connection with the provision of Services pursuant to Section 1.03 hereof.

2.04 Cost Allocation Methodology

In respect of shared costs, costs shall be allocated based upon an appropriate cost allocation methodology to be determined by the respective Service Provider and Service Recipient. The cost allocation methodology, and the allocation factors that comprise the methodology, shall be reviewed by the respective Service Provider and Service Recipient at the option of either party, or at least every five years.

ARTICLE 3 – COVENANTS OF SERVICE PROVIDERS

3.01 Services

Each Service Provider shall render performance of the Services hereunder to the best of the Service Provider's ability and in a competent and professional manner.

3.02 Time of Services

Each Service Provider shall devote such of its time and attention to the business of its respective Service Recipients as may be agreed to by the Service Provider and its respective Service Recipient. The time of Services to be provided hereunder by the Service Providers shall be as agreed to from time to time by negotiations between each Service Recipient and its respective Service Provider. Subject to the obligations of the Service Providers hereunder, the Service Providers shall be free to offer such services to any other person.

3.03 Licences and Permits

The Service Provider shall be responsible for obtaining all necessary licences and permits and for complying with all applicable federal, provincial and municipal laws, codes and regulations in connection with its provision of the Services hereunder and the Service Provider shall, when requested, provide their respective Service Recipients with adequate evidence of its compliance with this Section 3.03.

3.04 Rules and Regulations

Each Service Provider shall (subject to applicable exemptions) comply, while on the premises used by the Service Recipients, with all the rules and regulations of the Service Recipients from time to time in force which are brought to its notice or of which it could reasonably be aware, and the applicable provision of the *Electricity Act, 1998* (Ontario) and the regulations thereunder, the *Ontario Energy Board Act*, 1998 (Ontario) and the regulations thereunder, applicable licences from the Ontario Energy Board, IESO market rules, the Affiliate Relationships Code, the Distribution System Code, the Transmission System Code, the Retail Settlement Code, and the Standard Service Supply Code and such other applicable codes, rules and regulations, which from time to time shall come into force.

3.05 Regulatory Compliance

Each Service Provider shall ensure that any order or measure made or taken by the Ontario Energy Board:

(i) that is brought to its attention or of which it becomes aware;

(ii) that is directed at or affects its respective Service Recipients; and

(iii) that, in order to be implemented or complied with, is dependent in whole or in part upon any Service or task that the Service Provider is obligated to perform hereunder;

shall be fully implemented or complied with to the extent of obligations hereunder. In connection with this section, each Service Recipient agrees that it will promptly notify its respective Service Providers of any order or measure of the Ontario Energy Board directed at or affecting such Service Recipient.

Nothing in this Agreement will prevent the Service Recipient(s) from taking any steps, including without limitation using the Service Recipient(s) own resources or those of a third party, that are necessary to implement or comply with the applicable Ontario Energy Board licence, or any other applicable provisions of the applicable legislation, regulations and market rules, or any order or measure made or taken by the Ontario Energy Board.

3.06 Insurance

Each Service Provider shall pay for and maintain for the benefit of the Service Provider and its respective Service Recipients, with insurers or through the appropriate government department and in an amount and in a form acceptable to the Service Recipients, appropriate insurance concerning the operations and liabilities of the Service Provider relevant to this Agreement including, without limiting the generality of the foregoing, workers' compensation and employment insurance in conformity with applicable statutory requirements in respect of any remuneration payable by the Service Provider to any employees of the Service Provider and public liability and property damage insurance.

3.07 Indemnity

The Service Provider shall indemnify and save its respective Service Recipients harmless from and against all claims, actions, losses, expenses, costs or damages of every nature and kind whatsoever which the Service Recipients or its officers, employees or agents may suffer as a result of the negligence of the Service Provider in the performance or non-performance of this Agreement.

3.08 Non-disclosure and Confidentiality

The Service Provider shall not (either during the term of this Agreement or at any time thereafter) disclose any information relating to the private or confidential affairs of any Service Recipient or relating to any secrets of any Service Recipient, including without limitation, information the Service Recipient has obtained related to a specific smart sub-metering provider, wholesaler, consumer, retailer or generator, to any person other than with the consent of such Service Recipient. In the case of information supplied by a distribution facility to a generation facility, the information will be used solely for the purposes of efficiently operating the generation facility and shall not be shared with any other affiliate or any other party to which it may offer a competitive advantage.

3.09 Access to Confidential Information

All confidential information must be protected. Access to a utility's information services shall include appropriate computer data management and data access protocols. In the event that a utility shares employees with a generating affiliate, such employees shall be bound to maintain the confidentiality of information provided for herein, except as otherwise required by applicable law.

3.10 Monitoring Services

Each Service Provider shall provide to its respective Service Recipients all information that such Service Recipients require so that the Service Recipients can monitor the provision of its applicable licensed Services provided by the Service Provider. Each Service Provider will also provide information as requested by its respective Service Recipients which is required for such Service Recipients fulfillment of its applicable Ontario Energy Board licence.

ARTICLE 4 – TERMINATION

4.01 Termination by Service Recipients or Service Providers for Cause

Any Fortis Entity may terminate its relationship to provide or receive Services from any other Fortis Entity (the "Non-Compliant Entity") in the event of the failure of the Non-Compliant Entity to comply with any of the provisions hereunder upon such Non-Compliant Entity being notified in writing by the Fortis Entity alleging such failure and failing to remedy such failure within 30 days of receiving such notice.

4.02 Termination by Service Recipients or Service Providers on Notice

Any Fortis Entity may terminate any agreement to receive Services from, or provide Services to, any other Fortis Entity upon the giving of 60 days written notice to the other party. Notwithstanding the foregoing, any Service Recipient may terminate its obligations to receive Services from any Service Provider immediately upon paying to the Service Provider 60 days' fee for Services in lieu of such notice. Any termination effective between two Fortis Entities shall not effect any other obligation of such Fortis Entities to each other or to any other Fortis Entity.

4.03 Provisions which Operate Following Termination

Notwithstanding any termination of this Agreement for any reason whatsoever and with or without cause, the provisions of Sections 3.06, 3.07 and 3.08 and any other provisions of this Agreement necessary to give efficacy thereto shall continue in full force and effect following any such termination. Any termination effective between two Fortis Entities shall not effect any other obligation of such Fortis Entities to each other or to any other Fortis Entity.

4.04 Change of Control

To the extent that a Fortis Entity sells all or substantially all of its assets or there is a change of control of any Fortis Entity, either by way of change of the ownership structure of any of the Fortis Entities or otherwise, all obligations of any Fortis Entity to provide

Services to, or receive Service from such changed Fortis Entity, pursuant to the terms of this Agreement, shall cease effective the date of such change of control. For greater certainty the immediately preceding sentence shall not effect Section 4.03.

ARTICLE 5 – ARBITRATION

5.01 Arbitration of Disputes

Any disputes arising between the parties relating to the interpretation of any provision of this Agreement or other matters which under the provisions of this Agreement are to be referred to arbitration shall be settled by arbitration in accordance with the provisions of Section 5.02.

