

E.L.K. Energy Inc.
2027 Cost of Service Rate Application
Exhibit 2
Rate Base and Capital





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2.1 Rate Base

2.1.1 Overview

This Exhibit provides detailed explanations of E.L.K.'s historical and projected Rate Base, starting with 2022 Board Approved amounts and continuing to the 2026 Bridge Year and 2027 Test Year. Detailed variance analysis is provided for year-over-year variances over E.L.K.'s materiality threshold. E.L.K. has prepared this Exhibit in accordance with the OEB's Chapter 2 Filing Requirements for Electricity Distribution Rate Applications – 2026 Edition for 2027 Rate Applications issued December 16, 2025.

E.L.K. has calculated its 2027 Test Year Rate Base by using the average of the projected opening and closing 2027 Test Year Gross Fixed Assets and Accumulated Depreciation, including a Working Capital Allowance calculated in accordance with the OEB's methodology. The Working Capital Allowance is determined by taking the sum of E.L.K.'s forecast cost of power and Operations, Maintenance and Administrative ("OM&A") costs, multiplied by 7.5%. The use of the 7.5% rate is consistent with the OEB's letter of June 3, 2015 and the Chapter 2 Filing Requirements as issued by the OEB. E.L.K. has not completed a lead-lag study to support a different rate and submits this Application using the default value of 7.5%.

For the purposes of this Application, capital assets include Property, Plant and Equipment ("PP&E") and any intangible assets that enable E.L.K. to distribute electricity to its customers. E.L.K.'s proposed 2027 Rate Base does not include any non-distribution assets. E.L.K.'s expenses for purposes of determining the working capital allowance include Operations, Maintenance, Billing & Collecting, Community Relations, Administration & General, Property Taxes and annual LEAP Contributions.

Capital expenditures are equivalent to in-service additions. E.L.K. provides a variance analysis of rate base in Section 2.1.2, and a variance analysis for capital additions in Section 2.2 of this Exhibit 2.

2.1.2 Rate Base Summary

The Tables below outline E.L.K.'s historical Rate Base, starting with 2022 Board Approved amounts up to and including the proposed 2027 Test Year. 2026 Bridge Year and 2027 Test Year reflect projected amounts while 2022 to 2025 reflect actual results.



Table 1 - Rate Base Summary 2022 – 2027

Description	2022 Board Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Gross Fixed Assets	\$ 28,777,101	\$ 28,562,906	\$ 30,974,780	\$ 34,110,728	\$ 35,569,557	\$ 38,475,031	\$ 41,059,873
Accumulated Depreciation	\$ 17,307,864	\$ 17,251,489	\$ 17,634,321	\$ 18,137,766	\$ 18,726,359	\$ 19,415,838	\$ 20,174,172
Net Book Value	\$ 11,469,237	\$ 11,311,416	\$ 13,340,459	\$ 15,972,963	\$ 16,843,198	\$ 19,059,192	\$ 20,885,701
Average Net Book Value	\$ 11,326,612	\$ 11,247,314	\$ 12,325,938	\$ 14,656,711	\$ 16,408,080	\$ 17,951,195	\$ 19,972,447
Total Working Capital	\$ 30,756,994	\$ 32,445,303	\$ 34,354,156	\$ 39,859,768	\$ 40,433,734	\$ 35,946,854	\$ 36,218,973
Working Capital Allowance (7.5%)	\$ 2,306,775	\$ 2,433,398	\$ 2,576,562	\$ 2,989,483	\$ 3,032,530	\$ 2,696,014	\$ 2,716,423
Rate Base	\$ 13,633,387	\$ 13,680,711	\$ 14,902,499	\$ 17,646,193	\$ 19,440,610	\$ 20,647,209	\$ 22,688,870

A comparison of the 2022 Board Approved rate base to the 2027 Test Year rate base is provided in the Table below.

Table 2 - Rate Base - 2022 vs. 2027 Board Approved

Description	2022 Board Approved	2027 Test	Variance (\$)	Variance (%)
Net Fixed Assets				
Gross Fixed Assets (Average)	\$ 28,471,547	\$ 39,767,452	\$ 11,295,905	39.7%
Accumulated Depreciation (Average)	\$ 17,144,935	\$ 19,795,005	\$ 2,650,070	15.5%
Net Book Value (Average)	\$ 11,326,612	\$ 19,972,447	\$ 8,645,835	76.3%
Allowance For Working Capital				
Cost of Power	\$ 27,448,456	\$ 31,336,803	\$ 3,888,347	14.2%
Expenses	\$ 3,308,539	\$ 4,882,170	\$ 1,573,631	47.6%
Total Working Capital Expenses	\$ 30,756,995	\$ 36,218,973	\$ 5,461,978	17.8%
Working Capital Allowance (7.5%)	7.5%	7.5%		0.0%
Total Working Capital	\$ 2,306,775	\$ 2,716,423	\$ 409,648	17.8%
Rate Base	\$ 13,633,387	\$ 22,688,870	\$ 9,055,483	66.4%

E.L.K.'s proposed 2027 Test Year rate base is \$22,688,870 which represents a 66.4% increase (or a 10.7% yearly average increase) from the 2022 Board Approved rate base. This increase over the past 5 years reflects the continued need to invest in the E.L.K. distribution system since E.L.K.'s last Cost of Service. The variance between the proposed 2027 Test Year and 2022 Board Approved rate base is driven by:

- An increase in average net fixed assets of \$8,645,835 as a result of capital additions over the 2022 to 2027 period. This was driven by execution of E.L.K.'s previously approved Distribution System Plan, in addition to increased proactive System Renewal investments to address aging infrastructure, execution of two previously approved Incremental Capital Module ("ICM") projects as outlined in EB-2023-0013, as well as implementation of E.L.K.'s Smart Grid plan.
- An increase in the Working Capital Allowance of \$409,648 attributed to higher Cost of Power and other expenses.

Further details on capital additions and forecast cost of power are provided in the Sections below. Further details on the drivers for the increase in OM&A expenses are provided in Exhibit 4.



2.2 Fixed Asset Continuity Schedule

2.2.1 Overview

E.L.K. categorizes assets into three categories: distribution plant, general plant and contributions and grants.

In accordance with the Uniform System of Accounts (“USoA”), E.L.K. has included gross assets as follows:

- Distribution Plant Assets – includes USoA accounts 1805 to 1860; these accounts capture assets such as transformer station equipment, poles, wires, transformers and meters.
- General Plant Assets – includes USoA accounts 1905 to 1990 and USoA 1611 to 1612; these accounts capture assets such as land, buildings, computer hardware, vehicles and tools.
- Contribution and Grants – includes USoA accounts 1995 and 2440; these accounts capture all contributions in aid of capital that E.L.K. has received or is forecast to be received per the Distribution System Code.

E.L.K. provides Fixed Asset Continuity Schedules for each of the 2022 Board Approved, 2022 to 2025 Actuals, the 2026 Bridge Year and the 2027 Test Year in Tab 2-BA of the OEB Chapter 2 Appendices filed with this Application.

Please note that E.L.K. does not capitalize interest during construction. E.L.K.’s approach to capitalization of overhead is discussed in Section 2.7.2 below.

E.L.K. has restated the following Fixed Asset USoA amounts compared to the filed 2025 RRR amounts for purposes of this Application – the overall total Net Book Value of Fixed Assets is consistent between the filed Appendix 2-BA and RRR amounts as at the end of 2025 encompassing these adjustments.

- Re-allocated \$242,768 from USoA 1920 to USoA 1611 to detail the breakdown between Computer Hardware and Computer Software costs.
- Updated USoA 1612 balance to reflect \$2,945 of Land Rights costs.

2.2.2 Fixed Asset Continuity Variance Analysis

E.L.K. provides year-over-year variances for gross assets and contributions and grants in the Sections below, starting with 2022 Board Approved out to the 2027 Test Year.



Further details on depreciation and amortization are provided in Section 2.3 of this Exhibit 2. Opening and closing balances of gross assets and accumulated depreciation correspond to the fixed asset continuity schedule. The net book value balances, excluding any construction work in progress (if applicable), are the balances included in the calculation of rate base.

2.2.3 Materiality Threshold

E.L.K. has used its materiality threshold of \$50,000 for explaining the variances below.

2.2.4 Previous Incremental Capital Module Amounts

Please see Section 2.7 for details on previously approved ICM amounts, including amounts approved compared to actual costs incurred. The actual cost for these projects (capital cost and depreciation) have been included in opening rate base of the 2027 Test Year.



2.2.5 2022 OEB-Approved vs. 2022 Actual

Table 3 - 2022 Board Approved vs. 2022 Actuals

Description		2022 Board Approved	2022 Actual	Variance \$ Increase / (Decrease)	Variance % Increase / (Decrease)
Distribution Assets					
1805	Land	\$ 2,112	\$ 2,112	\$ -	0%
1820	Distribution Station Equipment <50 kV	\$ 142,098	\$ 142,098	\$ -	0%
1830	Poles, Towers & Fixtures	\$ 1,774,834	\$ 1,738,438	\$ (36,396)	(2%)
1835	Overhead Conductors & Devices	\$ 6,756,516	\$ 6,778,409	\$ 21,893	0%
1840	Underground Conduit	\$ 3,596,882	\$ 3,664,786	\$ 67,904	2%
1845	Underground Conductors & Devices	\$ 9,917,381	\$ 10,182,604	\$ 265,223	3%
1850	Line Transformers	\$ 8,418,504	\$ 8,753,971	\$ 335,466	4%
1855	Services (Overhead & Underground)	\$ 2,077,843	\$ 2,036,721	\$ (41,122)	(2%)
1860	Meters	\$ 2,111,117	\$ 2,118,406	\$ 7,289	0%
Gross Distribution Assets		\$ 34,797,288	\$ 35,417,545	\$ 620,257	2%
General Plant					
1611	Computer Software (Formerly known as Acct.1925)	\$ 458,696	\$ 514,596	\$ 55,900	12%
1612	Land Rights (Formerly known as Account 1906)	\$ 2,945	\$ 2,945	\$ -	0%
1905	Land	\$ 82,399	\$ 82,399	\$ -	0%
1908	Buildings & Fixtures	\$ 466,186	\$ 477,206	\$ 11,021	2%
1915	Office Furniture & Equipment	\$ 328,621	\$ 340,656	\$ 12,035	4%
1920	Computer Equipment - Hardware	\$ 496,497	\$ 492,206	\$ (4,291)	(1%)
1930	Transportation Equipment	\$ 1,497,371	\$ 1,363,496	\$ (133,875)	(9%)
1935	Stores Equipment	\$ -	\$ -	\$ -	-
1940	Tools, Shop & Garage Equipment	\$ 445,813	\$ 452,699	\$ 6,886	2%
1955	Communications Equipment	\$ 38,303	\$ 45,803	\$ 7,501	20%
1985	Miscellaneous Fixed Assets	\$ 15	\$ 15	\$ -	0%
Gross General Plant		\$ 3,816,846	\$ 3,772,022	\$ (44,824)	(1%)
Contributions and Grants					
1995	Contributions & Grants	\$ (9,837,032)	\$ (10,626,661)	\$ 789,629	8%
2440	Deferred Revenue	\$ -	\$ -	\$ -	-
Gross Contributions and Grants		\$ (9,837,032)	\$ (10,626,661)	\$ 789,629	8%
Gross Assets for Rate Base Purposes		\$ 28,777,102	\$ 28,562,906	\$ (214,196)	(1%)
Accumulated Depreciation		\$ (17,307,864)	\$ (17,251,489)	\$ (56,375)	(0%)
Total Net Assets for Rate Base Purposes		\$ 11,469,237	\$ 11,311,416	\$ (157,821)	(1%)

Gross Distribution Assets were \$620,257 or 2% higher than the OEB-approved amounts in 2022 due to:



- USoA 1840 - Increase due to use of third-party contractors for bores to install conduits for subdivisions and excavating for new service connections (civil work).
- USoA 1845 - Increase in the installation of new cables and contracted cable pulls for new connections.
- USoA 1850 - Increase due to purchases of transformers for new subdivisions and replacements.

Gross General Plant was (\$44,824) or 1% lower than the OEB-approved amounts in 2022 due to:

- USoA 1611 – Costs to modernize Human Resources system for payroll; accounting software upgrades; and the first phase of preparation for the GIS project.
USoA 1930 – Planned vehicle purchase for 2022 was delayed and completed in the following year.
- Overall variance for General Plant is below the materiality threshold.

Contributions and Grants were \$789,629 or 8% higher than the OEB-approved amounts in 2022 due to:

- USoA 1995 – Increase in capital contributions related to increased new subdivision developments post COVID-19.



2.2.6 2022 Actual vs. 2023 Actual

Table 4 - 2022 Actual vs. 2023 Actual

Description		2022 Actual	2023 Actual	Variance \$ Increase / (Decrease)	Variance % Increase / (Decrease)
Distribution Assets					
1805	Land	\$ 2,112	\$ 2,112	\$ -	0%
1820	Distribution Station Equipment <50 kV	\$ 142,098	\$ 142,098	\$ -	0%
1830	Poles, Towers & Fixtures	\$ 1,738,438	\$ 1,959,445	\$ 221,007	13%
1835	Overhead Conductors & Devices	\$ 6,778,409	\$ 7,076,986	\$ 298,576	4%
1840	Underground Conduit	\$ 3,664,786	\$ 3,814,289	\$ 149,503	4%
1845	Underground Conductors & Devices	\$ 10,182,604	\$ 10,420,735	\$ 238,131	2%
1850	Line Transformers	\$ 8,753,971	\$ 9,363,004	\$ 609,033	7%
1855	Services (Overhead & Underground)	\$ 2,036,721	\$ 2,151,832	\$ 115,112	6%
1860	Meters	\$ 2,118,406	\$ 2,201,845	\$ 83,439	4%
Gross Distribution Assets		\$ 35,417,545	\$ 37,132,346	\$ 1,714,802	5%
General Plant					
1611	Computer Software (Formerly known as Acct.1925)	\$ 514,596	\$ 671,996	\$ 157,400	31%
1612	Land Rights (Formerly known as Account 1906)	\$ 2,945	\$ 2,945	\$ -	0%
1905	Land	\$ 82,399	\$ 82,399	\$ -	0%
1908	Buildings & Fixtures	\$ 477,206	\$ 525,812	\$ 48,606	10%
1915	Office Furniture & Equipment	\$ 340,656	\$ 408,466	\$ 67,810	20%
1920	Computer Equipment - Hardware	\$ 492,206	\$ 511,692	\$ 19,486	4%
1930	Transportation Equipment	\$ 1,363,496	\$ 1,879,228	\$ 515,732	38%
1935	Stores Equipment	\$ -	\$ 1,643	\$ 1,643	
1940	Tools, Shop & Garage Equipment	\$ 452,699	\$ 525,191	\$ 72,492	16%
1955	Communications Equipment	\$ 45,803	\$ 50,467	\$ 4,664	10%
1985	Miscellaneous Fixed Assets	\$ 15	\$ 15	\$ -	0%
Gross General Plant		\$ 3,772,022	\$ 4,659,854	\$ 887,832	24%
Contributions and Grants					
1995	Contributions & Grants	\$ (10,626,661)	\$ (10,817,420)	\$ 190,759	2%
2440	Deferred Revenue	\$ -	\$ -	\$ -	
Gross Contributions and Grants		\$ (10,626,661)	\$ (10,817,420)	\$ 190,759	2%
Gross Assets for Rate Base Purposes					
Gross Assets for Rate Base Purposes		\$ 28,562,906	\$ 30,974,780	\$ 2,411,875	8%
Accumulated Depreciation		\$ (17,251,489)	\$ (17,634,321)	\$ 382,832	2%
Total Net Assets for Rate Base Purposes		\$ 11,311,416	\$ 13,340,459	\$ 2,029,042	18%

Gross Distribution Assets were \$1,714,802 or 5% higher than the 2022 amounts due to:

- USoA 1830 – Increase in proactive pole replacements and reactive replacements due to multiple severe storms (partially recovered per Z-Factor in EB-2023-0013).



- USoA 1835 – Increase in conductors and devices installed, including reactive replacements due to multiple severe storms.
- USoA 1840 - Increase due to third-party contractor bores to manage workload and accommodate increased growth within existing staff complement.
- USoA 1845 - Increase in the installation of new cables and contracted cable pulls for growth projects.
- USoA 1850 - Increase due to purchases of transformers for transformer replacement programs and storm replacements (partially recovered per Z-Factor in EB-2023-0013).
- USoA 1855 – Increase in new services due to customer growth / new connections.
- USoA 1860 - Purchase of new meters due to smart meter replacements and new customer connections.