5.02 Appointment of Arbitrator and Arbitration Procedures

a) In the event of disagreement, litigation or dispute with respect to the interpretation, application or execution of one or the other of the provisions of this Agreement the parties hereto renounce their right to institute legal proceedings and undertake to submit such disagreement, litigation or dispute to the final decision pursuant to Arbitration in accordance with Schedule “A” hereto.

b) The fees and disbursements of the arbitrator shall be shared equally by the Fortis Entities that are engaged in such dispute.

c) The arbitration provided for in this Agreement is subject to the provisions of the *Arbitration Act* (Ontario), to the extent that such provisions are not incompatible herewith.

ARTICLE 6 – INTERPRETATION AND ENFORCEMENT

6.01 Sections and Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement or instrument supplemental or ancillary hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

6.02 Extended Meanings

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and *vice versa*.

6.03 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon successors and assigns of the Fortis Entities.

6.04 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, forms, conditions, undertakings or collateral agreements, express implied or statutory between the parties other than as expressly set forth in this Agreement.

6.05 Amendments and Waivers

No amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by the parties hereto. No waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.

6.06 Assignment

Except as may be expressly provided in this Agreement, no Fortis Entity may assign his or its rights or obligations under this Agreement without the prior written consent of each other Fortis Entity.

6.07 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect.

6.08 Notices

Any demand, notice or other communication to be made or given in connection with this Agreement shall be made or given in writing and may be made or given by personal delivery or by registered mail addressed to the recipient as follows:

<u>To CNPI</u>:

Canadian Niagara Power Inc.
1130 Bertie Street
P.O. Box 1218
Fort Erie, Ontario L2A 5Y2

Attention: Duane Fecteau (VP, Finance and CFO)
Email: Duane.Fecteau@FortisOntario.com

And to:

Attention: Craig David (Legal)
Email: Craig.David@FortisOntario.com

<u>To Cornwall</u>:

Cornwall Street Railway, Light and Power Company Limited

1130 Bertie Street
P.O. Box 1218
Fort Erie, Ontario L2A 5Y2

Attention: Duane Fecteau (VP, Finance and CFO)
Email: Duane.Fecteau@FortisOntario.com

And to:

Attention: Craig David (Legal)
Email: Craig.David@FortisOntario.com

To Algoma:

Algoma Power Inc.
1130 Bertie Street
P.O. Box 1218
Fort Erie, Ontario L2A 5Y2

Attention: Duane Fecteau (VP, Finance and CFO)
Email: Duane.Fecteau@FortisOntario.com

And to:

Attention: Craig David (Legal)
Email: Craig.David@FortisOntario.com

To FortisOntario:

FortisOntario Inc.
1130 Bertie Street
P.O. Box 1218
Fort Erie, Ontario L2A 5Y2

Attention: Tim Lavoie (VP, Corporate Services and Indigenous Relations, Secretary)
Email: Tim.Lavoie@FortisOntario.com

And to:

Attention: Craig David (Legal Counsel)
Email: Craig.David@FortisOntario.com

or such other address or individual as may be designated by notice by either party to the other. Any demand, notice or other communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if made or given by registered mail, on the 5th day, other than a Saturday, Sunday or statutory holiday in the province of the recipient Fortis Entity, following the deposit thereof in the mail. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of the mail, any such demand, notice or other communication shall not be mailed but shall be made or given by personal delivery.

6.09 Further Assurances

Each party must from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, and the laws of Canada applicable therein.

6.11 Attornment

For the purpose of all legal proceedings this Agreement shall be deemed to have been performed in the Province of Ontario and, subject to Article 5 of this Agreement, the courts of the Province of Ontario shall have jurisdiction to entertain any action arising under this Agreement.

[*remainder left intentionally blank*]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

CANADIAN NIAGARA POWER INC.

Per: ________________________________

Name: Duane Fecteau
Title: VP, Finance and CFO

CORNWALL STREET RAILWAY, LIGHT AND POWER COMPANY LIMITED

Per: ________________________________

Name: Duane Fecteau
Title: VP, Finance and CFO

ALGOMA POWER INC.

Per: ________________________________

Name: Duane Fecteau
Title: VP, Finance and CFO

FORTISONTARIO INC.

Per: ________________________________

Name: Tim Lavoie
Title: VP, Corporate Services and Indigenous Relations, Secretary

SCHEDULE "A"

ARBITRATION

Any dispute between the parties hereto, or any matter to be submitted to arbitration hereunder, whether arising during the period of this Agreement or at any time thereafter which touches upon the validity, construction, meaning, performance or effect of this Agreement or the rights and liabilities of the parties hereto or any matter arising out of or connected with this Agreement shall be subject to arbitration pursuant to the *Arbitration Act* (Ontario) and as provided in this Schedule A and the decision shall be final and binding as between the parties hereto and shall not be subject to appeal.

Any arbitration to be carried out under this Schedule A shall be subject to the following provisions, namely:

The party desiring arbitration shall nominate one (1) arbitrator and shall notify the other party hereto of such nomination. Such notice shall set forth a brief description of the matter submitted for arbitration and, if appropriate, the paragraph hereof pursuant to which such matter is so submitted. Such other party shall within thirty (30) days after receiving such notice nominate an arbitrator and the two (2) arbitrators shall select a chair of the arbitral tribunal to act jointly with them. If the said arbitrators shall be unable to agree in the selection of such chair, the chair shall be designated by a Judge of the Superior Court of Justice or any successor thereto upon an application. The arbitration shall take place in the Town of Fort Erie, Regional Municipality of Niagara, and the chair shall fix the time and place in the Town of Fort Erie for the purpose of hearing such evidence and representations as either of the parties may present and, subject to provisions hereto, the decision of the arbitrators and chair or any of two (2) of them in writing shall be binding upon the parties both in respect of procedure and the conduct of the parties during the proceedings and the final determination of the issues herein. Said arbitrators and chair shall, after hearing any evidence and representations that the parties may submit, make their decision and reduce the same to writing and deliver one (1) copy thereof to each of the parties hereto. The majority of the chair and arbitrators may determine any matters of procedure for the arbitration not specified herein.

If the party hereto receiving the notice of the nomination of an arbitrator by the party desiring arbitration fails within the thirty (30) days to nominate an arbitrator, then the arbitrator nominated by the party desiring arbitration may proceed alone to determine the dispute in such manner and at such time as he shall think fit and his decision shall, subject to the provisions hereof, be binding upon the parties.

Notwithstanding the foregoing, any arbitration may be carried out by a single arbitrator if the parties hereto so agree, in which event the provisions of this paragraph shall apply, *mutatis mutandis*.

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

ATTACHMENT 4-D:
PURCHASING POLICY PUR-001

Policy

1) Audience

   a) The Purchasing Policy (the/this "Policy") is applicable to FortisOntario and its wholly owned subsidiaries excluding Wataynikaneyap PM Inc. (collectively, the "Company").

2) Scope

   a) This Policy is intended to ensure that the purchase of materials, equipment, and services ("goods and/or services"), by employees of the Company, is performed in accordance with best business practices.

   b) To obtain the best overall value for the Company, the ratepayers and the shareholders.

   c) To ensure accountability and transparency with a clear auditable trail for every expenditure. This includes the appropriate segregation between procurement, purchasing, and payment processing activities so that not one person can initiate, approve, receive, and then pay for any goods or services.

   d) Unless otherwise specified, any purchase of goods or services shall be made on a competitive basis, in keeping with best practices, and in accordance with any applicable Federal, Provincial or Municipal legislation. The Procurement department will endeavor to ensure that all formal bidding processes are done fairly and in a manner that limits risk and exposure to the Company.

   e) Employees are to be mindful of environmental, economic, and social impacts as it pertains to the purchasing of goods and services.

   f) Unless exempt, all purchases under this Policy are to be entered into and approved in the SAP Purchasing Module through the Purchasing Requisition ("PR") and Purchase Order ("PO") process, and in accordance with the Authorization Policy.

3) Exemptions to this Policy

   a) The following list and other similar expenses are not subject to this Policy and of the processes therein:

      i) Training and education which includes tuition, conferences, seminars, courses, and conventions.

      ii) Employee expenses which include meals, travel, boot allowances and professional dues.

      iii) Legal, accounting, auditing, treasury, pension, or similar professional services.

      iv) Utility bills, telephone, insurances, licenses, donations and other similar expenses.

      v) Land rights and easement expenses.

4) Requirement for Approved Funds

   a) Any employee with the authorization to approve a purchase is accountable and responsible for ensuring that either an adequate budget exists or that any budget overage has been adequately justified, and that the purchase is not in violation of this Policy. Where a requirement exists to initiate a purchase that is not part of the planned budget, the employee responsible must get approval from the executives and or the Board of Directors prior to any expenses being incurred. All expenses must be approved by an authorized person in accordance with the Authorization Policy.

5) Business Ethics

a) All employees are expected to act in an ethical manner when procuring goods or services for the Company. As the minimum standard, the Company policies listed below shall be the guiding documents on how an employee is to conduct themselves while doing business.

- Core Values
- Code of Conduct
- Health & Safety Policy
- Environmental Policy
- Workplace Violence and Harassment
- Statement of Principles of Indigenous Relation

b) From time-to-time gifts or "free" promotional items may be offered to employees. This may include branded items from a supplier, gift cards, or items which become available when spending a certain dollar amount. It is important that we maintain transparency in all our transactions and the following shall apply:

i) Branded items (swag) are to be given to a department Supervisor for disbursement.

ii) Gift cards of any value are to be turned over to HR for disbursement.

iii) If a promotional item is made available when purchasing goods for Company use, the promotional item must be suitable for use within the Company.

iv) Both the original item being ordered and the promotional item must appear in a PO. Purchasing the item on a Procurement Card or solely through a vendor portal is not permitted.

v) If the promotional item is to be used for an employee incentive, HR is to be notified and is to oversee the awarding of the item to ensure integrity within the process.

6) Cyber Security

a) With the ever-evolving technological landscape it has become imperative that cybersecurity is always considered for any procurement. Prior to any sort of contractual or financial commitment on behalf of the Company, every employee is to ensure that any cyber risk has been fully vetted by the Enterprise Technology department through the Contractor Management program. Such risks might include a vendor accessing information through our network or servers, hosting sensitive and/or private information, requiring the installation of new software, storing sensitive information on a vendor-managed cloud, and/or not maintaining acceptable internal cybersecurity controls.

7) Emergency Purchasing

a) An emergency is defined as a situation where there is an immediate or imminent adverse effect on the health and safety of any person, the environment or a disruption of the services provided by the Company.

b) In the event of an emergency where time is of the essence, steps may be taken to secure any goods and services needed to correct the situation and mitigate any further risk or exposure.

c) The procurement department is to be made aware of any such purchases in the event subsequent steps are required with the vendor or in SAP. The Authorization Policy (FIN-001) should be consulted for any additional requirements in this area.

8) Pre-Payment

a) The following scenarios highlight expenses where milestones or pre-payments may be allowed:

i) Major equipment where there is more than one stage of production.

ii) Services where mobilization is required.

iii) Non-tangible items such as software and licenses where the vendor requires prepayment to activate.

iv) All milestones and pre-payment terms must be clearly defined in the contract or PO. Payment approval must follow the Authorization Policy.

9) Shared Purchasing Arrangements

a) The Company may participate and enter into arrangements with other utilities or organizations where there are economic or logistical advantages for purchasing goods or services. This is allowed provided the following:

i) Authorization requirements of FIN-001 have been met.

ii) No other policies and procedures of the Company are compromised; and

iii) Each utility or organization shall be responsible for their own purchases and payments.

[end of policy]

Purchasing Procedures

10) Prerequisites

a) Before any procurement takes place and financial commitments are made, the employee should consider the following:

(1) Is there a technical or operational justification?

(2) Are budgeted funds and cost allocations available?

(3) Is there a Scope of Work or Material Specification?

(4) What is the quantity required?

(5) What are the delivery and requirement dates?

(6) Is there a list of qualified vendors or service providers?

(7) Is this a standalone purchase or part of a larger project?

(8) Has IT been consulted for any cyber security considerations?

b) There may not be enough suitable information available to determine if a vendor is qualified or has the resources to carry out the work required. A Request for Information (RFI) may be issued to assist with determining high-level market conditions.

i) An RFI does not:

(1) Reference a specific Scope of Work or Project.

(2) Ask for prices or any type of rate.

(3) Ask if a delivery date can be met.

(4) Ask for signatures, bind, or commit the vendor.

(5) Use the words “quote”, “proposal” or “tender.”

ii) An RFI may request the following information:

(1) Work the vendor can do.

(2) Labour resources available.

(3) Equipment resources.

(4) Training programs.

(5) Health, safety, or environmental practices.

(6) Any IT considerations.

11) Sourcing

a) Ideally all procurement should be made on a competitive basis, and efforts should be made to find more than one source of supply. The following shall be used as the minimum standard in a competitive bidding environment:

   i) Three or more bidders would be ideal for a competitive bid.

   ii) Generally bidding is by invite only and not open to public procurement.

   iii) All bidders shall have access to the same information in the process.

   iv) All proprietary information and bids submitted are to be considered confidential.

   v) All compliant bids submitted are to be considered for an award.

   vi) Any practice used to skew the outcome of the bid or give one bidder an advantage over another is considered unethical and prohibited.

   vii) Information about the award is not to be shared with the other bidders or the public.

b) Request for Quote (RFQ)

   i) The goods or services are clearly defined and usually less technical (i.e. inventory items, cost center expenses and/or low-level services).

   ii) The bidding documents are simple, often being an email with price and delivery being the evaluation criteria.

   iii) Typically, just a PO is issued.

c) Request For Bid Documents (RFx)

   i) In this case, a formal procurement process is run by the Purchasing department with specific bidding documents being used.

   ii) An evaluation committee is required in most RFx scenarios. The committee should consist of stakeholders in the project, a person with technical expertise and one person outside of the process. The person in Procurement will manage the information but is not officially part of the committee.

   iii) In parallel to the commercial and technical review, HS&E will review any of the preliminary prequalification requirements that were submitted in the process.

   iv) The result of this process, in addition to a PO being created, is a contract being issued for the work. Depending on the type of contract, there may be subsequent Work Authorizations issued which are a subcontract of the master contract.

(1) Request for Tender (RFT)
   (a) The goods or services are clearly defined by the Company in a Scope of Work document.
   (b) Technical compliance, price and delivery are often the determining factors in an award.