Gross General Plant was \$887,832 or 24% higher than the 2022 amounts due to:

- USoA 1611 - Addition of computer software to accommodate new staff and increases for cyber security; new server purchases; and continued work on the GIS project.
- USoA 1915 - Increase due to office furniture purchase during renovations to improve ergonomics and accommodate additions of new staff.
- USoA 1930 - Purchase of new single bucket truck (per ICM in EB-2023-0013).
- USoA 1940 - Addition of new tools for operations staff to replace aged equipment that was non-compliant or expired to improve safety.

Contributions and Grants were \$190,759 or 2% higher than the 2022 amounts due to:

- USoA 1995 – Increase in capital contributions related to new developments.



2.2.7 2023 Actual vs. 2024 Actual

Table 5 - 2023 Actual vs. 2024 Actual

Description		2023 Actual	2024 Actual	Variance \$ Increase / (Decrease)	Variance % Increase / (Decrease)
Distribution Assets					
1805	Land	\$ 2,112	\$ 2,112	\$ -	0%
1820	Distribution Station Equipment <50 kV	\$ 142,098	\$ 142,098	\$ -	0%
1830	Poles, Towers & Fixtures	\$ 1,959,445	\$ 2,437,106	\$ 477,661	24%
1835	Overhead Conductors & Devices	\$ 7,076,986	\$ 7,798,027	\$ 721,041	10%
1840	Underground Conduit	\$ 3,814,289	\$ 3,950,626	\$ 136,337	4%
1845	Underground Conductors & Devices	\$ 10,420,735	\$ 10,588,348	\$ 167,613	2%
1850	Line Transformers	\$ 9,363,004	\$ 10,051,971	\$ 688,967	7%
1855	Services (Overhead & Underground)	\$ 2,151,832	\$ 2,234,746	\$ 82,914	4%
1860	Meters	\$ 2,201,845	\$ 2,288,697	\$ 86,852	4%
Gross Distribution Assets		\$ 37,132,346	\$ 39,493,731	\$ 2,361,385	6%
General Plant					
1611	Computer Software (Formerly known as Acct.1925)	\$ 671,996	\$ 806,736	\$ 134,741	20%
1612	Land Rights (Formerly known as Account 1906)	\$ 2,945	\$ 2,945	\$ -	0%
1905	Land	\$ 82,399	\$ 82,399	\$ -	0%
1908	Buildings & Fixtures	\$ 525,812	\$ 608,258	\$ 82,446	16%
1915	Office Furniture & Equipment	\$ 408,466	\$ 409,546	\$ 1,080	0%
1920	Computer Equipment - Hardware	\$ 511,692	\$ 578,727	\$ 67,035	13%
1930	Transportation Equipment	\$ 1,879,228	\$ 2,274,247	\$ 395,019	21%
1935	Stores Equipment	\$ 1,643	\$ 1,643	\$ -	-
1940	Tools, Shop & Garage Equipment	\$ 525,191	\$ 581,189	\$ 55,997	11%
1955	Communications Equipment	\$ 50,467	\$ 88,712	\$ 38,245	76%
1985	Miscellaneous Fixed Assets	\$ 15	\$ 15	\$ -	0%
Gross General Plant		\$ 4,659,854	\$ 5,434,417	\$ 774,563	17%
Contributions and Grants					
1995	Contributions & Grants	\$ (10,817,420)	\$ (10,817,420)	\$ -	0%
2440	Deferred Revenue	\$ -	\$ -	\$ -	-
Gross Contributions and Grants		\$ (10,817,420)	\$ (10,817,420)	\$ -	0%
Gross Assets for Rate Base Purposes		\$ 30,974,780	\$ 34,110,728	\$ 3,135,948	10%
Accumulated Depreciation		\$ (17,634,321)	\$ (18,137,766)	\$ 503,444	3%
Total Net Assets for Rate Base Purposes		\$ 13,340,459	\$ 15,972,963	\$ 2,632,504	20%

Gross Distribution Assets were \$2,361,385 or 6% higher than the 2023 amounts due to:

- USoA 1830 – Pole replacements as part of the pole sustainment program to address deteriorating assets. E.L.K. also installed pole trusses on aging poles to extend their useful life, as proactive measures were being taken to replace poles



and transformers to avoid run-to-failure on critical assets. Pole relocations also occurred to accommodate municipal projects in Essex.

- USoA 1835 - Purchase and installation of Viper Reclosers as part of Smart Grid plan (filed in EB-2023-0013), as well as other conductors and device installation.
- USoA 1840 - Increase due to third-party contractor bores to manage workload and accommodate increased growth within existing staff complement.
- USoA 1845 – Increase due to Viper Reclosers installation, insulator replacements to polymer (from aged porcelain) and live front transformer replacements.
- USoA 1850 - Purchase of new transformers for new subdivisions, live front transformer replacements and other transformer replacement projects.
- USoA 1855 - Increase in new services due to customer growth / new connections.
- USoA 1860 - New meters purchased for new connections and to satisfy reverification compliance requirements.

Gross General Plant was \$774,563 or 17% higher than the 2023 amounts due to:

- USoA 1611 – Additional cyber security upgrades to align with OEB cyber security framework.
- USoA 1908 – Head office building restroom renovations and installation of generator at head office to ensure continuity of service during power outages.
- USoA 1920 - New server equipment purchases.
- USoA 1930 - Purchase of second new bucket truck (per ICM in EB-2023-0013).
- USoA 1940 – Additional new tools for operations staff to replace aged equipment that was non-compliant or expired to improve safety.

Contributions and Grants were the same as 2023 amounts due to:

- No contributions or grants being received during the year.



2.2.8 2024 Actual vs. 2025 Actual

Table 6 - 2024 Actual vs. 2025 Actual

Description		2024 Actual	2025 Actual	Variance \$ Increase / (Decrease)	Variance % Increase / (Decrease)
Distribution Assets					
1805	Land	\$ 2,112	\$ 2,112	\$ -	0%
1820	Distribution Station Equipment <50 kV	\$ 142,098	\$ 142,098	\$ -	0%
1830	Poles, Towers & Fixtures	\$ 2,437,106	\$ 2,741,999	\$ 304,894	13%
1835	Overhead Conductors & Devices	\$ 7,798,027	\$ 8,016,353	\$ 218,326	3%
1840	Underground Conduit	\$ 3,950,626	\$ 4,147,295	\$ 196,668	5%
1845	Underground Conductors & Devices	\$ 10,588,348	\$ 10,655,534	\$ 67,186	1%
1850	Line Transformers	\$ 10,051,971	\$ 10,504,938	\$ 452,967	5%
1855	Services (Overhead & Underground)	\$ 2,234,746	\$ 2,333,499	\$ 98,753	4%
1860	Meters	\$ 2,288,697	\$ 2,630,821	\$ 342,124	15%
Gross Distribution Assets		\$ 39,493,731	\$ 41,174,649	\$ 1,680,918	4%
General Plant					
1611	Computer Software (Formerly known as Acct.1925)	\$ 806,736	\$ 856,784	\$ 50,048	6%
1612	Land Rights (Formerly known as Account 1906)	\$ 2,945	\$ 2,945	\$ -	0%
1905	Land	\$ 82,399	\$ 72,399	\$ (10,000)	(12%)
1908	Buildings & Fixtures	\$ 608,258	\$ 608,258	\$ -	0%
1915	Office Furniture & Equipment	\$ 409,546	\$ 409,546	\$ -	0%
1920	Computer Equipment - Hardware	\$ 578,727	\$ 578,727	\$ -	0%
1930	Transportation Equipment	\$ 2,274,247	\$ 2,274,247	\$ -	0%
1935	Stores Equipment	\$ 1,643	\$ 1,643	\$ -	-
1940	Tools, Shop & Garage Equipment	\$ 581,189	\$ 587,188	\$ 5,999	1%
1955	Communications Equipment	\$ 88,712	\$ 88,712	\$ -	0%
1985	Miscellaneous Fixed Assets	\$ 15	\$ 15	\$ -	0%
Gross General Plant		\$ 5,434,417	\$ 5,480,464	\$ 46,047	1%
Contributions and Grants					
1995	Contributions & Grants	\$ (10,817,420)	\$ (5,489,111)	\$ (5,328,310)	(49%)
2440	Deferred Revenue	\$ -	\$ (5,596,446)	\$ 5,596,446	100%
Gross Contributions and Grants		\$ (10,817,420)	\$ (11,085,556)	\$ 268,136	2%
Gross Assets for Rate Base Purposes					
		\$ 34,110,728	\$ 35,569,557	\$ 1,458,829	4%
Accumulated Depreciation		\$ (18,137,766)	\$ (18,726,359)	\$ 588,593	3%
Total Net Assets for Rate Base Purposes		\$ 15,972,963	\$ 16,843,198	\$ 870,235	5%

Gross Distribution Assets were \$1,680,918 or 4% higher than the 2024 amounts due to:

- USoA 1830 – Installation of Kingsville / Belle River second supply and continuation of pole replacement and sustainment program.
- USoA 1835 - Installation of Kingsville / Belle River second supply.



- USoA 1840 – Engineering design for new underground projects and third-party contractor costs for bores and cable pulls.
- USoA 1845 - New cable installations.
- USoA 1850 - Purchase of new transformers primarily for replacement projects and new subdivisions, in addition to live front transformer replacement program.
- USoA 1855 - Increase in new services due to customer growth / new connections.
- USoA 1860 - New meters purchased for new connections and to satisfy reverification compliance requirements with Measurement Canada.

Gross General Plant was \$46,047 or 1% higher than the 2024 amounts due to:

- USoA 1611 – Final costs associated with initial GIS project implementation.
- Overall variance for General Plant is below the materiality threshold.

Contributions and Grants were \$268,136 or 2% higher than the 2024 amounts due to:

- USoA 1995 / 2440 – Increase in capital contributions related to new developments, and reallocation of post-2011 Contributions and Grants to Deferred Revenue for 2025 year-end to comply with Modified International Reporting Standards (“MIFRS”) requirements.¹

¹ Prior to 2025, these amounts were all recorded in USoA 1995, rather than treated as deferred revenue as required by MIFRS. E.L.K. made this reporting change effective for 2025 year-end.



2.2.9 2025 Actual vs. 2026 Bridge Year

Table 7 - 2025 Actual vs. 2026 Bridge Year

Description		2025 Actual	2026 Bridge	Variance \$ Increase / (Decrease)	Variance % Increase / (Decrease)
Distribution Assets					
1805	Land	\$ 2,112	\$ 2,112	\$ -	0%
1820	Distribution Station Equipment <50 kV	\$ 142,098	\$ 142,098	\$ -	0%
1830	Poles, Towers & Fixtures	\$ 2,741,999	\$ 3,716,754	\$ 974,755	36%
1835	Overhead Conductors & Devices	\$ 8,016,353	\$ 8,016,353	\$ -	0%
1840	Underground Conduit	\$ 4,147,295	\$ 4,147,295	\$ -	0%
1845	Underground Conductors & Devices	\$ 10,655,534	\$ 12,034,555	\$ 1,379,022	13%
1850	Line Transformers	\$ 10,504,938	\$ 12,142,081	\$ 1,637,142	16%
1855	Services (Overhead & Underground)	\$ 2,333,499	\$ 2,678,254	\$ 344,755	15%
1860	Meters	\$ 2,630,821	\$ 2,730,821	\$ 100,000	4%
Gross Distribution Assets		\$ 41,174,649	\$ 45,610,323	\$ 4,435,674	11%
General Plant					
1611	Computer Software (Formerly known as Acct.1925)	\$ 856,784	\$ 956,784	\$ 100,000	12%
1612	Land Rights (Formerly known as Account 1906)	\$ 2,945	\$ 2,945	\$ -	0%
1905	Land	\$ 72,399	\$ 72,399	\$ -	0%
1908	Buildings & Fixtures	\$ 608,258	\$ 658,258	\$ 50,000	8%
1915	Office Furniture & Equipment	\$ 409,546	\$ 409,546	\$ -	0%
1920	Computer Equipment - Hardware	\$ 578,727	\$ 589,327	\$ 10,600	2%
1930	Transportation Equipment	\$ 2,274,247	\$ 2,274,247	\$ -	0%
1935	Stores Equipment	\$ 1,643	\$ 1,643	\$ -	-
1940	Tools, Shop & Garage Equipment	\$ 587,188	\$ 620,188	\$ 33,000	6%
1955	Communications Equipment	\$ 88,712	\$ 88,712	\$ -	0%
1985	Miscellaneous Fixed Assets	\$ 15	\$ 15	\$ -	0%
Gross General Plant		\$ 5,480,464	\$ 5,674,064	\$ 193,600	4%
Contributions and Grants					
1995	Contributions & Grants	\$ (5,489,111)	\$ (5,489,111)	\$ -	0%
2440	Deferred Revenue	\$ (5,596,446)	\$ (7,320,246)	\$ 1,723,800	31%
Gross Contributions and Grants		\$ (11,085,556)	\$ (12,809,356)	\$ 1,723,800	16%
Gross Assets for Rate Base Purposes		\$ 35,569,557	\$ 38,475,031	\$ 2,905,474	8%
Accumulated Depreciation		\$ (18,726,359)	\$ (19,415,838)	\$ 689,479	4%
Total Net Assets for Rate Base Purposes		\$ 16,843,198	\$ 19,059,192	\$ 2,215,995	13%

Gross Distribution Assets are forecast to be \$4,435,674 or 11% higher than the 2025 amounts due to:



- USoA 1830 – Forecast increase in pole replacements / restorations to address assets flagged in poor or very poor condition per most recent Asset Condition Assessment.
- USoA 1845 – Forecast costs associated with new System Access projects projected for 2026, primarily new subdivisions in addition to municipal projects.
- USoA 1850 – Forecast increase in transformer replacements, live front conversions and voltage conversion projects.
- USoA 1855 - Forecast costs associated with new System Access projects projected for 2026 and smart switch installations in Belle River and Kingsville.
- USoA 1860 – Forecast costs associated with meter renewal for Measurement Canada requirements and new connection metering costs.

Gross General Plant is forecast to be \$193,600 or 4% higher than the 2025 amounts due to:

- USoA 1611 – Forecast costs of upgrades to computer software and GIS enhancements.
- USoA 1908 – Forecast building renovation costs to complete previous renovation projects.

Contributions and Grants are forecast to be \$1,723,800 or 16% higher than the 2025 amounts due to:

- USoA 2440 - Expected increase in contributions for new subdivisions, commercial buildings and municipally driven projects in 2026.



2.2.10 2026 Bridge Year vs. 2027 Test Year

Table 8 - 2026 Bridge Year vs. 2027 Test Year

Description		2026 Bridge	2027 Test	Variance \$ Increase / (Decrease)	Variance % Increase / (Decrease)
Distribution Assets					
1805	Land	\$ 2,112	\$ 2,112	\$ -	0%
1820	Distribution Station Equipment <50 kV	\$ 142,098	\$ 142,098	\$ -	0%
1830	Poles, Towers & Fixtures	\$ 3,716,754	\$ 4,431,350	\$ 714,596	19%
1835	Overhead Conductors & Devices	\$ 8,016,353	\$ 8,016,353	\$ -	0%
1840	Underground Conduit	\$ 4,147,295	\$ 4,147,295	\$ -	0%
1845	Underground Conductors & Devices	\$ 12,034,555	\$ 12,932,940	\$ 898,385	7%
1850	Line Transformers	\$ 12,142,081	\$ 13,298,587	\$ 1,156,506	10%
1855	Services (Overhead & Underground)	\$ 2,678,254	\$ 2,902,850	\$ 224,596	8%
1860	Meters	\$ 2,730,821	\$ 2,830,821	\$ 100,000	4%
Gross Distribution Assets		\$ 45,610,323	\$ 48,704,406	\$ 3,094,083	7%
General Plant					
1611	Computer Software (Formerly known as Acct.1925)	\$ 956,784	\$ 1,056,784	\$ 100,000	10%
1612	Land Rights (Formerly known as Account 1906)	\$ 2,945	\$ 2,945	\$ -	0%
1905	Land	\$ 72,399	\$ 72,399	\$ -	0%
1908	Buildings & Fixtures	\$ 658,258	\$ 658,258	\$ -	0%
1915	Office Furniture & Equipment	\$ 409,546	\$ 409,546	\$ -	0%
1920	Computer Equipment - Hardware	\$ 589,327	\$ 599,927	\$ 10,600	2%
1930	Transportation Equipment	\$ 2,274,247	\$ 2,274,247	\$ -	0%
1935	Stores Equipment	\$ 1,643	\$ 1,643	\$ -	-
1940	Tools, Shop & Garage Equipment	\$ 620,188	\$ 653,188	\$ 33,000	5%
1955	Communications Equipment	\$ 88,712	\$ 88,712	\$ -	0%
1985	Miscellaneous Fixed Assets	\$ 15	\$ 15	\$ -	0%
Gross General Plant		\$ 5,674,064	\$ 5,817,664	\$ 143,600	3%
Contributions and Grants					
1995	Contributions & Grants	\$ (5,489,111)	\$ (5,489,111)	\$ -	0%
2440	Deferred Revenue	\$ (7,320,246)	\$ (7,973,086)	\$ 652,840	9%
Gross Contributions and Grants		\$ (12,809,356)	\$ (13,462,196)	\$ 652,840	5%
Gross Assets for Rate Base Purposes		\$ 38,475,031	\$ 41,059,873	\$ 2,584,843	7%
Accumulated Depreciation		\$ (19,415,838)	\$ (20,174,172)	\$ 758,334	4%
Total Net Assets for Rate Base Purposes		\$ 19,059,192	\$ 20,885,701	\$ 1,826,509	10%

Gross Distribution Assets are forecast to be \$3,094,083 or 7% higher than the 2026 amounts due to:

- USoA 1830 – Forecast increase in pole replacements / restorations to address assets flagged in poor or very poor condition per most recent Asset Condition Assessment.
- USoA 1845 – Forecast costs associated with new System Access projects projected for 2027.
- USoA 1850 – Forecast increase in transformer replacements, live front conversions, voltage conversion in Essex / Comber and open bus conversions in Kingsville.
- USoA 1855 - Forecast costs associated with new System Access projects projected for 2027 and smart switch installations in Cottam.
- USoA 1860 – Forecast costs associated with meter renewal for Measurement Canada requirements and new connection metering costs.