(2) Request for Proposal (RFP)
   (a) The goods, services and methodologies are not clearly defined, high-level deliverables are provided for the bidder to provide a solution.
   (b) Evaluation criteria are often complex and specific to the procurement.

d) Single or Sole Source Procurement.

   i) In circumstances where the source for supply does not allow for competitive bidding, or is justifiable, the following is an acceptable guideline for single/sole sourcing:
      (1) Sole Sourced – Only one supplier is available to provide the goods or services.
      (2) Single Sourced – More than one supplier is available but no competitive processed is used for any of the following reasons:
         (a) Annual or one time spend value is under $15,000.
         (b) To meet HS&E requirements such as Contractor pre-qualification.
         (c) If a regulatory or other governing body requires the use a specific supplier of goods or services.
         (d) Unique/standardized equipment or OEM parts are required.
         (e) An emergency exists.
         (f) Recent purchasing history exists where the supplier has consistently lower prices compared to other suppliers.

   ii) Except in the event of an emergency, requests for quotes or other RFx processes are to be used to solicit the information from the suppliers.

   iii) For both goods and services of which purchases in aggregate will be greater than $100,000 annually, and those purchases did not go through a competitive bidding process, there will be a requirement to have the Single Source Justification form completed and signed prior to engaging the supplier. This can be found on the Company intranet under Departments>Purchasing.

   iv) The Purchasing department reserves the right to request that an employee obtain additional quotes if other sources of supply are available or alternatively require the employee to complete the Single Source Justification form for any purchase over $15,000.

12) Vendor Records

a) The person responsible for sourcing is to ensure that there is a vendor master record in SAP. If there is no active record, a request will need to be made to the Finance department to either update an existing account or to have a new account created. The forms for this can be found on the Company intranet under Forms>Finance.

13) Purchasing Documents

a) Under this Policy, all procurement must have an associated purchasing document which outlines any obligations. Purchasing Documents can refer to any type of PO, contract or lease.

b) All documents are subject to internal review and approval which includes but is not limited to; technical, legal, financial and cybersecurity.

i) SAP Purchase Requisition

(1) The PR precedes the creation of the PO. The purpose is to provide details about the goods or services being secured for Management to approve the purchase in SAP creating the starting point for an audit trail. There are four general steps with the processing of a PR:

(a) Entry of a Requisition in SAP based Sourcing results.

(b) Attaching supporting documentation into SAP; or filing in the appropriate network folder.

(c) Approval of the Requisition by the responsible Manager; and

(d) Conversion of PR into PO

ii) SAP Purchase Orders

(1) POs are used either as a standalone document issued to suppliers or in conjunction with other Purchasing Documents for internal financial and approval tracking.

(2) The PO is an agreement between the Company and third party which includes as a minimum but is not limited to:

(a) Agreed upon Price or estimated value.

(b) Description of goods, services or deliverables

(c) Delivery or Completion Dates

(d) Payment Terms

iii) Types of Purchase Orders

(1) Standard PO – 45000xxxx series

(a) Used for the purchase of goods based on quantity and price.

(b) Are not to be created after the goods have been received.

(c) All inventoried material must be purchased in this manner.

(2) Blanket Purchase Orders (BPOs) – 810000xxxx series

(a) BPOs function as a monetary drawdown from an approved amount.

(b) BPOs must be used for operational services including; Contracts, Work Authorizations and Change Orders. This includes both ongoing services and project driven work.

(c) Acceptable for the purchase of:

(i) Large assets such vehicles and station equipment

(ii) Software, licenses, and other similar IT expenses

(iii) Cannot be used to purchase inventoried materials.

(d) Used for ongoing operational services throughout the year where the average single service is estimated to be under $15,000.

(e) Where any one service is estimated to exceed $15,000, a separate BPO is to be issued to cover the work.

(f) May be used for general consumables where detail on individual items is not required.

(g) Suitable where goods are being ordered through a vendor portal managed by Procurement.

iv) PO Change Management

Please refer to Appendix A – PO Change Management Flow Chart for a visual representation.

(1) Quantity Changes

(a) As an SAP control, the original requisition quantity must be updated first. Any approvals that are reset in the system will need to be completed first before the PO quantity can be updated.

(2) PO Values less than $75,000 CAD

(i) Where the net value change is less than $15,000, the PO line may be updated directly without a preceding PR update.

(ii) Where the net value is greater than $15,000, a PR update is to be completed and then adopted into the PO.

(3) PO Values over $75,000 CAD

(a) Where the value of the change will cause a PO to exceed or is already over $75,000, the original PR is to be updated. This is to ensure the tiered approvals are maintained throughout the PR/PO process.

(b) For clarity, the line items on the PR and on the PO should always match in value.

v) Purchase Order Dates

(1) The PO Delivery Date found in the line item is the driving date for financial commitments in SAP. The Delivery Date should be reflective of when the goods are to be delivered or when the Project is to be completed regardless of the PO type.

14) Contracts

a) All requests for a Contract will be submitted to the Purchasing Department through the appropriate form which can found on the homepage of the intranet All contracts issued are to come from the templates maintained by the Purchasing Department and it is considered an exception and not the norm to sign a third-party agreement. Supplemental to the Contract, a PO is also issued to facilitate financial tracking and invoicing against the Contract.

b) Contract Types

i) Construction Agreement

(1) Used for project specific construction work as defined by the Ministry of Labour. It is standard practice for the Company to name the Contractor as the Constructor on the project.

ii) SLA – Service Level Agreement

(1) Used for standalone services with a defined Scope of Work. Procurement maintains templates for both operational and consulting services.

iii) MSA – Master Services Agreement

(1) General terms and conditions are defined but there is no specific scope of services or guarantee of work. attached to the MSA. Subsequent Work Authorizations are issued as subcontracts which define the scope and cost of any specific piece of work. Work cannot proceed under an MSA without an executed Work Authorization.

(2) Having an MSA in place does not preclude a competitive process taking place for both the MSA itself, and any subsequent Work Authorizations against it.

iv) MSA Work Authorization (WA)

(1) These are subcontracts issued against the MSA. These define the scope, fees, and any other special considerations for the specific service that is required. Although the main contract is already in place, employees are still required to seek the best value for the Company through a competitive bidding process. It is the responsibility of the Project Manager or the designated person to compile the WA information described above and submit it to Purchasing for further processing. As with any other contact, no work is to begin until the WA has been signed by both parties.

v) Change Orders

(1) Once the contract has been executed, any change to the scope, price, completion/delivery dates, or changes to the terms and conditions must be documented and signed by both parties. The Purchasing Department is to be engaged in the event a specific form or template is to be used for the specific contract. Once the CO has been signed, it will need to be entered into SAP per section 14 3 of this policy.

15) Document Management

a) All copies of Purchasing Documents whether issued by the Business Unit or a third party are to be submitted to the Purchasing Department and entered in the Contract Registry and subsequently filed on FortisOntario's Common Drive.

b) The Contract file will have the following format:

i) Q:\Contracts\Contractor Name\Year-Description\any documents

c) The PO will have the following formats:

i) Q:\Purchase Orders\2 - Standard PO\45000xxxx – Vendor Name\any documents

ii) Q:\Purchase Orders\3 - Blanket PO\810000xxxx – Contractor Name\any documents

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

ATTACHMENT 4-E:
REVIEW OF LEGACY 1508 SUB-ACCOUNTS FOR PENSION AND OPEB

REVIEW OF THE FOUR LEGACY 1508 SUB-ACCOUNTS – PENSION AND OPEB

Canadian Niagara Power Inc.
May 6, 2026

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Canadian Niagara Power Inc. Evidence

Overview and Purpose of Evidence

This evidence is filed by Canadian Niagara Power Inc. (CNPI) in accordance with the Settlement Proposal[1] approved by the Ontario Energy Board (OEB) or (Board), which required CNPI to undertake a review of its legacy pension and Other Post-Employment Benefits (OPEB) deferral and variance accounts and report back as part of its next cost of service application. As part of the Settlement Proposal, CNPI committed to:

- Undertake a review of the legacy 1508 sub-accounts to assess the appropriateness of the accounting entries tracked in these DVAs, and whether these accounting entries and cumulative adjustments reflect the requirements as prescribed in the OEB's EB-2013-0368/EB-2013-0369 December 12, 2013, Decision and Order[2] and associated January 9, 2014, Accounting Order[3];
- Examine whether it remains appropriate to underpin ratemaking using ASPE Section 3461 (Section 3461) rather than ASPE Section 3462 (Section 3462); and
- Address the allocation of legacy account balances between CNPI's regulated distribution and transmission operations.

CNPI's review focuses on the following legacy sub-accounts:

- Account 1508 – Other Regulatory Assets – Pension Deferral
- Account 1508 – Other Regulatory Assets – OPEB Deferral
- Account 1508 – Other Regulatory Assets – Pension Expense Variance
- Account 1508 – Other Regulatory Assets – OPEB Expense Variance

This evidence has been prepared in fulfillment of the above commitments and is based on a comprehensive review of accounting records, supporting documentation, and historical cost recognition practices over the period from 2014 to 2025.

The purpose of this evidence is to present the results of CNPI's review of its pension and OPEB-related deferral and variance accounts and to provide supporting explanations and proposals in response to the directives outlined in the Settlement Proposal[4].

Where applicable, this evidence identifies areas requiring clarification or adjustment and outlines CNPI's proposed approach going forward.

Structure of Evidence

This evidence is structured as follows:

- Section 2 presents the results of CNPI's review of the legacy pension and OPEB sub-accounts and assesses the accuracy and appropriateness of the accounting entries recorded in those accounts.

[1] EB-2021-0011 CNPI Settlement Proposal
[2] EB-2013-0368/EB-2013-0369 Algoma Power/ CNPI Decision and Order
[3] EB-2013-0368/EB-2013-0369 Algoma Power/ CNPI Accounting Order
[4] EB-2021-0011 CNPI Settlement Proposal

- Section 3 provides a comparative review of pension and OPEB cost recognition under Sections 3461 and 3462 and evaluates the implications for ratemaking.
- Section 4 addresses the treatment of balances recorded in the legacy sub-accounts, including CNPI's position with respect to disposition and allocation.

Preliminary Summary of Findings

Based on CNPI's review to date, the balances recorded in the legacy pension and OPEB sub-accounts accurately reflect the underlying accounting entries over the period from 2014 to 2025. The cumulative variances between recorded balances and amounts calculated under alternative accounting treatment are immaterial in the context of the total balances and do not indicate any systemic issues with the accounting treatment applied.

CNPI's comparative review further demonstrates that the primary difference between Sections 3461 and 3462 relates to the timing of cost recognition. Section 3461 results in a more stable and predictable pattern of pension and OPEB cost recovery, while Section 3462 would introduce materially greater year-to-year variability without affecting the underlying long-term cost of these obligations.

CNPI is not seeking approval for the disposition of any balances recorded in the legacy pension and OPEB sub-accounts as part of this proceeding. CNPI proposes that the balances will remain recorded in the respective sub-accounts and continue to be carried forward pending a future proceeding in which disposition may be requested.

Consistent with this approach, CNPI proposes that the development and application of an allocation methodology for the legacy pension and OPEB sub-accounts be deferred to a future proceeding in which disposition of these balances may be sought. CNPI considers that the development of an allocation methodology at this time would not assist in the determination of any issue before the OEB in this proceeding.

These findings are discussed in detail in the sections that follow.

Section 2: Review of Legacy Pension and OPEB Sub-Accounts

Accounts Reviewed

In accordance with the Settlement Proposal approved by the OEB, CNPI conducted a comprehensive review of the following legacy Account 1508 sub-accounts related to pension and OPEB:

- Account 1508 – Other Regulatory Assets – Pension Deferral sub-account
- Account 1508 – Other Regulatory Assets – OPEB Deferral sub-account
- Account 1508 – Other Regulatory Assets – Pension Expense Variance sub-account
- Account 1508 – Other Regulatory Assets – OPEB Expense Variance sub-account

These accounts were established to record differences between pension and OPEB amounts reflected in rates (Section 3461) and amounts determined under applicable accounting standards (Section 3462), including transitional and ongoing differences associated with the use of Section 3461 as compared to Section 3462.

Review Methodology

CNPI undertook a detailed review of its legacy sub-accounts to assess the appropriateness of recorded balances and underlying accounting treatment over the period from January 1, 2014, to December 31, 2025.

This review included an examination of general ledger continuity for each sub-account, including opening balances, annual additions, adjustments, and closing balances, as well as a review of supporting journal entries, actuarial valuation reports, and prior rate application evidence.

CNPI also reconciled recorded amounts to pension and OPEB expenses included in approved revenue requirement and assessed whether the accounting entries and cumulative balances reflect the requirements prescribed in the OEB's Decision and Order in EB-2013-0368/EB-2013-0369[5] and the associated Accounting Order[6] dated January 9, 2014.

The objective of this review was to confirm the nature and purpose of amounts recorded in each sub-account (i.e. the difference between Section 3461 underpinning rates and Section 3462), whether entries were recorded in accordance with OEB-approved accounting treatment, and identify any issues related to classification, timing, or completeness.

Overview of Legacy Account Activity

CNPI's review indicates that the legacy sub-accounts can be broadly categorized into deferral sub-accounts and variance sub-accounts. The deferral sub-accounts were established to record one-time or transitional differences associated with the implementation of updated accounting or regulatory treatment. By contrast, the variance sub-accounts were established to record ongoing differences between pension and OPEB expense recognition under Section 3461 and the alternative measure of cost, Section 3462. Based on the records reviewed, the deferral sub-accounts were transitional in nature, and the variance sub-accounts represent the cumulative balances associated with pension and OPEB accounting differences between S3461 and S3462 since the initial transitional entries had been recorded.

Findings of the Review

CNPI's review demonstrates that the balances recorded in the legacy pension and OPEB sub-accounts accurately reflect the annual pension and OPEB amounts calculated under Sections 3461 and 3462 over the period from 2014 to 2025, subject to corrections made during that period. As shown in Tables 1 and 2 in Attachment 1 to this Exhibit, the cumulative variance for pension over the review period is approximately $10,463 relative to a cumulative recorded balance of approximately $5.535 million, and the cumulative variance for OPEB is approximately ($53,694) relative to a cumulative recorded balance of approximately $2.308 million. CNPI submits that these residual variances are immaterial in the context of the balances recorded over the review period and support the conclusion that the legacy sub-accounts

[5] EB-2013-0368/EB-2013-0369 Algoma Power/ CNPI Decision and Order
[6] EB-2013-0368/EB-2013-0369 Algoma Power/ CNPI Accounting Order

have been maintained in a manner consistent with OEB requirements. CNPI intends to both further investigate these variances and record the appropriate correcting entries in its accounting records in 2026.