Gross General Plant is forecast to be \$143,600 or 3% higher than the 2026 amounts due to:

- USoA 1611 – Forecast costs of upgrades to computer software and GIS enhancements.

Contributions and Grants are forecast to be \$652,840 or 5% higher than the 2026 amounts due to:

- USoA 2440 - Expected increase in contributions for new subdivisions, commercial buildings and municipally driven projects in 2027.

2.3 Depreciation, Amortization and Depletion

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

The asset useful lives that E.L.K. has used for depreciation purposes were based on those contained in the Kinectrics Report² and are consistent with those utilized and approved in E.L.K.'s 2022 Cost of Service Application (EB-2021-0016). These are summarized in Appendix 2-BB and 2-C of the filed Chapter 2 Appendices. E.L.K. has not made any changes to its depreciation policy since its last rebasing, and believes the useful lives contained in the Kinectrics Report continue to be appropriate based on the circumstances of E.L.K.

² EB-2010-0178, Asset Depreciation Study for Use by Electricity Distributors (the Kinectrics Report), July 8, 2010.



In 2025, E.L.K. started to record deferred revenue amortization consistent with MIFRS requirements (utilizing USoA 2440 and amortizing to income through USoA 4245) – therefore, total Depreciation for purposes of rate setting now includes these amortization amounts.

2.3.1 Depreciation Policy

E.L.K. depreciates/amortizes the cost of items of Property, Plant and Equipment using the straight-line method over their estimated useful lives. Depreciation is recorded at one-half of the annual rate for assets placed into service or acquired in the current year (the “half year rule”), in accordance with section 2.2.3 of the Chapter 2 Filing Requirements. Depreciation of an asset begins in the year when it is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended). Depreciation of an asset ceases when the asset is retired from active use, sold or is fully depreciated.

2.3.2 Depreciation, Amortization and Depletion by Asset Group

E.L.K. provides a summary of its depreciation and amortization expense in the Table below, starting with its 2022 Board Approved amounts, 2022 to 2025 Actuals, and the 2026 Bridge Year and the 2027 Test Year. The associated asset amounts are provided in Table 3 to Table 8 above.

E.L.K. has completed the OEB’s Chapter 2 Appendix 2-C in the OEB Chapter 2 Appendices filed with this Application. E.L.K. confirms that the depreciation expense identified in the Table below reconciles with the Fixed Asset Continuity Schedules filed in Tab App.2-BA of the OEB Chapter 2 Appendices and is likewise materially consistent with the depreciation shown on Tab App. 2-C.



Table 9 - Total Depreciation by Plant USoA

	Description	2022 Board Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
1611	Computer Software (Formerly known as Acct.1925)	\$ 26,541	\$ 32,893	\$ 58,925	\$ 87,511	\$ 98,129	\$ 92,899	\$ 79,361
1612	Land Rights (Formerly known as Account 1906)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1805	Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1820	Distribution Station Equipment <50 kV	\$ 62	\$ 62	\$ 62	\$ 62	\$ 62	\$ -	\$ -
1830	Poles, Towers & Fixtures	\$ 37,168	\$ 33,901	\$ 38,543	\$ 46,306	\$ 55,001	\$ 80,050	\$ 95,930
1835	Overhead Conductors & Devices	\$ 41,548	\$ 41,713	\$ 44,849	\$ 53,346	\$ 61,174	\$ 62,993	\$ 62,993
1840	Underground Conduit	\$ 65,203	\$ 67,389	\$ 72,147	\$ 75,005	\$ 78,335	\$ 80,302	\$ 80,302
1845	Underground Conductors & Devices	\$ 145,822	\$ 148,543	\$ 158,056	\$ 163,128	\$ 166,063	\$ 201,378	\$ 223,838
1850	Line Transformers	\$ 139,119	\$ 135,699	\$ 152,657	\$ 168,743	\$ 182,587	\$ 228,913	\$ 257,825
1855	Services (Overhead & Underground)	\$ 78,786	\$ 80,067	\$ 85,269	\$ 89,230	\$ 92,857	\$ 107,760	\$ 115,053
1860	Meters	\$ 51,003	\$ 49,401	\$ 47,748	\$ 50,522	\$ 64,034	\$ 86,754	\$ 95,605
1905	Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1908	Buildings & Fixtures	\$ 12,300	\$ 12,549	\$ 13,166	\$ 14,476	\$ 15,301	\$ 16,302	\$ 16,301
1915	Office Furniture & Equipment	\$ 6,929	\$ 8,275	\$ 13,050	\$ 16,376	\$ 16,039	\$ 13,616	\$ 11,527
1920	Computer Equipment - Hardware	\$ 10,611	\$ 10,374	\$ 14,311	\$ 21,693	\$ 25,246	\$ 44,699	\$ 63,907
1930	Transportation Equipment	\$ 69,955	\$ 59,279	\$ 101,694	\$ 130,768	\$ 138,887	\$ 138,887	\$ 136,392
1935	Stores Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1940	Tools, Shop & Garage Equipment	\$ 7,371	\$ 7,884	\$ 11,573	\$ 17,182	\$ 20,031	\$ 23,143	\$ 25,985
1955	Communications Equipment	\$ 171	\$ 622	\$ 1,217	\$ 3,346	\$ 5,220	\$ 5,184	\$ 5,184
1985	Miscellaneous Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1990	Other Tangible Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ -
1995	Contributions & Grants	\$ -	\$ -	\$ -	\$ -	\$ (236,133)	\$ (224,846)	\$ (217,201)
2440	Deferred Revenue	\$ (366,730)	\$ (402,398)	\$ (430,434)	\$ (434,249)	\$ (194,239)	\$ (268,554)	\$ (294,667)
Total Depreciation Amount		\$ 325,859	\$ 286,253	\$ 382,832	\$ 503,444	\$ 588,593	\$ 689,479	\$ 758,334
Fully Allocated Depreciation in OM&A		\$ (70,126)	\$ -	\$ -	\$ -	\$ 194,239	\$ 268,554	\$ 294,667
Total Depreciation for Rate Setting Purposes		\$ 255,733	\$ 286,253	\$ 382,832	\$ 503,444	\$ 782,832	\$ 958,033	\$ 1,053,002

The annual total depreciation expense has generally increased year over year as the fixed asset base has increased due to additional capital investments.

As noted above, Deferred Revenue amortization has started to be recorded properly in 2025, with a related and direct offset in Other Income. Therefore, Depreciation Expense for purposes of rate setting includes this Deferred Revenue amortization amount.

2.3.3 Asset Retirement Obligations

E.L.K. does not have any Asset Retirement Obligations (“AROs”) and therefore no associated depreciation or accretion expense has been recorded. E.L.K. depreciates the significant parts or components of each item of PP&E separately, in accordance with IFRS.

2.4 Allowance for Working Capital

2.4.1 Overview

In accordance with the OEB policy for the calculation of the allowance for working capital, distributors are permitted to take one of two approaches for the calculation of its allowance for working capital:



- Use the default allowance of 7.5% of the sum of Cost of Power and OM&A (including LEAP and property taxes); or
- File a lead/lag study.

E.L.K. has used the default allowance of 7.5% for the purpose of calculating its working capital allowance for the 2027 Test Year. E.L.K. did not conduct a lead/lag study, nor was it directed to by the OEB.

2.4.2 Working Capital Allowance

E.L.K. provides the calculation of the working capital allowance for the 2027 Test Year in the Table below. E.L.K. is proposing a working capital amount of \$2,716,423 for the 2027 Test Year, based on a forecast of cost of power and total OM&A expenses.

Table 10 - Working Capital Allowance

Description	2022 Board Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Expenses							
Operations	\$ 509,901	\$ 451,403	\$ 375,873	\$ 362,371	\$ 322,806	\$ 469,222	\$ 477,524
Maintenance	\$ 911,068	\$ 893,214	\$ 993,176	\$ 998,571	\$ 1,511,741	\$ 1,335,483	\$ 1,366,862
Billing and Collecting	\$ 581,163	\$ 782,018	\$ 918,680	\$ 927,912	\$ 1,119,199	\$ 1,162,075	\$ 1,185,755
Community Relations	\$ 3,571	\$ 43,107	\$ 2,307	\$ 3,121	\$ 1,450	\$ -	\$ -
Administrative and General (Incl. LEAP)	\$ 1,282,837	\$ 2,218,396	\$ 2,125,707	\$ 2,237,241	\$ 1,503,947	\$ 2,236,318	\$ 1,830,229
Property Taxes	\$ 20,000	\$ 19,181	\$ 19,648	\$ 20,377	\$ 20,872	\$ 21,400	\$ 21,800
Expenses for Working Capital	\$ 3,308,539	\$ 4,407,318	\$ 4,435,391	\$ 4,549,594	\$ 4,480,015	\$ 5,224,498	\$ 4,882,170
Cost of Power	\$ 27,448,456	\$ 28,037,985	\$ 29,918,765	\$ 35,310,173	\$ 35,953,720	\$ 30,722,356	\$ 31,336,803
Total Expenses for Working Capital	\$ 30,756,994	\$ 32,445,303	\$ 34,354,156	\$ 39,859,768	\$ 40,433,734	\$ 35,946,854	\$ 36,218,973
Working Capital Factor	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total Working Capital Allowance	\$ 2,306,775	\$ 2,433,398	\$ 2,576,562	\$ 2,989,483	\$ 3,032,530	\$ 2,696,014	\$ 2,716,423

Further details are provided in the Sections below.

2.4.3 Working Capital Expenses

E.L.K.'s proposed working capital allowance encompasses expenses based on its expected Operations, Maintenance, Billing & Collecting, Community Relations, Administration & General, Property Taxes and Annual LEAP Contributions. For additional information about E.L.K.'s OM&A expenses, please refer to Exhibit 4 of this Application.

2.4.4 Cost of Power

E.L.K. has calculated the cost of power for the 2027 Test Year based upon its most recent Load Forecast. A summary of the total cost of power expenses used for purposes of the working capital calculation is provided in the Table below, as well as a

comparison to prior years. Further details on the 2027 Load Forecast are provided in Exhibit 3.

Table 11 - Cost of Power

Description	2022 Board Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Cost of Power Expenses							
4705 Power Purchased	\$ 17,943,287	\$ 22,814,971	\$ 21,144,272	\$ 28,177,095	\$ 27,944,497	\$ 23,583,318	\$ 24,054,984
4707 Global Adjustment	\$ 7,099,583	\$ 4,677,453	\$ 6,789,191	\$ 6,725,556	\$ 6,184,543	\$ 5,743,896	\$ 5,858,774
4708 Charges Wholesale Market Service	\$ 924,265	\$ 275,005	\$ 336,353	\$ 391,893	\$ 404,648	\$ 1,313,093	\$ 1,339,355
4714 Charges - Network	\$ 2,186,818	\$ 2,028,651	\$ 2,022,972	\$ 2,116,256	\$ 2,425,734	\$ 2,477,136	\$ 2,526,679
4716 Charges Connection	\$ 1,413,808	\$ 1,372,791	\$ 1,382,355	\$ 1,565,157	\$ 1,838,255	\$ 1,866,132	\$ 1,903,455
4750 Charges - Low Voltage	\$ 721,023	\$ 483,682	\$ 688,788	\$ 791,499	\$ 420,642	\$ 809,625	\$ 825,818
4751 IESO Smart Meter Entity	\$ 63,511	\$ 31,552	\$ 32,460	\$ 52,503	\$ 58,689	\$ 62,694	\$ 63,948
4710 Cost of Power Adjustment - OER	\$ (2,903,840)	\$ (3,646,121)	\$ (2,477,627)	\$ (4,509,786)	\$ (3,323,288)	\$ (5,133,537)	\$ (5,236,208)
Total Cost of Power Expenses	\$ 27,448,456	\$ 28,037,985	\$ 29,918,765	\$ 35,310,173	\$ 35,953,720	\$ 30,722,356	\$ 31,336,803

The commodity price estimate used to calculate cost of power has been determined by the split between RPP and non-RPP Class A and Class B customers based on actual data and using the most current RPP Time-of-Use ("TOU") prices established for the November 1, 2025 to October 31, 2026 period. The RPP and non-RPP price was obtained from the OEB's Regulated Price Plan: Price Report November 1, 2025 to October 31, 2026, issued October 17, 2025. The Cost of Power calculation uses the most recently approved Uniform Transmission Rates ("UTRs") (to derive proposed RTSRs), Smart Metering Entity charge and regulatory charges. The credit amounts recorded in USoA 4710, and identified in the Table above, represent the Ontario Electricity Rebate ("OER"). As such, the 2027 Test Year includes the impact of the OER of 23.5%, as announced by the OEB on October 17, 2025 and effective November 1, 2025.

E.L.K. provides further details on the cost of power derivation in Appendices 2-ZA and 2-ZB of the filed OEB Chapter 2 Appendices.

2.5 Distribution System Plan

2.5.1 Overview

In accordance with the Chapter 2 Filing Requirements, E.L.K. is filing its consolidated Distribution System Plan ("DSP") as a stand-alone and self-sufficient document as Attachment 2-A of this Exhibit 2. E.L.K. has prepared its DSP in accordance with the OEB's Filing Requirements for Electricity Distribution Rate Applications – 2026 Edition for 2027 Rate Applications – Chapter 5 Distribution System Plan, dated December 16, 2025 (the "DSP Filing Requirements").



The DSP is organized using the same section headings indicated in the DSP Filing Requirements.

On October 7, 2025, the OEB released its finalized Vulnerability Assessment and System Hardening (“VASH”) report, with updates thereafter included in the Chapter 5 Filing Requirements noted above. The VASH report, among other things, outlines how distributors are expected to integrate climate resiliency into their asset and investment planning. The changes to the filing requirements are effective on a best-efforts basis for applications filed for 2027 distribution rates and will become mandatory commencing with applications for 2028 distribution rates. E.L.K. outlines in Section 5.3.6 of the DSP its consideration of VASH for purposes of this Application. While E.L.K. has considered the impacts of system vulnerability and hardening in its DSP (e.g. by prioritizing the pole and transformer replacement programs due to the vulnerabilities identified in the ACA), it has not completed all VASH steps described in the Filing Requirements, as is permitted and outlined above. The focus of the DSP is on essential, “no-regrets” investments in System Renewal, in addition to investments to ready the distribution system for future automation to increase reliability and resiliency to severe weather, which directly address the core tenets of the VASH requirements. These enabling investments will permit further consideration of VASH in the system planning process moving forward.

A summary of the proposed 5-year spending by DSP category is outlined in the Table below.

Table 12 - Forecast Capital Expenditures in 5-year DSP

Description	2027	2028	2029	2030	2031
System Access	\$ 1,100,982	\$ 1,117,002	\$ 1,133,341	\$ 1,150,008	\$ 1,167,009
System Renewal	\$ 1,810,851	\$ 1,565,893	\$ 1,395,130	\$ 1,877,934	\$ 1,736,815
System Service	\$ 182,250	\$ 474,000	\$ 524,000	\$ 337,000	\$ 524,000
General Plant	\$ 143,600	\$ 129,472	\$ 295,361	\$ 46,269	\$ 47,194
Total Expenditures	\$ 3,237,683	\$ 3,286,367	\$ 3,347,832	\$ 3,411,211	\$ 3,475,018
Capital Contributions	\$ 652,840	\$ 661,397	\$ 670,125	\$ 679,027	\$ 688,108
Net Capital Expenditures	\$ 2,584,843	\$ 2,624,970	\$ 2,677,707	\$ 2,732,184	\$ 2,786,910

2.6 Policy Options for the Funding of Capital

The Board released the “Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module” in September 2014.

The ACM expands the ICM concept to incorporate the concept of recovery for qualifying incremental capital investments during the Price Cap IR period with an opportunity to identify and pre-test such discrete capital projects documented in the DSP as part of the



cost of service application. As part of a cost of service application, a distributor may propose qualifying ACM capital projects that are expected to come into service during the subsequent Price Cap IR term. These will be discrete projects as documented in the DSP. The distributor must establish the need and prudence of these projects based on DSP information.

At this time, E.L.K. has not identified a discrete, specific project that would qualify for ACM treatment in this Application.

2.7 Addition of Previously Approved ICM Project Assets into Rate Base

E.L.K. received approval of two ICM projects in its 2024 IRM application (EB-2023-0013), which are sought for inclusion in rate base in this proceeding. Specifically, E.L.K.'s 2024 ICM requests included:

- Replacement of two fleet vehicles (a 200-42 Bucket Truck and a 400-46 Bucket Truck) at an estimated total cost of approximately \$885,000; and
- The purchase and installation of six recloser switches at an estimated cost of approximately \$485,000.

Table 13 below provides a variance analysis between OEB-approved and actual ICM capital expenditures for these projects:

Table 13 - ICM Capital Expenditure Comparison – OEB-Approved vs. Actual

ICM Assets	OEB Approved	Actual	Variance (\$)	Variance (%)
200-42 Bucket Truck	\$406,191	\$356,606	(\$49,585)	(12.2%)
400-46 Bucket Truck	\$478,716	\$420,605	(\$58,111)	(12.1%)
Reclosing Switches (x6)	\$485,024	\$479,771	(\$5,253)	(1.1%)
Total	\$1,369,931	\$1,256,982	(\$112,949)	(8.2%)

In approving the 2024 ICM projects noted above, the OEB approved an annual ICM revenue requirement of approximately \$139,000. Table 14 below provides a variance analysis between this OEB-approved annual ICM revenue requirement, and an ICM revenue requirement based on the actual capital expenditures outlined in Table 13. Actual ICM revenue requirement figures were prepared by entering actual capital expenditures into the ICM model underpinning the OEB's Decision and Order in EB-



2023-0013, holding all other parameters and inputs neutral relative to EB-2023-0013.³ The annual ICM revenue requirement has been extrapolated to apply to the years 2024 through 2026, by multiplying the annual amounts by 3.

Table 14 - ICM Revenue Requirement – OEB-Approved vs. Actual

Item	OEB Approved	Actual	Variance (\$)	Variance (%)
Return on Rate Base	\$67,471	\$61,945	(\$5,526)	(8.2%)
Amortization Expense	\$71,119	\$63,808	(\$7,311)	(10.3%)
Gross-Up Taxes / PILs	\$0	\$0	\$0	-
Total Annual Revenue Requirement	\$138,590	\$125,753	(\$12,837)	(9.3%)
Total 2024 to 2026 Revenue Requirement	\$415,770	\$377,260	(\$38,510)	(9.3%)

As shown above, the OEB approved the collection of ICM revenues of approximately \$139,000 annually up to E.L.K.'s next rebasing application, starting May 1, 2024. This equates to an estimate of approximately \$416,000 in total up to E.L.K.'s proposed rebasing effective May 1, 2027.

Table 15 below compares these approved recoveries to actual 2024 and 2025 ICM rate rider revenue obtained from E.L.K.'s billing system, and forecast 2026 / 2027 ICM rate rider revenue up to May 1, 2027. Forecast ICM rate rider revenue was determined by multiplying approved ICM rate riders by the forecast 2026 / 2027 billing determinants provided in Exhibit 3 of this Application.

Table 15 - ICM Rate Rider Revenue– OEB-Approved vs. Actual and Forecast

OEB-Approved Funding (2024-2026)	\$415,770
May 1, 2024 – Dec. 31, 2025 Actual ICM Rider Revenue	\$216,524
Jan. 1, 2026 to Apr. 30, 2027 Forecast Revenue	\$186,000
Total Forecast 2024 - 2026 ICM Rider Revenue	\$402,524
Variance (\$)	(\$13,246)
Variance (%)	(3.2%)

³ In addition to capital expenditure updates and their resulting impact on depreciation/amortization expense, Capital Cost Allowance amounts were also modified to yield a PILs impact of \$0 consistent with the OEB's Decision and Order in EB-2023-0013.



A comparison of 2024 to 2026 actual ICM revenue requirement from Table 14 against actual and forecast ICM rate rider revenue from Table 15 is presented below:

Table 16 – 2024 to 2026 ICM Revenue vs. Revenue Requirement

ICM Revenue vs. Cost Analysis	
2024 to 2026 ICM Revenues (Table 15)	\$402,524
2024 to 2026 ICM Revenue Requirement (Table 14)	\$377,260
Variance	\$25,264

The analysis above indicates that E.L.K.'s recoveries vary from actual costs by approximately \$25,000 over the three-year period. As this amount is less than E.L.K.'s materiality threshold of \$50,000, E.L.K. does not propose a true-up of May 1, 2024 through April 30, 2027 ICM revenues relative to costs in this Application.

Both of the ICM projects approved in EB-2023-0013 have entered service, and E.L.K. has incorporated their actual costs and depreciation amounts into its Test Year rate base described above. E.L.K. requests the net book value of its ICM assets be included in the 2027 rate base for the purpose of establishing the 2027 Test Year revenue requirement.

2.7.1 Capitalization Policy

E.L.K.'s current capitalization policy is intended to be consistent with the OEB's regulatory accounting policies as set out for Modified International Reporting Standards as contained in the Report of the Board on Transition to International Financial Reporting Standards (EB-2008-0408) and the OEB's Accounting Procedures Handbook ("APH").

E.L.K. converted to IFRS on January 1, 2015. E.L.K. has not changed its capitalization policy since its last rebasing application (EB-2021-0016).

E.L.K. has attached its capitalization policy as Attachment 2-B to this Exhibit 2.

2.7.2 Capitalization of Overhead

E.L.K. has not changed its policy regarding capitalization of overheads since its last rebasing application (EB-2021-0016). E.L.K.'s policy of capitalizing overheads through burden rates is described in its capitalization policy. E.L.K. has completed Appendix 2-D of the OEB Chapter 2 Appendices regarding overhead costs on self-constructed assets. Capital contributions received pursuant to the Distribution System Code are now being

recorded as deferred revenue and amortized into income over the useful life of the asset to which it relates. For regulatory reporting and rate-making purposes, E.L.K. records customer contributions in Account 2440 as deferred revenue and treats the corresponding amount as an offset to rate base.

E.L.K. provides a breakdown of OM&A before capitalization and a breakdown of capitalized OM&A in the Table below and in Tab App.2-D of the OEB Chapter 2 Appendices.

Table 17 - Overhead Expenses and Capitalized OM&A

OM&A Before Capitalization	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Operations and Maintenance	\$ 1,344,617	\$ 1,369,049	\$ 1,360,942	\$ 1,834,547	\$ 1,804,705	\$ 1,844,386
Billing and Collecting	\$ 782,018	\$ 918,680	\$ 927,912	\$ 1,119,199	\$ 1,162,075	\$ 1,185,755
Community Relations	\$ 43,107	\$ 2,307	\$ 3,121	\$ 1,450	\$ -	\$ -
Administrative and General	\$ 2,218,396	\$ 2,125,707	\$ 2,237,241	\$ 1,503,947	\$ 2,236,318	\$ 1,830,229
Direct Labour and Benefits (Capital)	\$ 388,724	\$ 331,950	\$ 577,220	\$ 505,341	\$ 502,704	\$ 516,732
Fleet / Truck Time (Capital)	\$ 22,824	\$ 31,817	\$ 35,040	\$ 23,238	\$ 28,230	\$ 29,077
Total OM&A Before Capitalization (A)	\$ 4,799,685	\$ 4,779,510	\$ 5,141,477	\$ 4,987,723	\$ 5,734,031	\$ 5,406,178
Capitalized OM&A						
Direct Labour and Benefits (Capital)	\$ 388,724	\$ 331,950	\$ 577,220	\$ 505,341	\$ 502,704	\$ 516,732
Fleet / Truck Time (Capital)	\$ 22,824	\$ 31,817	\$ 35,040	\$ 23,238	\$ 28,230	\$ 29,077
Total Capitalized OM&A (B)	\$ 411,548	\$ 363,766	\$ 612,260	\$ 528,579	\$ 530,934	\$ 545,809
% of Capitalized OM&A (=B/A)	9%	8%	12%	11%	9%	10%

2.7.3 Burden Rates

The methodology for calculating and applying burden rates has not changed since E.L.K.'s last rebasing application (EB-2021-0016). E.L.K.'s burden rates related to the capitalization of costs of self-constructed assets are described in its capitalization policy included as Attachment 2-B.

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

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

Exhibit 2
Attachment 2-A
2027 – 2031 Distribution System Plan

E.L.K Energy Inc.

Distribution System Plan

2027 Cost of Service Application

Historical/Bridge Period:

2022 – 2026

Forecast Period:

2027 – 2031

August 2026

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LIST OF ACRONYMS

Acronym	Meaning
ACA	Asset Condition Assessment
AM	Asset Management
AMI	Advanced Metering Infrastructure
BCA	Benefit-Cost Analysis
CAIDI	Customer Average Interruption Duration Index
CATC	Capacity Allocated to Customers
CDM	Conservation Demand Management
CHI	Customer Hours Interrupted
CI	Customers Interrupted
CIS	Customer Information System
CUSMA	Canada-United States-Mexico Agreement
DAI	Data Availability Index
DER	Distributed Energy Resources
DESN	Dual Element Spot Network
DS	Distribution Station
DSC	Distribution System Code
DSO	Distribution System Operator
DSP	Distribution System Plan
eDSM	Electricity Demand Management
E.L.K.	E.L.K. Energy Incorporated
ENWIN	ENWIN Utilities
ERP	Enterprise Resource Planning
ESA	Electrical Safety Authority
ESRI	Environment Systems Research Institute
FCI	Faulted Circuit Indicator
FLISR	Fault Location, Isolation, and Service Restoration
GIS	Geographic Information System
GS	General Service
HI	Health Index
HONI	HONI Networks Inc.
HV	High Voltage
ICM	Incremental Capital Module
IEEE	Institute of Electrical and Electronics Engineers
IESO	Independent Electricity System Operator
IR	Infrared
IRRP	Integrated Regional Resource Plan
IT	Information Technology
LDC	Local Distribution Company
LOS	Loss of Supply
LTR	Limited Time Rating

MC	Measurement Canada
MED	Major Event Day
MIST	Meter Inside Settlement Time
MOST	Meter Outside Settlement Time
NA	Needs Assessment
NWS	Non-Wire Solutions
OEB	Ontario Energy Board
OH	Overhead
OMS	Outage Management System
O&M	Operations and Maintenance
OM&A	Operations, Maintenance and Administration
ORTAC	Ontario Resource and Transmission Assessment Criteria
PSWHA	Public Service Work Highway Act
REG	Renewable Energy Generation
RIP	Regional Infrastructure Plan
ROE	Return on Equity
RRF	Renewed Regulatory Framework
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SPA	Site Plan Approval
SQR	Service Quality Requirements
SS	Switching Station
SUV	Sport Utility Vehicle
TOU	Time of Use
TS	Transmission Station
UG	Underground
UN	Utility Network
VA	Vulnerability Assessment
VASH	Vulnerability Assessment and System Hardening

5.2 DISTRIBUTION SYSTEM PLAN

E.L.K. has prepared this Distribution System Plan (“DSP”) in accordance with the Ontario Energy Board’s (“OEB” or “Board”) Chapter 5 – *Distribution System Plan Filing Requirements for Electricity Distribution Rate Applications*, dated December 16, 2025 (the “Filing Requirements”) as part of its 2027 Cost of Service Application (the “Application”).

The DSP is a stand-alone document that is filed in support of E.L.K.’s Application. The DSP’s duration is a minimum of ten years in total, comprised of a historical/bridge period and a forecast period. The DSP covers the historical period of 2022 to 2025, a bridge year of 2026, and a forecast period of 2027 to 2031, with 2027 being the Test Year.

The DSP contents are organized into three major sections:

- Section 5.2 provides a high-level overview of the DSP, including coordinated planning with third parties and performance measurement for continuous improvement.
- Section 5.3 provides an overview of asset management practices, including an overview of the assets managed and asset lifecycle optimization policies and practices.
- Section 5.4 provides a summary of the capital expenditure plan, including a variance analysis of historical expenditures, an analysis of forecast expenditures, and justification of material projects above the materiality threshold.

The materiality threshold for E.L.K. is \$50k and detailed descriptions of specific projects/programs exceeding the materiality threshold are provided in Section 5.4.2.1 and Appendix A. Other pertinent information relevant to this DSP is included in the Appendices.

This DSP follows the chapter and section headings in accordance with the Chapter 5 Filing Requirements.

5.2.1 DISTRIBUTION SYSTEM PLAN OVERVIEW

5.2.1.1 Description of the Utility Company

E.L.K. supplies electrical service to customers within a non-contiguous service territory comprised of the former municipalities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville. E.L.K. has over 12,700 customers as of December 2025, including over 11,000 residential customers, with a total service territory of 23 km². All parts of E.L.K.’s service territory, which has a total of 175 km of distribution line, are embedded within Hydro One Networks Inc. (“HONI”)’s distribution system.

E.L.K. owns, maintains, and operates approximately 89 km of overhead primary distribution feeders and 85 km of underground primary distribution circuits, including seven 27.6 kV feeders and one 8.32 kV feeder. Hydro One's distribution system supply is provided by three HONI owned transformer stations and one HONI owned distribution station. E.L.K.'s service territory is depicted in Figure 5.2-1 below.



Figure 5.2-1: E.L.K. Service Territory Map

E.L.K. is driven by its corporate vision, mission, and values which are outlined in Exhibit 1. Together, they provide the basis to deliver on targeted strategic goals and performance objectives.

E.L.K.'s rate application and DSP will ensure success is maintained by:

1. Creating sustainable value for customers by prioritizing projects that deliver on reliability and resilience and are responsive to customer's needs;

- 1 2. Keeping up to date on regulatory and provincial changes;
- 2 3. Regularly reviewing the fixed assets and the Distribution System Plan (DSP) to remain flexible
- 3 and adapt to evolving requirements;
- 4 4. Continually making technological advancements to optimize effectiveness and efficiency; and
- 5 5. Applying strong and effective fiscal management.

6 5.2.1.2 Capital Investment Highlights

7 E.L.K.'s capital investments over the planning period have been aligned to the four categories of
 8 system access, system renewal, system service, and general plant outlined in the Filing Requirements.
 9 Table 5.2-1 presents E.L.K.'s historical actuals and forecast expenditures for both capital and O&M
 10 categories. Please refer to section 5.4. for further details on E.L.K.'s capital investments and Exhibit 4
 11 for details on System O&M. Overall, across the 2027-2031 period, E.L.K. is forecasting \$13.4M in net
 12 capital expenditures.