The review further indicates that, on an annual basis, variances between the two accounting methodologies were minimal in most years, apart from 2015 in which a misclassification occurred which was subsequently corrected in 2016 Actuals. The variance of $(524,228) between section 3461 and 3462 for pension was recorded in the order for OPEB by mistake in December 2015. The correction was made in the subsequent month in January 2016.

Summary: Consistency with OEB Accounting Guidance

Based on the review conducted to date, CNPI finds that the accounting entries recorded in the legacy pension and OPEB sub-accounts are consistent with the requirements prescribed in the OEB's Decision and Accounting Order referenced above. CNPI has maintained separate tracking of pension and OPEB costs, has distinguished between amounts calculated under Sections 3461 and 3462, and has recorded the resulting variances in the appropriate sub-accounts. As demonstrated in Attachment 1, the cumulative balances reflect the aggregation of annual accounting entries over the review period and are consistent with the application of the OEB's prescribed accounting treatment.

Section 3: Review of Section 3461 and 3462

Background and Purpose

As part of the Settlement Proposal[7] approved by the OEB, CNPI agreed to examine whether it remains appropriate to underpin its base rates using Section 3461 for pension and OPEB accounting, rather than Section 3462, given that Section 3461 is no longer in use under current accounting standards. This review includes an assessment of the implications of each standard for the recognition of pension and OPEB costs and the resulting impact on rate-setting.

Overview of Section 3461 and Section 3462

At a high-level, one of the differentiators is that Section 3461 reflects an accounting approach in which actuarial gains and losses are amortized over time, resulting in a smoothed recognition of pension and OPEB expenses. Under this approach, fluctuations arising from actuarial remeasurements are deferred and recognized gradually.

By contrast, Section 3462 eliminates the amortization of actuarial gains and losses and requires that such remeasurements be recognized more directly, resulting in a more immediate reflection of changes in underlying assumptions and experience. This approach introduces greater variability in annual expense recognition.

Although the amortization of actuarial gains and losses is one difference factor, CNPI notes that other differences between the two standards exist such as discount rates as noted below. The Accounting Order in EB-2013-0368/EB-2013-0369 was established to capture all differences between Section 3461 and Section 3462 (i.e. amortized gains/losses, discount rate differentials, etc.).

[7] EB-2021-0011 CNPI Settlement Proposal

Results of CNPI's Comparative Review

CNPI conducted a comparative review of pension and OPEB expense recognition under Section 3461 and Section 3462 over the historical period of 2014 to 2025.

The analysis, as shown in the Tables in Attachment 2 to this Exhibit demonstrates the primary difference between the two approaches. The drivers of the variances are largely due the following two factors:

Discount Rate:

Under Section 3461, the accounting discount rate assumption is calculated via a Mercer model which is very similar to the Canadian Institute of Actuaries accounting discount rate model. A single discount rate is calculated such that the present value of the expected benefit payments (in other words, the actuarial pension obligation or liability) is the same value when compared with the calculation where each year's benefit payments are discounted with the bond spot rates for each year. The bond spot rates are based on high quality corporate bond rates as at the accounting measurement date. By comparison, under Section 3462the discount rate assumption is the same rate used in the going concern valuation of the funded pension plans. The going concern discount rate is based on the long-term expected investment return of the pension fund, which reflects long term return assumptions for equity and fixed income investments. The long term expected return of the pension fund is generally less volatile compared with the discount rate based on high quality bonds as the latter is based on the current market rate as at the measurement date versus being a long-term assumption.

Under CICA3462, the above methodology was used until December 31, 2021, when CNPI adopted the amendments to Section 3462 pertaining to the Exposure Draft Employee Future Benefits – Use of a funding valuation, effective January 1, 2022. The amendments disqualify the unfunded pension plans and the OPEB plan from using the going concern discount rate employed in the funded pension plan valuations for accounting purposes. Therefore, the adoption of these amendments required a change from use of the discount rate on a funding basis to the one on an accounting basis, being the same methodology as per CICA3461. In other words, the disparity in discounts rates ceased on January 1, 2022.

Gains and Losses Recognition:

Another key difference is the timing of cost recognition rather than the long-term level of cost. Under Section 3461, actuarial gains and losses for pension and OPEB plans are amortized over a period of usually several years and only when they exceed a specific threshold. Under Section 3462, gains and losses are recognized immediately, resulting in materially greater year-to-year variability.

Gains and losses arise when the liability obligation and/or the investment fund (aka pension plan assets) are different than expected. Liability obligation gains and losses can arise when plan experience differs from expected as well as when assumptions used to value the obligation change. Gains and losses on the investment fund of funded pension plans occur when actual investment performance is different than expected. Investment performance can vary significantly from year to year and can be negative. As such, generally gains and losses on the plan's assets are more volatile than the liability side gains and losses.

The review indicates that certain years, particularly those involving significant actuarial remeasurements, would have resulted in materially higher or lower expense recognition under Section 3462 relative to

Section 3461. As a result, the use of Section 3462 would have introduced greater volatility into the revenue requirement over the period reviewed.

The volatility associated with Section 3462 is evident in both pension and OPEB results. For example, pension balances recorded under Section 3462 show significant fluctuations across years, including a movement from a debit of approximately $1.5 million in 2014 to a debit of approximately $0.23 million in 2015, and a shift from a credit of approximately $4.3 million in 2022 to a debit of approximately $1.9 million in 2023. By contrast, the corresponding balances under Section 3461 remain comparatively stable over the same periods. Similar patterns are observed in OPEB results, where annual variability under Section 3462 exceeds that observed under Section 3461.

Ratemaking Implications

The differences between Section 3461 and Section 3462 have direct implications for ratemaking.

The use of Section 3461 results in a more stable and predictable pattern of pension and OPEB costs included in rates, which supports rate stability and mitigates year-to-year fluctuations in customer bills. While Section 3462 provides closer alignment with current accounting standards, the resulting volatility does not necessarily support the objective of stable and predictable rate-setting. The choice between the two approaches therefore represents a trade-off between accounting alignment and rate stability[8].

CNPI's Determination

Based on its review, CNPI has determined that it is appropriate to continue to underpin its base rates using Section 3461 for pension and OPEB costs. CNPI's determination reflects the stability of cost recognition under Section 3461, the absence of any material difference in long-term cost outcomes between the two approaches, and the potential for increased volatility under Section 3462 to introduce unnecessary variability into customer rates.

CNPI further notes that the continued use of Section 3461 for ratemaking purposes is consistent with the OEB's expectations. In the OEB's Addendum to the Report of the Board: ***Implementing International Financial Reporting in an Incentive Rate Mechanism Environment***, the OEB acknowledged that utilities may seek approval for specific deferral accounts, where warranted by material cost impacts[9].

CNPI also notes that its existing accounting treatment was previously reviewed and accepted by the OEB in EB-2013-0369[10], and reflects utility-specific circumstances. CNPI submits that these factors support the continued use of Section 3461 as a reasonable and appropriate approach for ratemaking.

Summary: Continue with Current Regulatory Treatment for Pension & OPEBs

CNPI's comparative review demonstrates that Section 3461 provides a stable and predictable pattern of pension and OPEB cost recognition, while Section 3462 would introduce materially greater year-to-year variability without affecting the underlying long-term cost of these obligations. CNPI therefore considers

[8] EB-2015-0040 **Report of the Ontario Energy Board: Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs**, Page 8: "Stability and predictability in regulation are desirable unless unintended and undesirable effects occur."
[9] EB-2008-0408 OEB's Addendum to the Report of the Board
[10] EB-2013-0368/EB-2013-0369 CNPI/Algoma Accounting Order

that the continued use of Section 3461 represents an appropriate and reasonable basis for ratemaking. CNPI has endeavoured to provide additional rationale for its continuation of its current Pension and OPEBs regulatory treatment in the Conclusions and Proposed Treatment section below.

Section 4: Allocation Between Distribution and Transmission Operations

Background and Requirement

As part of the Settlement Proposal approved by the OEB, CNPI agreed to develop and include a proposed allocation of balances within the legacy Account 1508 pension and OPEB sub-accounts between its regulated distribution operations and regulated transmission operations[11]. This requirement reflects the principle that only amounts attributable to regulated distribution operations should be included in these accounts for the purposes of rate-setting.

CNPI's Position

CNPI is not seeking approval for the disposition of any balances recorded in the legacy pension and OPEB sub-accounts as part of this proceeding. The balances in the legacy sub-accounts are not material to warrant disposition in this proceeding. The balances reviewed in Section 2 remain recorded in the respective sub-accounts and continue to be carried forward. As no disposition is being requested, no allocation of these balances between distribution and transmission operations is required for the purposes of this application.

Summary: Defer Development of Allocation Methodology to a Future Proceeding

CNPI proposes that the development and application of an allocation methodology for the legacy pension and OPEB sub-accounts be deferred to a future proceeding in which disposition of these balances may be sought. In CNPI's view, the development of an allocation methodology at this time would not assist in the determination of any issue before the OEB in this proceeding, given that no amounts are being proposed for recovery or disposition.

Conclusions and Proposed Treatment

CNPI has completed a comprehensive review of its pension and OPEB-related deferral and variance accounts in accordance with the commitments set out in the Settlement Proposal approved by the OEB. This review included:

i. an assessment of the accuracy and appropriateness of accounting entries recorded in the legacy Account 1508 sub-accounts;
ii. a comparative analysis of pension and OPEB cost recognition under Sections 3461 and 3462; and
iii. consideration of the treatment of balances recorded in these accounts for ratemaking purposes.

[11] EB-2021-0011 CNPI Settlement Proposal

CNPI's review indicates that the balances recorded in the legacy pension and OPEB sub-accounts accurately reflect the annual pension and OPEB amounts calculated under Sections 3461 and 3462 over the period from 2014 to 2025, subject to identified corrections made during that period. The cumulative variances between recorded balances and amounts calculated under alternative accounting treatment are immaterial in the context of the total balances.

CNPI's comparative analysis further demonstrates that the primary difference between Sections 3461 and 3462 relates to the timing of cost recognition. Section 3461 results in a more stable and predictable pattern of pension and OPEB cost recovery, while Section 3462 would introduce materially greater year-to-year variability without affecting the underlying long-term cost of these obligations.

Based on the results of its review, CNPI proposes to continue to underpin its base rates using Section 3461 for pension and OPEB costs on a going-forward basis. This approach was previously reviewed and accepted by the OEB, including in the EB-2013-0368/ EB-2013-0369 Decision and subsequent Accounting Order, and remains appropriate given the stability it provides in cost recognition and rate-setting[12]. Additionally, in the Addendum to the Report of the Board: ***Implementing International Financial Reporting in an Incentive Rate Mechanism Environment,*** the OEB acknowledged that utilities may seek approval for deferral accounts, where warranted by material cost impacts.[13]

CNPI is not seeking approval for the disposition of any balances recorded in the legacy pension and OPEB sub-accounts as part of this proceeding. The balances will remain recorded in the respective sub-accounts and continue to be carried forward.

CNPI further proposes that the development and application of an allocation methodology for the legacy pension and OPEB sub-accounts be deferred to a future proceeding in which disposition of these balances is sought.

CNPI submits that the results of its review and the proposed treatment of pension and OPEB-related deferral and variance accounts are consistent with OEB policy and the commitments set out in the Settlement Proposal. The proposed approach provides for appropriate cost recognition, transparency in the treatment of actuarial gains and losses, and stability in rate-setting, and therefore results in just and reasonable rates.

[12] EB-2013-0368/EB-2013-0369 CNPI/Algoma Accounting Order
[13] EB-2008-0408 OEB's Addendum to the Report of the Board

Attachment 1:

Table 1: Pension Accounting Continuity under 3461 and 3462 from 2013 to 2025

Defined Benefit Pension Plan under 3461	2013 Actual	Carryover Transitional balance posted in 2014	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	TOTAL (2014 to 2025)
Current Service costs and interest costs, net of expected return on plan assets	301,656	-	284,342	249,040	136,951	195,459	133,530	66,179	37,436	30,767	(28,168)	147,044	(98,535)	(45,283)	
Amortization of net actuarial costs	316,733	-	235,164	257,824	-	-	-	-	-	-	-	-	-	-	
Pension Expense (recovery) under 3461	**618,389**	**3,790,682**	**519,506**	**506,864**	**136,951**	**195,459**	**133,530**	**66,179**	**37,436**	**30,767**	**(28,168)**	**147,044**	**(98,535)**	**(45,283)**	**5,392,432**
Defined Benefit Pension Plan under 3462	**2013 Actual**	**Carryover Transitional balance posted in 2014**	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Actual**	**TOTAL (2014 to 2025)**
Current Service costs and financing costs	367,613	-	338,878	228,693	121,364	134,447	97,270	75,187	(19,825)	(4,546)	6,104	264,225	(86,436)	(100,361)	
Re-measurement costs	(61,185)	-	(1,822,710)	(524,227)	(186,666)	(1,274,097)	1,238,463	(2,258,449)	(883,008)	(101,465)	5,311,332	(2,695,920)	(344,134)	(53,372)	
S3462 one time adjustment	-	-	(460,951)												
Pension Expense (recovery) under 3462	**306,428**	**2,847,105**	**(1,944,783)**	**(295,534)**	**(65,302)**	**(1,139,650)**	**1,335,733**	**(2,183,262)**	**(902,833)**	**(106,011)**	**5,317,436**	**(2,431,695)**	**(430,570)**	**(153,733)**	**(153,099)**
Variance between Section 3461 and 3462 pension expense	311,961	943,577	2,464,289	802,398	202,253	1,335,109	(1,202,203)	2,249,441	940,269	136,778	(5,345,604)	2,578,739	332,035	108,450	5,545,531
Account 1508 - Other Regulatory Assets - Pension Expense Variance subaccount	-	943,577	2,451,329	278,170	726,461	1,335,129	(1,202,203)	2,251,937	940,269	136,778	(5,345,604)	2,578,739	332,035	108,450	5,535,068
Variance		-	12,960	524,228	(524,208)	(20)	-	(2,496)	(0)	(0)	(0)	(0)	-	(0)	10,463

Account 1508 - Other Regulatory Assets - Pension Deferral sub-account	-	(3,790,682)	-	-	-	-	-	-	-	-	-	-	-	-	**(3,790,682)**