13 **Table 5.2-1: Historical and Forecast Capital Expenditures and System O&M**

Category	Historical (\$ '000)					Forecast (\$ '000)				
	2022	2023	2024	2025	2026 ¹	2027	2028	2029	2030	2031
System Access (Gross)	1,261	872	755	512	2,716	1,101	1,117	1,133	1,150	1,167
System Renewal (Gross)	790	797	1,125	879	1,128	1,811	1,566	1,395	1,878	1,737
System Service (Gross)	44	46	480	289	592	182	474	524	337	524
General Plant (Gross)	201	888	776	56	194	144	129	295	46	47
Gross Capital Expenses	2,295	2,603	3,135	1,737	4,629	3,238	3,286	3,348	3,411	3,475
Contributed Capital	1,211	191	-	268	1,724	653	661	670	679	688
Net Capital Expenses after Contributions	1,084	2,412	3,135	1,469	2,905	2,585	2,625	2,678	2,732	2,787
System O&M	1,345	1,369	1,361	1,835	1,805	1,844	1,881	1,918	1,957	1,996

14 5.2.1.2.1 System Access

15 Capital investments in the System Access category over the forecast period are driven by customer
 16 service requests, third-party infrastructure development requirements, and mandated service
 17 obligations. System Access investments over the forecast period include new subdivisions, customer
 18 connections, and related metering projects. The timing of these investments is driven by the needs of
 19 the external parties. These expenditures are mandatory. Specific project scopes are rarely known at

¹ The amount stated for 2026 is the budgeted amount for the Bridge Year.

the time that the budget is set, and total expenditures can vary from year to year. Refer to section 5.4.1.2.1 for further details on the System Access forecast expenditure.

E.L.K.'s forecasted net System Access expenditures are lower than the average over the historical period due to the composition of expected System Access projects for the forecast period. Some of the key drivers for capital investments under the System Access category for the Test Year are:

- Customer Service Requests
- Subdivisions / Multi - Unit Residential Buildings Connection Requests
- Third-party/Municipal Infrastructure Project Requests
- Metering investments driven by Measurement Canada (MC) guidelines.

All projects within the System Access category are considered mandatory (non-discretionary) projects.

5.2.1.2.2 System Renewal

Expenditures within the System Renewal category are largely driven by the condition of distribution system assets. Keeping the system in a state of good repair is crucial in maintaining the overall reliability, safety, and sustainment of the distribution system.

E.L.K.'s Asset Condition Assessment ("ACA"), which was completed in 2025, helps to identify assets for renewal based on condition data from maintenance, testing, inspections, and infrared scanning records. E.L.K.'s asset management ("AM") process detailed in Section 5.3 of this DSP outlines the strategy used to determine the criteria for asset replacement. The output of the AM process drives the development of the capital expenditure plan and prioritization for System Renewal. Refer to section 5.4.1.2.2 for further details on the System Renewal forecast expenditure.

Over the forecast period of the DSP, several annual System Renewal programs are budgeted each year to address the need to replace assets at the end of their service life, including:

- Pole Renewal and Restoration
- Transformer Renewals
- Voltage Conversion

5.2.1.2.3 System Service

Expenditures in the System Service category are driven by the need to ensure that the distribution system continues to meet operational objectives (such as improving reliability, grid flexibility, and distributed energy resource (DER) integration). The investments comprising the System Service expenditure category include projects that modernize the grid, including the installation of fault indicators, protection and control devices and communication improvements. The forecast System

Service projects are intended to continue advancement of E.L.K.'s Grid Modernization Plan (or "Smart Grid Plan"), originally provided in EB-2023-0013. Refer to section 5.4.1.2.3 for further details on the System Service forecast expenditure.

Over the forecast period, two key programs are driving the capital spending under the System Service investment category, including:

- Continued rollout of faulted circuit indicators (FCIs) as per E.L.K.'s Grid Modernization Plan;
- Targeted grid modernization investments across all its service areas, including enhanced sectionalization and installation of reclosers that will provide an automated means to utilize the second feeders that were provided by HONI to Essex, Harrow, Lakeshore and Kingsville in 2024 and 2025.

5.2.1.2.4 General Plant

General Plant expenditures are driven by the need to modify, replace or add to assets not part of the distribution system but which are required to support E.L.K.'s ongoing 24/7 operations, including:

- Fleet replacement for critical end of life vehicles,
- Continued annual investment in IT equipment and software, including continued enhancement of its new GIS system, and
- Tools and equipment.

Refer to section 5.4.1.2.4 for further details on the General Plant forecast expenditures.

5.2.1.3 Key Changes since Last DSP Filing

Since the previous DSP filing, E.L.K. has enhanced its planning and investment approach with a greater focus on targeted maintenance, data quality improvements, grid modernization, and localized reliability improvements. Targeted maintenance programs have been strengthened across all major asset classes using available condition and performance information to proactively address emerging risks and improve asset performance. In addition, E.L.K. has advanced several system standardization and reliability initiatives, including the voltage conversion of aging infrastructure to a single sub-transmission voltage, the elimination of open bus secondary systems, and the replacement of traditional fused protection with single-phase reclosing solutions to further improve reliability and operational performance.

E.L.K. has also taken initial steps to improve asset data quality by addressing data gaps following the implementation of the ESRI GIS Utility Network, supporting more informed asset management and capital prioritization decisions. In addition, Smart Grid technologies have been expanded through

increased deployment of automated and remotely operable devices to improve system sectionalization, outage response, and restoration times.

Reliability improvements have also been advanced through the introduction of new secondary feeders in the Essex, Harrow, Kingsville and Belle River service areas to enhance system resilience and reduce customer outage exposure. Collectively, these changes reflect E.L.K.'s continued shift toward a more proactive, data-driven, and reliability-focused approach to distribution system planning.

5.2.1.4 DSP Objectives

E.L.K.'s DSP has been prepared to support the four key objectives established in the OEB's Renewed Regulatory Framework ("RRF") for electricity:

- **Customer Focus:** Services are provided in a manner that responds to identified customer preferences.
- **Operational Effectiveness:** Continuous improvement in productivity and cost performance is achieved, and utilities deliver on system reliability and quality objectives.
- **Public Policy Responsiveness:** Utilities deliver on obligations mandated by the government (i.e.: in legislation and regulatory requirements imposed further to Ministerial directives to the Board).
- **Financial Performance:** Financial viability is maintained, and savings from operational effectiveness are sustainable.

To realize these four outcomes, E.L.K. has outlined the following objectives:

- Maintain and, where required, improve system reliability through targeted, risk-based investments in critical assets and the continued deployment of distribution automation and smart grid technologies. These initiatives are intended to reduce outage frequency and duration, improve fault isolation and restoration performance, and enhance overall system resilience.
- Ensure the distribution system can meet the demands of public policy changes and growth pressures, including potential additional housing developments within E.L.K.'s service territory (e.g., the *More Homes Built Faster Act, 2022*) and the increasing impacts of electrification. This includes maintaining sufficient system capacity, facilitating timely customer connections, and proactively planning for changing load characteristics.
- Prepare the distribution system for the impacts of climate change and increased DER penetration through continued investment in grid modernization, system hardening, and advanced monitoring and control technologies. These investments support improved system

flexibility, resilience to extreme weather events, and the safe and reliable integration of emerging technologies into the distribution network.

5.2.2 COORDINATED PLANNING WITH THIRD PARTIES

5.2.2.1 Customer Consultations

E.L.K. undertook a comprehensive customer engagement initiative in 2026 to support the development of its 2027–2031 DSP and 2027 Cost of Service application. The consultation consisted of an online customer survey deployed between April 15 and May 6, 2026, and was distributed through multiple channels, including bill inserts, email, social media, and the E.L.K. website. A total of 347 validated responses were received from residential and business customers across all service areas. The survey was designed to capture customer priorities, assess satisfaction with current service levels, and evaluate preferences regarding capital investments and operating expenditures, with options framed around maintaining reasonable, industry-average distribution rates.

The results of the consultation directly informed and validated the DSP. Customers identified reliability, affordability, and safety as their primary priorities, with 74% supporting the proposed or increased System Renewal investment plan and 71% supporting the proposed or increased System Service investment pace. Additionally, 78% of respondents indicated support for E.L.K.'s proposed OM&A spending levels. These results confirm that the proposed pace and level of investment appropriately balance reliability improvements with customer sensitivity to rate impacts and support continued investment in asset replacement, system automation, and operational activities necessary to maintain service quality.

Overall, the consultation demonstrated strong alignment between customer preferences and E.L.K.'s proposed DSP, with 79% of respondents either supporting the plan or expressing trust in E.L.K.'s decision-making. Customer feedback also highlighted opportunities for continued improvement in reliability and outage communication, which have been considered in the development of the DSP. The results provide evidence that the proposed plan is prudent, customer-supported, and appropriately balances system performance, safety, and affordability. For full details on the customer survey and the results, please refer to Exhibit 1, Attachment 1-E.

5.2.2.2 Municipalities

Consultation and engagement with regional and municipal governments is important for the effective planning and operation of E.L.K.'s distribution system. E.L.K. engages with the municipalities of Lakeshore and Kingsville on an ad-hoc basis to discuss ongoing plans, projects and/or engagements

1 with their community members. The Town of Essex also engages with utilities bi-annually to discuss
2 ongoing plans and projects.

3 These planning engagements with regional and municipal governments are encompassed within the
4 System Access component of this DSP. These engagements assisted E.L.K. in having line of sight to
5 upcoming development projects to encompass within its planning, in addition to direct consultation
6 with developers. E.L.K. intends to continue consulting with regional and municipal governments as
7 required to remain informed on projects and initiatives within E.L.K.'s service area so that it can
8 effectively plan and execute work in order to continue providing value to the communities and help
9 them achieve their economic and community development goals.

10 **5.2.2.3 Transmitter**

11 E.L.K. customers are supplied via three HONI owned transformer stations (TS) including the Lauzon
12 TS, Kingsville TS and the Belle River TS and one distribution station (DS), the Haycroft DS. E.L.K.
13 and HONI are in constant conversation regarding changes on their respective systems that would
14 materially affect each utility.

15 As identified in the Regional Infrastructure Plan (RIP), which is further described below, HONI intends
16 to replace and upgrade the existing TS transformers and reconfigure low voltage equipment due to
17 the assets being at or near the end of life from a condition standpoint. The upgrades are presently
18 underway for Belle River TS with Lauzon TS being flagged for renewal and upgrade by 2035. E.L.K.
19 and HONI's conversations which impacted this DSP could evolve over the course of the present DSP,
20 but currently these costs are not forecasted within the 2027-2031 period.

21 **5.2.2.4 Regional Planning Process**

22 The Regional Planning Process represents a coordinated, transparent, and cost-effective planning of
23 electrical infrastructure at the regional level which was mandated by the OEB in 2013. To facilitate
24 effective planning, the Province of Ontario is divided into 21 planning regions. As the lead transmitter,
25 HONI conducts a Need Assessment (NA) and develops a Regional Infrastructure Plan (RIP) that
26 involves representatives from the Independent Electricity System Operator (IESO), and Local
27 Distribution Companies (LDCs) of the planning region.

28 E.L.K. is part of the Windsor-Essex planning region, shown in Figure 5.2-2. This region includes the
29 municipalities of Amherstburg, Essex, Harrow, Kingsville, Lakeshore, LaSalle, Leamington, Pelee
30 Island, Tecumseh, and Windsor, as well as portions of Chatham-Kent. This planning region includes
31 the following participants:

- 32 • Entegrus Powerlines Inc.

- 1 • ENWIN Utilities Ltd.
- 2 • Essex Powerlines Corporation
- 3 • E.L.K.
- 4 • HONI
- 5 • IESO

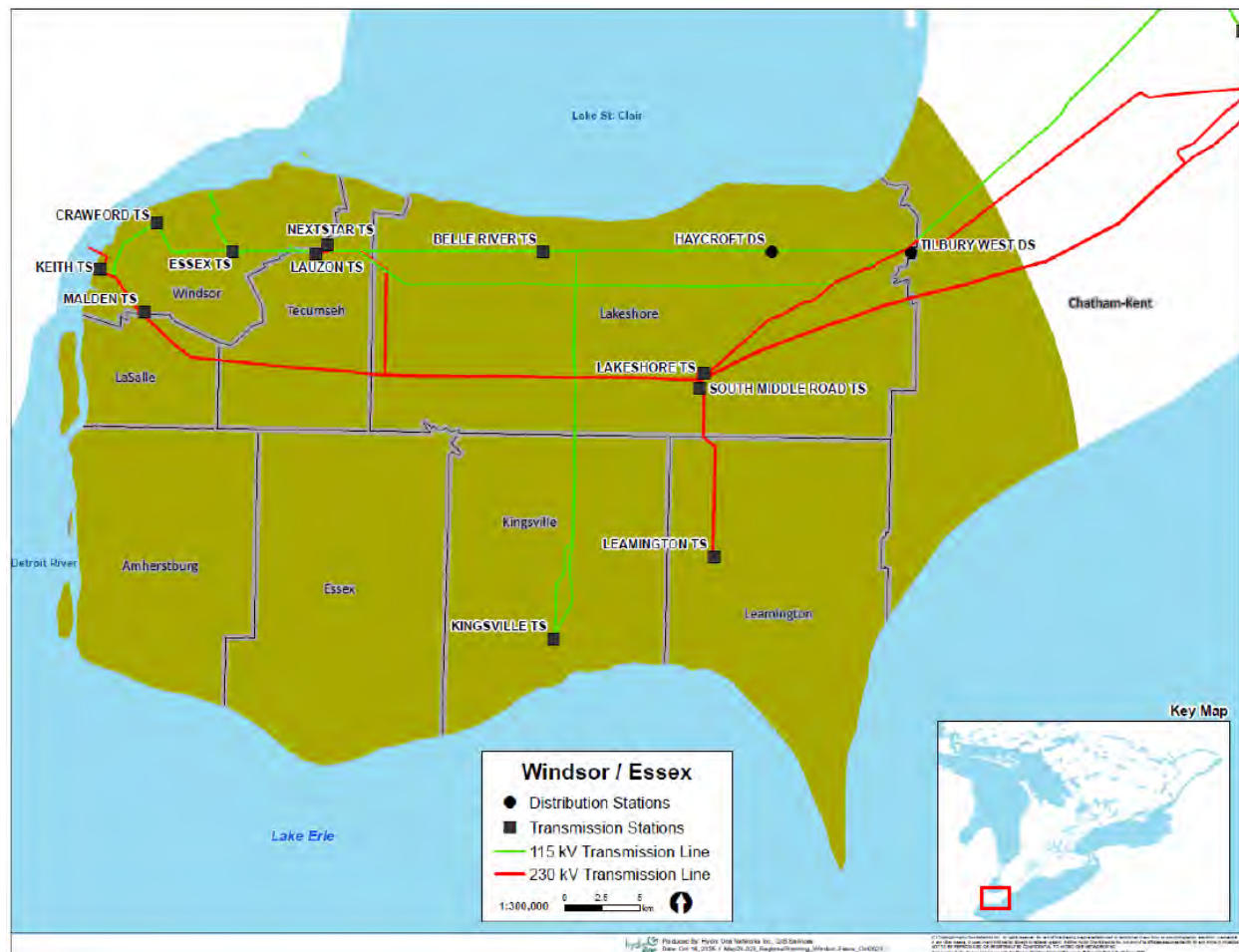


Figure 5.2-2: Windsor-Essex Planning Region

E.L.K. participates in infrastructure planning on a regional basis to ensure regional issues and requirements are effectively integrated into its planning processes. E.L.K. also participates in various joint committees with other utilities, transmission companies and developers to ensure its distribution system planning process is informed and coordinated with relevant parties.

Electricity system planning in Ontario is generally carried out at the following three levels:

- Bulk system planning;
- Regional system planning; and

- Distribution system planning.

Bulk system and regional planning focus on ensuring that Ontario's transmission system can reliably supply electricity to distributors and large customers. The IESO leads bulk system planning at the provincial level, while regional planning addresses supply and reliability needs for specific areas of the province through transmission lines, transformer stations, and other transmission infrastructure.

E.L.K. is responsible for planning its distribution system and coordinates with HONI and the IESO where transmission supply facilities impact its service territory. Distribution, regional, and transmission planning are closely linked at supply points serving E.L.K.'s system, requiring ongoing coordination to ensure that load growth, reliability needs, and infrastructure investments are addressed efficiently.

Throughout the Regional Planning Process, E.L.K. provides forecast load data and the results of projects and programs that impact the distribution system to the other parties engaged with during the regional planning exercise. E.L.K. will continue to actively participate in engagement with all relevant stakeholders for regional planning processes, and share information as required, to ensure it continues to respond appropriately to the needs of its customers and industry partners.

The following Major projects are underway in the region:

1. Keith TS 300/500 MVA phase angle regulator PSR5 replacement (expected in service 2028).
2. Lauzon DESN1 50/83 MVA transformers T5 and T6 asset renewal with 75/125 MVA units (expected in service 2026).
3. Development of Chatham SS x Lambton TS 2-cct 230 kV line (expected in service 2028).
4. Development of Longwood TS x Lakeshore TS 1-cct 500 kV line (expected in service 2030).²

The load in the Windsor-Essex region is expected to grow at a compound annual rate of approximately 2% in winter and 1.3% in the summer from 2024 to 2043.³ As shown in Table 5.3-3, the E.L.K service area has historically experienced summer peaks.

The following other assumptions are made in the RIP:

- The study period for the RIP assessments is 2024-2043.
- LDCs reconfirmed load forecasts up to 2043 in the area are the same as the IRRP, except for the addition of new load in the Coatsworth area for the greenhouse sector and the modification of the eDSM program to be in line with the IESO 2025 Annual Planning Outlook.

² HONI Networks Inc. Windsor-Essex Regional Planning. <https://www.hydroone.com/about/corporate-information/regional-plans/windsor-essex>

³ Based on the high load forecast, the rates would be 6.7% in winter and 3.6% in the summer.

- 1 • All planned facilities for which work has been initiated and are listed in Section 4 of the RIP
2 are assumed to be in-service.
- 3 • The Region is winter peaking, so the RIP assessment is based on both winter and summer
4 peak loads.
- 5 • Station capacity adequacy is assessed by comparing the non-coincident peak load with the
6 station's normal planning supply capacity, assuming a 90% lagging power factor, or on the
7 basis of historical power factor data.
- 8 • Normal planning supply capacity for transformer stations in the region is determined by the
9 summer 10-day Limited Time Rating (LTR) based on 35°C ambient temperature for summer
10 peaking stations, and winter 10-day Limited Time Rating (LTR) based on 10°C ambient
11 temperature for winter peaking stations.
- 12 • Bulk transmission line capacity adequacy is assessed by using coincident peak loads in the
13 area. Capacity assessment for radial lines and stepdown transformer stations use non-
14 coincident peak loads.
- 15 • Adequacy assessment is conducted as per the Ontario Resource and Transmission
16 Assessment Criteria (ORTAC).

17 Over the study period 2024-2043, the RIP reviewed the capacity of all the 230kV and 115kV
18 transformer stations within the Windsor-Essex region. The NA and IRRP⁴ studies had previously
19 indicated that the following stations require capacity relief within the study period. This RIP has further
20 confirmed those needs and based on the load forecast and identifies the need for station capacity to
21 support new load in the Coatsworth area due to greenhouse development in the area. The stations
22 which require capacity relief during the study period are shown in Table 5.2-2 below. The need
23 timeframe defines the time when the peak load forecast exceeds the most limiting seasonal (summer
24 or winter) Limited Time ratings.

25 Despite the above, it should be noted that E.L.K. is not forecasting any capital expenditures during the
26 2027-2031 period in relation to the outputs of the current regional planning process, as the
27 expenditures are expected to be recovered from the general Uniform Transmission Rate cost pool.

⁴ Windsor-Essex Integrated Regional Resource Plan

Station/Circuit Name	Recommended Plan	Lead	Planned ISD	Cost (\$M)
Asset Renewal Needs				
Lauzon TS DESN2 transformers (T7/ T8)	Replace 50/83 MVA units with 75/125 MVA units	Hydro One Transmission	2032	\$76M
Station Capacity Needs				
Lauzon TS DESN2 transformers (T7/ T8)	Replace 50/83 MVA units with 75/125 MVA units.	Hydro One Transmission	2032	\$76M
Belle River TS	Load transfer to Lauzon TS DESN1/2	Hydro One Distribution	2026	\$15M

Table 5.2-2 Asset Renewal and Station Capacity Needs

5.2.2.5 Telecommunication Entities

E.L.K. engages with telecommunications companies operating within its service territory on an ad hoc and as-needed basis. These engagements typically occur when coordination is required for specific projects, such as development-related construction, road reconstruction, or distribution asset relocations. Through these consultations, E.L.K. seeks to facilitate effective coordination of infrastructure activities, minimize conflicts during construction, and reduce impacts to customers and the public. Where applicable, information exchanged through these engagements is considered during project planning and execution. There are currently no known plans that have impacted the forecast capital cost E.L.K. is putting forward as part of this DSP period.

5.2.2.6 Renewable Energy Generation (REG)

E.L.K. has no capital investments planned to facilitate new DER connections over the 2027-2031 period.

5.2.3 PERFORMANCE MEASUREMENT FOR CONTINUOUS IMPROVEMENT

5.2.3.1 Distribution System Plan

In order to continually improve its operating performance, E.L.K. continually measures and monitors its performance. The performance measures tracked by E.L.K. align with the OEB's "Scorecard Performance Measures" for electricity distributors, as listed below:

- Service quality
- Customer satisfaction
- Safety
- System reliability

- 1 • Asset management
- 2 • Cost control
- 3 • Connection of renewable generation
- 4 • Financial ratios

5 Where applicable, the performance measures included on the scorecard have an established minimum
6 level of performance to be achieved. The scorecard is designed to track and show E.L.K.'s
7 performance results over time and helps to benchmark its performance and improvement against other
8 utilities and best practices. Table 5.2-3 summarizes E.L.K.'s performance during historical years from
9 2021 to 2025. Explanations for any missed targets, including the impact on the DSP and any
10 associated improvements, are detailed in the following sub-sections.

11 **5.2.3.2 Performance Scorecard**

12 A review of E.L.K.'s historical performance indicates that E.L.K. has met or exceeded its targets over
13 the historical period.

Table 5.2-3 DSP Performance Measures

Performance Outcome	Measure	Metric	2021	2022	2023	2024	2025	Target
Customer Focus	Service Quality	New Residential/Small Business Services Connected on Time	99.59%	99.64%	100.00%	100.00%	100.00%	> 90%
		Scheduled Appointments Met on Time	100.00%	100.00%	100.00%	100.00%	100.00%	> 90%
		Telephone Calls Answered on Time	91.20%	91.10%	91.02%	83.45%	93.81%	> 65%
	Customer Satisfaction	First Contact Resolution	Excellent	Excellent	88%	88%	88%	No target
		Billing Accuracy	99.97%	99.93%	99.32%	99.81%	99.83%	> 98%
		Customer Satisfaction Survey	92.4%	92.4%	92.1%	92.1%	92.1%	No target
Operational Effectiveness	Safety	Level of Public Awareness	99.50%	99.50%	88.00%	88.00%	88.00%	No target
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	C
		Number of General Public Incidents	0	0	0	0	0	0
		Serious Electrical Incident Index Rate per 10, 100, 1000 km of line	0	0	0	0	0	1
	System Reliability	Ave. Number of Hours that Power to a Customer is Interrupted	0.65	0.32	0.71	1.31 ⁵	0.37	1.62
		Ave. Number of Times that Power to a Customer is Interrupted	0.2	0.12	0.29	0.47	0.19	0.55
	Asset Management	Distribution System Plan Implementation Progress	In Progress	In Progress	In Progress	In Progress	In Progress	No target
	Cost Control	Efficiency Assessment	1	1	1	1	1	No target
		Total Cost per Customer	\$437	\$559	\$593	\$643	\$605	No target
		Total Cost per km of Line	\$31,789	\$39,944	\$43,176	\$47,083	\$45,215	No target
Public Policy Responsiveness	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected on Time	N/A	N/A	N/A	N/A	N/A	90.00%
Financial Performance	Financial Ratios	Liquidity: Current Ratio (Current Assets / Current Liabilities)	3.64	3.98	3.79	1.91	2.67	No target
		Leverage: Total Debt (short-term & long-term) to Equity Ratio	0.16	0.15	0.13	0.39	0.67	No target
		Regulatory ROE – Deemed (included in rates)	7.86%	8.26%	8.66%	8.66%	8.66%	No target
		Regulatory ROE - Achieved	10.39%	-1.97%	-22.33%	-9.34%	-0.87%	No target

⁵ This amount has been restated from the filed 2024 RRR amount. The updated value has been used throughout this DSP.

5.2.3.3 Service Quality and Reliability

E.L.K.'s service quality and reliability performance are detailed further in the following subsections.

5.2.3.3.1 Service Quality Requirements

E.L.K. sets a high standard for performance when it comes to customer care. E.L.K. strives to deliver customer excellence and value through the execution of its investments and operations. E.L.K. tracks and reports the Service Quality Requirements ("SQR") outlined in Chapter 7 of the OEB's Distribution System Code ("DSC"). These metrics generally reflect the day-to-day performance of direct contact with customers and are dependent upon DSP process performance. E.L.K.'s SQR performance for the historical period is summarized in Table 5.2-4: Historical Service Quality Metrics

Failure to meet minimum service quality targets would result in measures being taken to realign performance with DSC service quality standards. Explanations for any material changes, missed targets or declining trends, and whether and how the DSP addresses these issues, are detailed below.

Table 5.2-4: Historical Service Quality Metrics

Service Quality Metric	2021	2022	2023	2024	2025	Minimum Standards
Low Voltage Connections	99.6%	99.6%	100%	100%	100%	> 90%
Telephone accessibility	91.2%	91.1%	91.0%	83.4%	93.8%	> 65%
Appointments met	100%	100%	100%	100%	100%	> 90%
Written response to enquiries	96.9%	99.5%	99.7%	100.0%	100%	> 80%
Emergency Urban Response	100%	100%	100%	100%	100%	> 80%
Emergency Rural Response	N/A	N/A	N/A	N/A	N/A	> 80%
Telephone call abandon rate	4.4%	8.9%	17.6%	16.6%	6.2%	< 10%
Appointment scheduling	100%	100%	100%	100%	100%	> 90%
Rescheduling a Missed Appointment	100%	100%	N/A	N/A	N/A	> 100%
Reconnection Performance Standard	100%	100%	100%	100%	100%	> 85%
Billing Accuracy	100%	99.9%	99.3%	99.8%	99.8%	> 98%

A review of the service quality indicators data above indicates that E.L.K. has exceeded the majority of the Service Quality Metrics expectations over the historical period.

The telephone call abandon rate exceeded established targets in 2023 and 2024 by 7.6% and 6.6%, respectively. This variance is attributed to a combination of workforce and system-related factors. Staff retirements reduced available experienced resources, while onboarding and training of new personnel temporarily constrained operational capacity. Additionally, limitations associated with the existing telephone system impacted call handling efficiency. Collectively, these factors contributed to increased wait times and a higher incidence of abandoned calls. This has been addressed starting in 2025 with

the addition of staff and further training, and this positive improvement is expected to continue going forward for the DSP period.

5.2.3.3.2 Reliability Requirements

E.L.K. measures and monitors the reliability of power supply to its customers with the objective of maintaining reliability levels meeting its customers' needs. E.L.K. has aligned its reliability performance indicators and their measurement metrics with those prescribed by the OEB. Currently, two reliability performance indicators are tracked on the OEB scorecard: System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI).

SAIDI

SAIDI is an indicator of system reliability that expresses the average length of outage customers experience in the year, expressed as hours per customer per year. All planned and unplanned interruptions of one minute or more are used to calculate this index. It is defined as the total hours of power interruptions normalized per customer served and is expressed as:

E.L.K.'s target value for SAIDI is 1.62. under normal operating conditions.

SAIFI

SAIFI is an indicator of the average numbers of interruptions each customer experiences, expressed as the number of interruptions per year per customer. All planned and unplanned interruptions of one minute or more are used to calculate this index. It is defined as the number of interruptions normalized per customer served and is expressed as:

E.L.K.'s target value for SAIFI is 0.55 under normal operating conditions.

CAIDI

While not separately indicated on the OEB scorecard, the customer average interruption duration index (CAIDI) is an indication of the speed at which power is restored after an interruption and can be found by dividing the SAIDI value for the given year by the SAIFI value:

Loss of Supply (LOS) outages occur due to problems associated with assets owned by another party other than E.L.K. or on the bulk electricity supply system. E.L.K. tracks SAIDI and SAIFI including and excluding LOS.

"Major Events" are defined by OEB as the events beyond the control of the distributor and are unforeseeable, unpredictable; unpreventable; or unavoidable. Such events which disrupt normal business operations occur so infrequently that it would be uneconomical to directly take them into

account when designing and operating the distribution system, acknowledging that the OEB is setting increased expectations on distributors for vulnerability and system hardening requirements as part of regular planning. Such Major Events cause exceptional and/or extensive damage to assets, they take significantly longer than usual to repair, and they affect a substantial number of customers. Major Event Days (MED) are calculated using the IEEE Std 1366-2012 methodology. MEDs are confirmed by assessing whether the interruption was beyond the control of E.L.K. (i.e., force majeure or LOS) and whether the interruption was unforeseeable, unpredictable, unpreventable, or unavoidable.

SAIDI, SAIFI and CAIDI are measured under three scenarios:

1. By including all power interruptions
2. By excluding interruptions due to LOS
3. By excluding interruptions due to LOS and MED

E.L.K.'s reliability metric values for the historical period are shown in the tables and figures below.

Table 5.2-5: Historical Reliability Performance Metrics – All Cause Codes

Metric	2021	2022	2023	2024	2025	Average
SAIDI ⁶	2.87	6.03	22.97	1.67	3.77	7.46
SAIFI	0.91	1.60	1.08	0.72	0.68	1.00
CAIDI ⁷	3.15	3.77	21.27	2.32	5.54	7.21

Table 5.2-6: Historical Reliability Performance Metrics – LOS and MED Adjusted

Metric	2021	2022	2023	2024	2025	Average
<i>Loss of Supply Adjusted (including MEDs, Excluding LOS)</i>						
SAIDI	2.15	0.32	22.26	1.31	0.37	5.28
SAIFI	0.58	0.12	0.92	0.47	0.19	0.46
CAIDI	3.69	2.68	24.12	2.78	1.95	7.04
<i>Major Event Days Adjusted (including LOS, excluding MEDs)</i>						
SAIDI	1.38	6.03	1.42	1.67	3.77	2.85
SAIFI	0.54	1.60	0.45	0.72	0.68	0.79
CAIDI	2.57	3.78	3.17	2.34	5.54	3.48
<i>Loss of Supply and Major Event Days Adjusted (excluding LOS and MEDs)</i>						
SAIDI	0.65	0.32	0.71	1.31	0.37	0.67
SAIFI	0.20	0.12	0.29	0.47	0.19	0.25
CAIDI	3.25	2.67	2.45	2.79	1.95	2.62