Table 2: OPEB Accounting Continuity under 3461 and 3462 from 2013 to 2025

OPEB Expense under 3461	2013 Actual	Carryover Transitional balance posted in 2014	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	TOTAL (2014 to 2025)
Current Service costs and interest costs	368,300	-	396,500	436,500	426,100	435,400	444,300	355,200	350,500	348,300	350,800	385,600	386,900	353,400	-
Amortization of past service costs and net actuarial costs (gains)	83,300	-	74,100	155,300	137,900	138,900	167,000	70,700	120,400	145,900	108,900	-	12,400	-	-
OPEB Expense (recovery) under 3461	**451,600**	**1,986,200**	**470,600**	**591,800**	**564,000**	**574,300**	**611,300**	**425,900**	**470,900**	**494,200**	**459,700**	**385,600**	**399,300**	**353,400**	**7,787,200**
OPEB Expense under 3462	**2013 Actual**	**Carryover Transitional balance posted in 2014**	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Actual**	**TOTAL (2014 to 2025)**
Current Service costs and financing costs	389,100	-	399,000	409,500	432,400	442,000	451,900	372,200	377,500	413,500	356,200	394,700	395,100	361,600	-
Re-measurement costs	39,300	-	45,600	635,900	36,800	95,800	(1,477,800)	48,600	1,060,300	170,100	(2,161,900)	671,900	(886,600)	(287,300)	-
S3462 one time adjustment	-	-	13,979	-	-	-	-	-	-	-	852,000	-	-	-	-
OPEB Expense (recovery) under 3462	**428,400**	**1,909,700**	**458,579**	**1,045,400**	**469,200**	**537,800**	**(1,025,900)**	**420,800**	**1,437,800**	**583,600**	**(953,700)**	**1,066,600**	**(491,500)**	**74,300**	**5,532,679**
Variance between Section 3461 and 3462 OPEB expense	23,200	76,500	12,021	(453,600)	94,800	36,500	1,637,200	5,100	(966,900)	(89,400)	1,413,400	(681,000)	890,800	279,100	2,254,521
Account 1508 - Other Regulatory Assets - OPEB Expense Variance sub-account	-	76,500	12,842	87,332	(429,526)	58,307	1,637,219	5,104	(974,413)	(83,390)	1,429,237	(680,916)	890,850	279,069	2,308,215
Variance		-	(821)	(540,932)	524,326	(21,807)	(19)	(4)	7,513	(6,010)	(15,837)	(84)	(50)	31	(53,694)

Account 1508 - Other Regulatory Assets - OPEB Deferral sub-account	-	(1,986,200)	-	-	-	-	-	-	-	-	-	-	-	-	**(1,986,200)**

Attachment 2:

Table 1: Variance in Pension Expense under 3461 and 3462 from 2013 to 2025

Defined Benefit Pension Plan under 3461	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual [1]	2023 Actual	2024 Actual	2025 Actual	TOTAL (2014 to 2025)
Pension Expense (recovery) under 3461	519,506	506,864	136,951	195,459	133,530	66,179	37,436	30,767	(28,168)	147,044	(98,535)	(45,283)	
OM&A costs	258,857	252,558	68,239	99,917	69,286	30,921	18,897	15,480	(14,049)	74,733	(48,278)	(21,841)	
Allocated out to related parties through shared service agreements	106,710	104,113	28,131	42,533	27,775	13,677	7,595	5,910	(5,640)	29,216	(20,843)	(9,554)	
Costs capitalized	153,939	150,192	40,581	53,009	36,469	21,581	10,945	9,377	(8,479)	43,095	(29,414)	(13,888)	
OM&A + Capital (S3461)	412,796	402,751	108,820	152,926	105,755	52,502	29,841	24,857	(22,528)	117,828	(77,692)	(35,729)	1,272,127
Defined Benefit Pension Plan under 3462	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Actual**	**TOTAL (2014 to 2025)**
Pension Expense (recovery) under 3462	(1,944,783)	(295,534)	(65,302)	(1,139,650)	1,335,733	(2,183,262)	(902,833)	(106,011)	5,317,436	(2,431,695)	(430,570)	(153,733)	
OM&A costs	(969,038)	(147,257)	(32,538)	(582,577)	693,085	(1,020,086)	(455,725)	(53,338)	2,652,144	(1,235,881)	(210,962)	(74,147)	
Allocated out to related parties through shared service agreements	(399,472)	(60,705)	(13,413)	(247,995)	277,839	(451,206)	(183,160)	(20,363)	1,064,699	(483,151)	(91,078)	(32,436)	
Costs capitalized	(576,272)	(87,572)	(19,350)	(309,078)	364,809	(711,970)	(263,948)	(32,310)	1,600,593	(712,663)	(128,531)	(47,150)	
OM&A + Capital (S3462)	(1,545,311)	(234,829)	(51,889)	(891,655)	1,057,894	(1,732,056)	(719,673)	(85,648)	4,252,737	(1,948,544)	(339,492)	(121,297)	(2,359,765)
Variance	**1,958,107**	**637,580**	**160,709**	**1,044,581**	**(952,139)**	**1,784,558**	**749,515**	**110,505**	**(4,275,265)**	**2,066,372**	**261,800**	**85,568**	**3,631,893**

Table 2: Variance in OPEB Expense under 3461 and 3462 from 2013 to 2025

OPEB Expense under 3461	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual [1]	2023 Actual	2024 Actual	2025 Actual	TOTAL (2014 to 2025)
OPEB Expense under 3461	470,600	591,800	564,000	574,300	611,300	425,900	470,900	494,200	350,800	385,600	386,900	353,400	-
OM&A costs	234,489	294,880	281,028	293,576	317,191	198,993	237,697	248,651	174,966	195,977	189,565	170,449	
Allocated out to related parties through shared service agreements	96,665	121,560	115,850	124,971	127,153	88,019	95,532	94,927	70,240	76,614	81,840	74,563	
Costs capitalized	139,447	175,360	167,123	155,753	166,955	138,888	137,670	150,623	105,594	113,009	115,495	108,388	
OM&A + Capital (S3462)	373,935	470,240	448,150	449,329	484,147	337,881	375,368	399,273	280,560	308,986	305,060	278,837	4,511,766
OPEB Expense under 3462	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Actual**	**TOTAL (2014 to 2025)**
OPEB Expense (recovery) under 3462	458,579	1,045,400	469,200	537,800	(1,025,900)	420,800	1,437,800	583,600	(953,700)	1,066,600	(491,500)	74,300	-
OM&A costs	228,499	520,898	233,791	274,918	(532,319)	196,610	725,762	293,631	(475,671)	542,087	(240,815)	35,836	-
Allocated out to related parties through shared service agreements	94,195	214,733	96,377	117,028	(213,392)	86,965	291,689	112,099	(190,957)	211,922	(103,966)	15,676	
Costs capitalized	135,885	309,770	139,032	145,854	(280,189)	137,225	420,349	177,870	(287,072)	312,591	(146,719)	22,788	
OM&A + Capital (S3462)	364,384	830,667	372,823	420,772	(812,508)	333,835	1,146,111	471,501	(762,743)	854,678	(387,534)	58,624	2,890,610
Variance	**9,552**	**(360,427)**	**75,327**	**28,557**	**1,296,654**	**4,046**	**(770,743)**	**(72,228)**	**1,043,303**	**(545,693)**	**692,594**	**220,213**	**1,621,155**