⁶ SAIDI numbers are shown in Hours

⁷ CAIDI numbers are shown in Hours

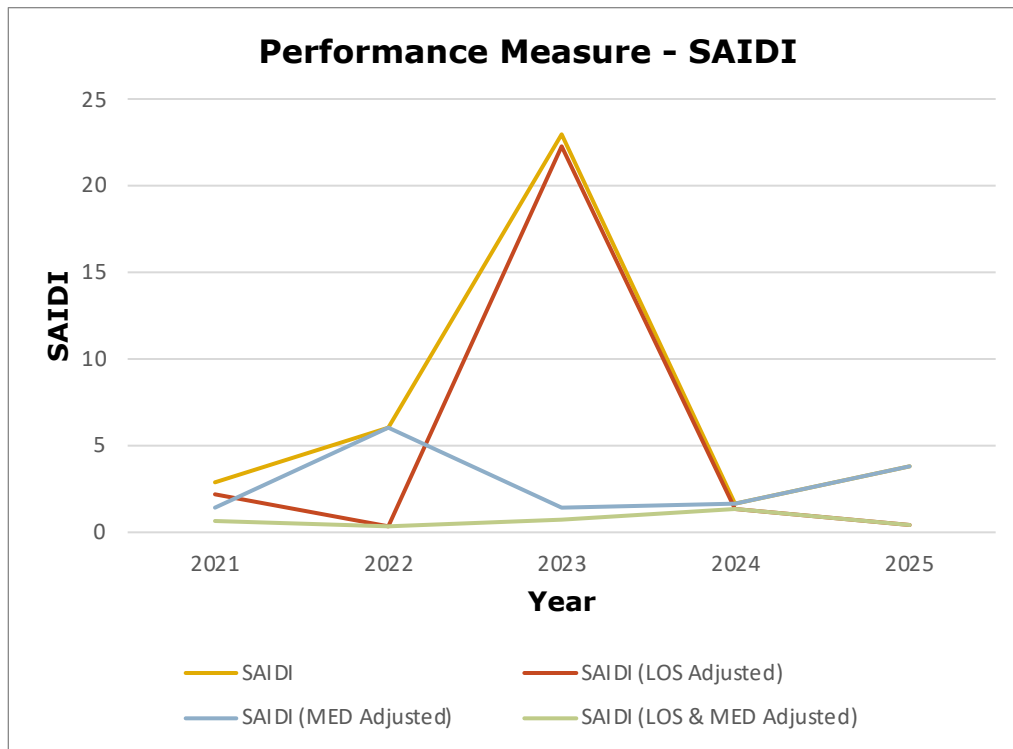


Figure 5.2-3: Performance Measure: SAIDI

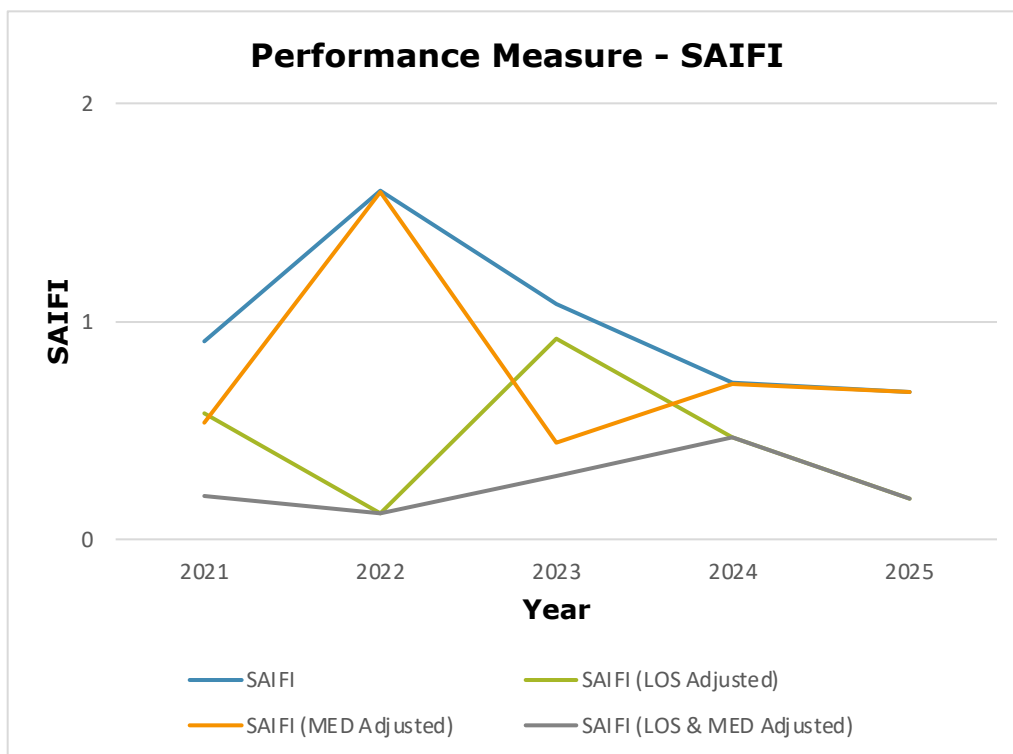


Figure 5.2-4: Performance Measure: SAIFI

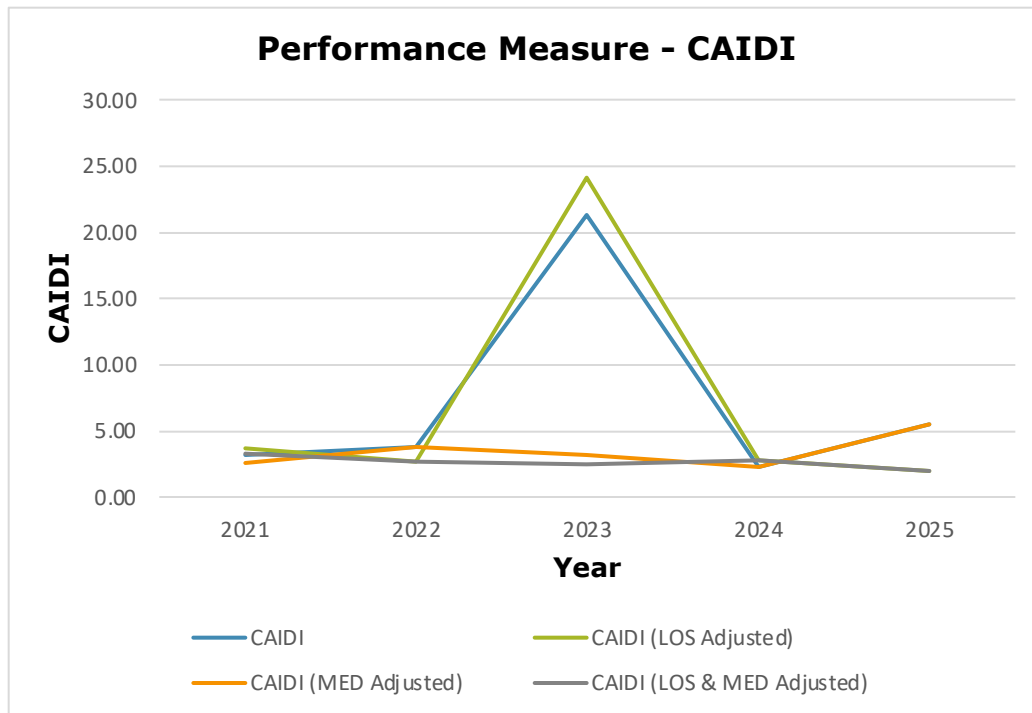


Figure 5.2-5: Performance Measure: CAIDI

E.L.K.'s historical SAIDI and SAIFI performance met the distributor's targets for the historical period. E.L.K. has prioritized increased investments in replacing and rehabilitating at-risk overhead poles and underground cables to continue mitigating unplanned interruptions going forward, as well as ensuring appropriate staffing levels to respond to outage events.

E.L.K. uses the SAIDI, SAIFI and CAIDI reliability indexes to gauge the system reliability performance and maintain tight control over capital and maintenance spending. Amongst E.L.K.'s ageing infrastructure, poles are critical assets that support the entirety of the E.L.K. overhead distribution system. Primary cables are the backbone of the E.L.K. underground infrastructure. Therefore, there is a renewed focus on updating and maintaining these assets to improve the overall performance of the distribution network.

E.L.K. has earmarked an increase in the year-over-year investments in system renewal budget for pole rehabilitation. Based on the 2025 Asset Condition Assessment report (ACA) prepared by Kinectrics, included as Appendix B to this DSP, E.L.K. plans to replace and/or repair poles that have been identified to be in poor or very poor condition. These planned targeted investments will help overall system reliability and accommodate future load growth. Other investments include planned renewal of end-of-life assets such as transformers, switchgear and substation rehabilitation.

Other initiatives that will reduce the number of controllable interruptions include:

- 1 • Continued testing of wood poles;
- 2 • Proactive vegetation management; and
- 3 • Ongoing inspection and maintenance of assets to identify and mitigate potential
- 4 problems.

5 5.2.3.3.3 Outage Details for Years 2020-2025

6 The following tables provide a summary of E.L.K.'s MEDs over the historical period.

7 **Table 5.2-7: Summary of MEDs over the Historical Period**

Year	# of MEDs	Cause of MEDs
2023	2	Adverse Weather-Freezing rain/Ice storm/Wind

8 **Table 5.2-8: List of MEDs over the Historical Period**

Date	Customer Base Interrupted	Description
2/22/2023	3,077	There were two main contributing causes of the Major Event: Adverse Weather – Tree Contact; and Adverse Weather – Equipment Breakage. The storm caused ice to be accumulated on trees, power lines and equipment. As a result of the heavy ice accumulation, the trees and tree branches broke and fell on the power lines. The ice accumulation on power line caused equipment breakage that resulted in downed power lines.
7/26/2023	5,028	The Major Event's primary contributing factors were the Adverse Weather conditions, Loss of Supply, and Tree Contacts. According to reports from Environment Canada, wind gusts reached speeds of up to 91km/h, resulting in significant damage to utility poles. The high winds led to the breakage of tree branches from nearby trees, which then fell onto power lines. In certain cases, large trees were uprooted, collapsing onto the power lines and causing extensive damage to the electrical infrastructure.

9 Table 5.2-9: presents a summary of total interruptions that have occurred within E.L.K.'s service
 10 territory providing three different categorizations. The table values indicate a slightly decreasing trend
 11 of interruptions with E.L.K.'s service territory over the 5-year period, with a slight uptick from 2024 to
 12 2025. A further breakdown by cause codes is provided in the following subsections.

13 **Table 5.2-9: Number of interruptions (2021-2025)**

Categorization	2021	2022	2023	2024	2025
All interruptions	119	102	80	86	96
All interruptions excluding LOS	112	92	75	83	92
All interruption excluding MED and LOS	112	92	73	83	92

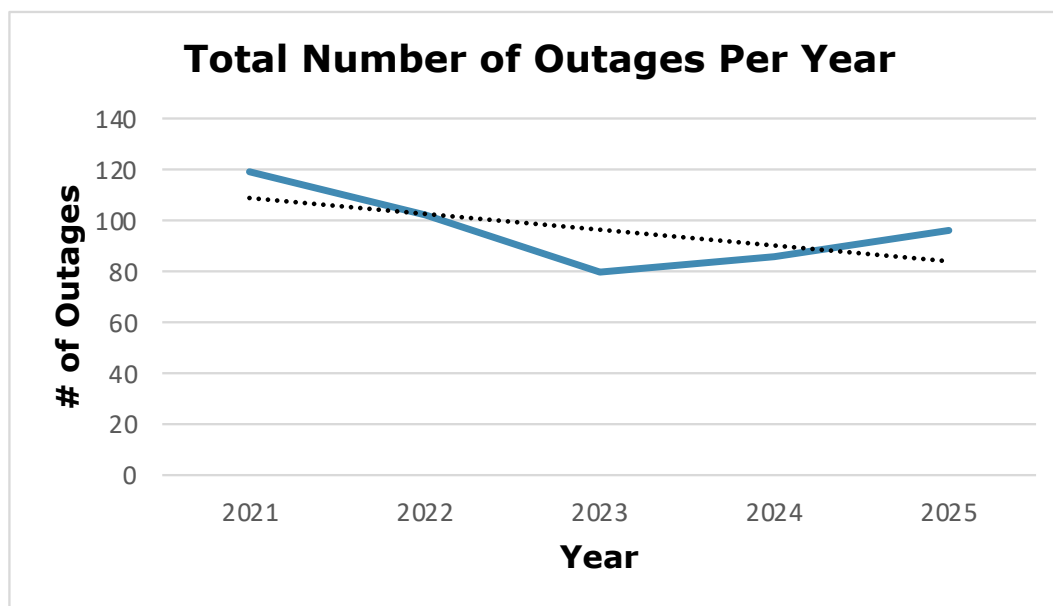
1 Interruptions Experienced

2 Table 5.2-10: presents the count of interruptions broken down by cause code for the historical period.
 3 The number of interruptions is an indication of interruption frequency and impacts customers differently
 4 based on customer class. For example, residential customers may tolerate a larger number of
 5 interruptions with shorter duration while commercial and industrial customers may prefer fewer
 6 interruptions with longer duration thereby reducing the overall impact on production and business
 7 disruption. E.L.K. continues to assess and execute capital and O&M projects to manage the number
 8 of interruptions experienced.

9 **Table 5.2-10: Interruption Numbers by Cause Codes**

Cause Code	2021	2022	2023	2024	2025	Total Outages	%
0-Unknown/Other	2	5	0	0	2	9	1.86%
1-Scheduled Outage	17	11	20	5	11	64	13.25%
2-Loss of Supply	7	10	5	3	4	29	6.00%
3-Tree Contacts	17	8	7	0	4	36	7.45%
4-Lightning	1	2	0	0	0	3	0.62%
5-Defective Equipment	47	44	29	49	53	222	45.96%
6-Adverse Weather	4	0	7	14	4	29	6.00%
7-Adverse Environment	0	1	0	2	1	4	0.83%
8-Human Element	1	0	0	0	0	1	0.21%
9-Foreign Interference	23	21	12	13	17	86	17.81%
Total	119	102	80	86	96	483	100%

10



11

12

Figure 5.2-6: Total Number of Outages per Year

- 1 A summary of the causes of interruptions within E.L.K.'s system is presented in Figure 5.2-7 along
 2 with the percentage of overall interruption incidents attributable to each cause type.

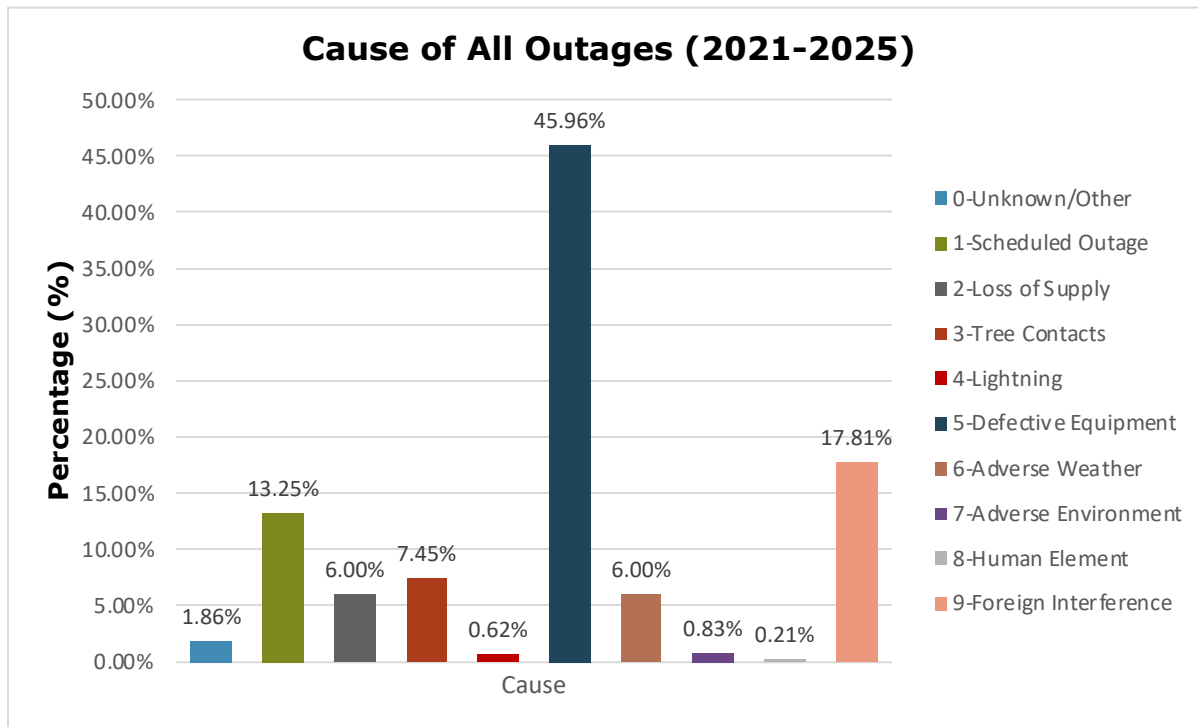


Figure 5.2-7: Percent of Outages by Cause Code

5 Defective equipment, foreign interference, and scheduled outages have been identified as the three
 6 most common causes of interruptions on E.L.K.'s distribution system over the historical period.
 7 Together, these causes contributed approximately 77.02% of the total number of interruptions over
 8 the period captured in the table.

9 Defective Equipment is the top contributing cause to the total interruptions experienced by E.L.K.,
 10 accounting for 45.96% of total interruptions over the historical period. E.L.K. has planned investments
 11 to prioritize certain classes of assets for replacement before experiencing a failure that may cause an
 12 interruption. E.L.K. utilizes the ACA to assist in prioritizing investments in asset classes. Additionally,
 13 E.L.K. will continue to conduct inspections and maintenance of poles, as well as pole-mounted and
 14 pad-mounted transformer assets, to identify and address potential issues before they escalate.

15 Foreign Interference interruptions are the second-highest contributing cause to the total interruptions
 16 experienced, accounting for 17.81%. These interruptions include animal interference, dig-ins, and
 17 vehicle collisions. E.L.K. aims to minimize these interruptions through initiatives such as public
 18 education campaigns encouraging customers to contact E.L.K. prior to digging. However, other

causes of foreign interference interruptions, such as vehicle collisions, can occur at random and, depending on the location and severity of the event, may result in significant customer impact.

At 13.25%, Scheduled Outages represent the third-highest contributing cause to the total interruptions experienced by E.L.K. These interruptions are due to the disconnection of service to allow E.L.K. to complete capital investments, perform maintenance activities on assets, and conduct line clearing in rear-lot areas that require customers to be disconnected for employee and public safety. E.L.K. aims to minimize the impact of scheduled interruptions by executing capital work and maintenance, where appropriate, at times that would affect minimal customers and for periods of short duration.

Adverse Weather is beyond the control of E.L.K.; however, it accounted for 6.00% of total interruptions over the historical period. E.L.K. will continue to make physical improvements that increase infrastructure resilience to severe weather. For example, E.L.K. incorporates design measures to ensure adequate storm guying and structural support during asset rebuilds and replacements.

Tree Contacts are interruptions caused by faults resulting from tree contact with energized circuits and accounted for 7.45% of total interruptions, with a noted decreasing trend in recent years. E.L.K. will continue to execute its enhanced vegetation management program in order to maintain this improved performance and to mitigate the risk of interruptions caused by tree contacts. In addition, E.L.K. plans to invest in smart switches and reclosers to improve system restoration times and, in turn, overall reliability for E.L.K. customers.

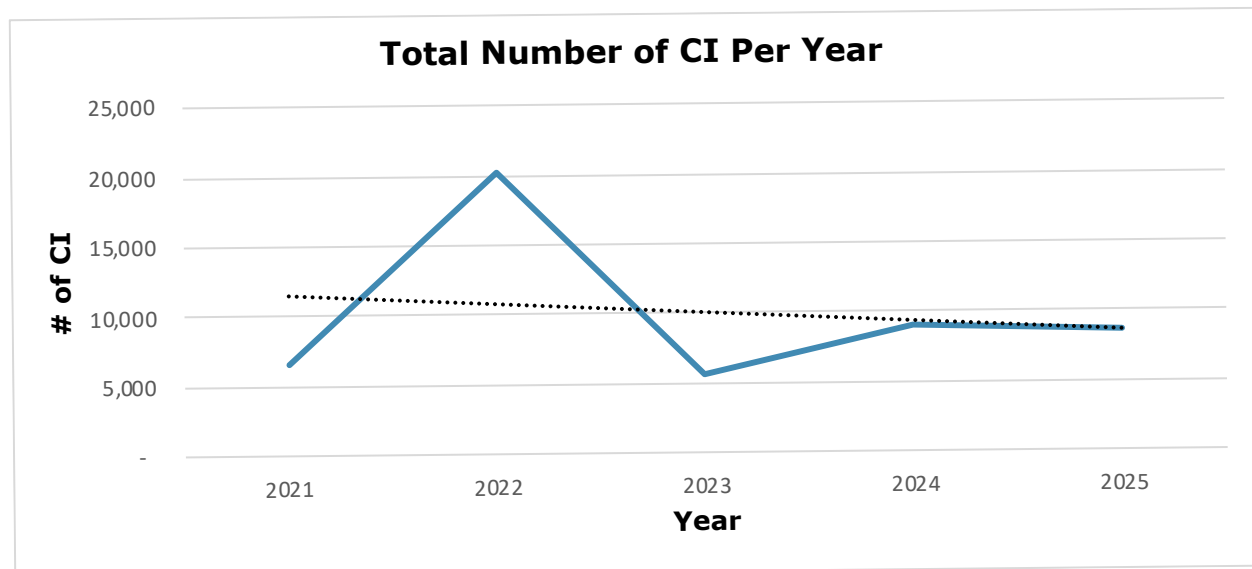
Unknown / Other includes interruptions with no apparent cause identified at the time of the event and accounted for 1.86% of total interruptions. Over the forecast period, E.L.K. will continue to analyze system interruptions on a case-by-case basis in order to identify root causes and develop mitigation solutions where possible.

Customers Interrupted and Customers Hours Interrupted

The number of Customers Interrupted (“CI”) is a measure of the extent of interruptions. Customer Hours Interrupted (“CHI”) is a measure of duration of all of the interruptions and the number of customers impacted. The tables and figures below provide the historical values and trends for both CI and CHI.

1 **Table 5.2-11: Customers Interrupted Numbers by Cause Codes – Excluding MEDs**

Cause Code	2021	2022	2023	2024	2025	Total CI	%
0-Unknown/Other	3	171	0	0	16	190	0.4%
1-Scheduled Outage	219	199	557	203	222	1,400	2.8%
2-Loss of Supply	4,149	18,691	2,030	3,113	6,264	34,247	68.0%
3-Tree Contacts	267	195	247	0	83	792	1.6%
4-Lightning	50	2	0	0	0	52	0.1%
5-Defective Equipment	1,039	528	764	845	1,707	4,883	9.7%
6-Adverse Weather	221	0	227	1,145	63	1,656	3.3%
7-Adverse Environment	0	20	0	0	10	32	0.1%
8-Human Element	300	0	0	0	0	300	0.6%
9-Foreign Interference	410	395	1,842	3,804	380	6,831	13.6%
Total	6,658	20,201	5,667	9,112	8,745	50,383	100%

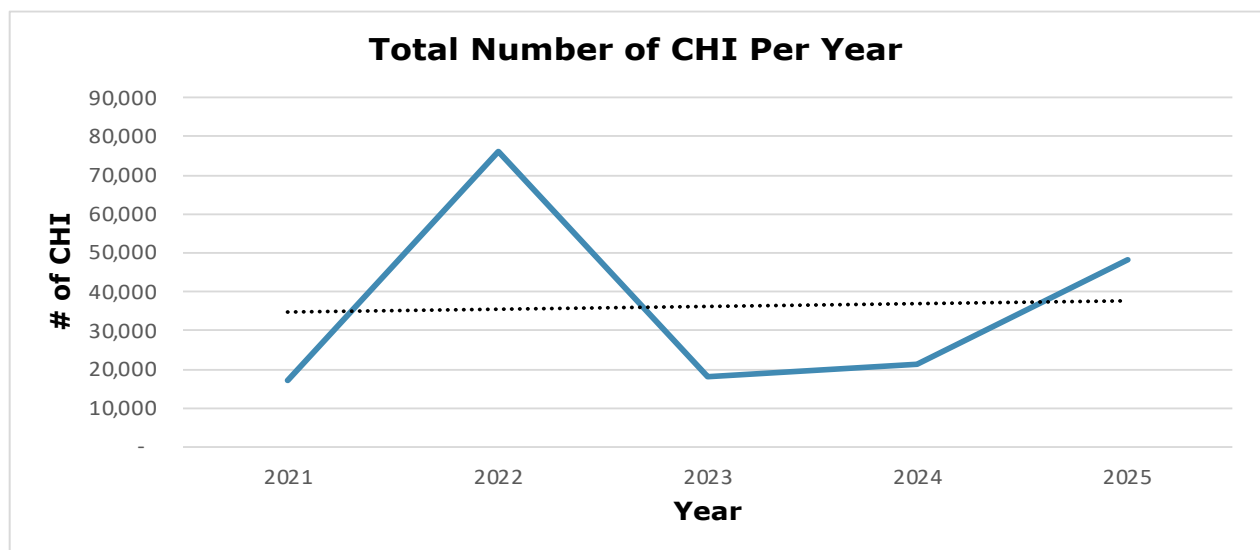


2 **Figure 5.2-8: Total Number of Customers Interrupted by Year – Excluding MEDs**

3

1 **Table 5.2-12: Customer Hours Interrupted Numbers (rounded) by Cause Codes – Excluding MEDs**

Cause Code	2021	2022	2023	2024	2025	Total CHI	%
0-Unknown/Other	6	217	0	0	22	267	0.1%
1-Scheduled Outage	388	631	2,080	388	519	4,006	2.2%
2-Loss of Supply	9,060	72,166	9,042	4,550	43,652	138,469	76.5%
3-Tree Contacts	920	553	583	0	194	2,250	1.2%
4-Lightning	92	4	0	0	0	95	0.1%
5-Defective Equipment	2,584	1,692	1,877	3,035	3,042	12,230	6.8%
6-Adverse Weather	1,071	0	692	5,018	146	6,927	3.8%
7-Adverse Environment	0	5	0	0	60	65	0.0%
8-Human Element	2,125	0	0	0	0	2,125	1.2%
9-Foreign Interference	873	969	3,738	8,244	714	14,538	8.0%
Total	17,118	76,236	18,011	21,238	48,348	180,951	100%



2
3 **Figure 5.2-9: Total Number of Customers Interrupted by Year – Excluding MEDS**

4 The total customer hours interrupted (CHI) fluctuated over the historical period, with significant
5 increases observed in 2022 and 2025, primarily due to Loss of Supply events, which accounted for
6 76.5% of total CHI over the historical period. Tree Contacts have shown a declining trend in recent
7 years, reflecting the effectiveness of E.L.K.'s enhanced vegetation management program in reducing
8 interruptions caused by tree contact with energized circuits.

9 Excluding Loss of Supply, Foreign Interference (8.0%) and Defective Equipment (6.8%) were the
10 largest contributors to customer hours interrupted. Foreign Interference is primarily associated with
11 animal interference, as well as dig-ins and vehicle collisions. E.L.K. continues to mitigate these events
12 through initiatives such as public education encouraging customers to contact Ontario One Call prior
13 to excavation.

Defective Equipment remains a significant contributor to CHI and reinforces the need for E.L.K.'s targeted asset renewal and inspection programs. E.L.K. utilizes its Asset Condition Assessment (ACA) to prioritize asset replacements and continues to inspect assets to proactively address deteriorating equipment before failures occur.

To further improve reliability and reduce outage durations, E.L.K. continues to invest in grid modernization initiatives, including FLISR, reclosers, and enhanced sectionalization, which support faster fault isolation and service restoration.

5.2.3.4 Distributor Specific Reliability Targets

E.L.K. has tracked key performance indicators during the historical period, including CAIDI (Excluding LOS and MEDs), Customer Hours of Interruption due to Defective Equipment, SAIDI (Excluding MEDs) caused by Defective Equipment, and SAIFI (Excluded MEDs) caused by Defective Equipment. These metrics provide a more detailed understanding of system performance and help isolate the impact of specific factors on overall reliability.

Although, for reporting purposes, reliability metrics are presented excluding Major Event Days (MEDs) and Loss of Supply (LOS) to allow for consistent benchmarking of day-to-day system performance, E.L.K. recognizes that customers are still impacted during these events. Accordingly, E.L.K.'s objective is to minimize customer interruptions regardless of whether outages are caused by MEDs, LOS events, or other outage causes. During the recent historical period, E.L.K. has initiated targeted reliability improvement initiatives, including recloser deployment and the addition of secondary feeder arrangements in the Essex, Harrow, Kingsville and Belle River service areas. These investments enable feeder switching during LOS events and support faster restoration and reduced customer interruption. E.L.K. is proposing to continue with these types of targeted investment in the forecast period, to continue to address reliability issues.

E.L.K. plans to continue tracking these metrics in future periods to ensure ongoing system performance improvements and to support the rationale behind any adjustments to the traditional SAIDI and SAIFI benchmarks. Additionally, E.L.K. engages with its customers to determine if their reliability needs and expectations are being met and may pursue targeted reliability improvements for underperforming sections of the system. E.L.K. is proposing to maintain its SAIDI and SAIFI reliability targets calculated based on the rolling historical 5-year average, consistent with the OEB's October 2025 Reliability Performance Targets letter.⁸

⁸ <https://www.rds.oeb.ca/CMWebDrawer/Record/915670/File/document>

5.3 ASSET MANAGEMENT PROCESS

This section provides an overview of E.L.K.'s asset management (AM) process, a description of assets managed by E.L.K, and a presentation of E.L.K.'s asset lifecycle optimization policies and practices.

5.3.1 PLANNING PROCESS

5.3.1.1 Overview

Since issuing the 2022 DSP, E.L.K. has updated the AM process to take account of E.L.K.'s evolving operating approach, which is reflected in its renewed Corporate Goals highlighted in Exhibit 1 and its new Business Plan. E.L.K. has taken a more proactive approach to maintaining and investing in the distribution system as it continues steps to modernize the utility. It also includes clear decision points when programs, projects, capital and operational budgets are reviewed and approved. In addition, E.L.K.'s process now includes a clear indication that the process is iterative, considering the latest information on asset condition, inspection and maintenance data, information from completed capital projects, and updates from third-party engagements. In addition to developing its five-year expenditure plan for this DSP, E.L.K. uses this same process to optimize and update its budget and plans each year for the following year.

Key elements of E.L.K.'s updated AM process are highlighted in the following sections along with E.L.K.'s asset management philosophy. The components of the asset management process that E.L.K. has used to prepare its capital expenditure plan are identified, including objectives, data inputs, process steps and outputs. The information used throughout the DSP is based on the best available information at the point in time.

5.3.1.2 Important Changes to Asset Management Process since last DSP Filing

As outlined above, E.L.K. has made improvements to its asset management process to make existing processes more efficient and improve the quality of data used for making informed decisions. The main improvement that E.L.K. has implemented since its last DSP is to address data gaps where possible, gathering as much data as possible to assist with data-driven planning. Since the last DSP filing, E.L.K. has completed more thorough asset inspections across multiple asset classes. Decisions related to asset replacement are now informed by a combination of asset inspection data (where available) and asset age, allowing for more accurate assessment of condition and remaining useful life. In the previous DSP period, E.L.K. had planned to integrate inspection data into the GIS system; however, this has not been fully achieved due to delays in commissioning the GIS platform. E.L.K. plans to continue inspections and populate the GIS with inspection and asset condition data to further

address data gaps and strengthen asset management and capital planning processes during the upcoming forecast period.

5.3.1.3 Process

E.L.K.'s AM process in Figure 5.3-1 demonstrates at a high-level its asset management direction, principles, and mandatory requirements. Arrows show the flow of the process and the interconnections between the various processes, inputs and outputs. The AM process interprets the company's vision, mission, and values and serves as the connection between the top-level corporate and strategic goals and objectives through to the bottom-level asset management practices.

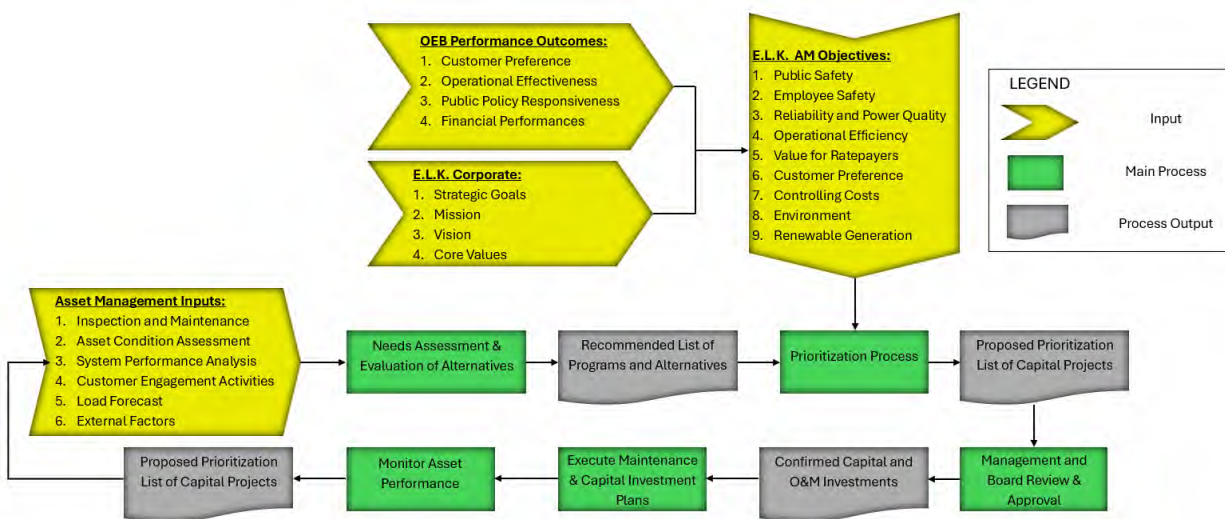


Figure 5.3-1: E.L.K. Asset Management Process

E.L.K.'s AM process is established in a way to coordinate activities to ensure the assets are optimally achieving the company's corporate and asset management objectives. Conceptually, the process includes items such as setting out the criteria for optimizing and prioritizing asset management objectives, lifecycle management requirements of the assets, stating the approach and methods by which the assets are managed, including performance, condition and criticality assessment, the approach to the management of risk, and identifying continuous improvement initiatives. E.L.K.'s AM process is an iterative process that is regularly updated with the latest set of data and information to ensure that E.L.K. is initiating the capital projects at the right time. As well as using this process to develop its original five-year DSP capital plan, E.L.K. also uses it annually to update its budget and plan for the following year.

E.L.K. uses the input data and information to enable it to determine its operating and capital expenditure plans. As illustrated in Figure 5.3-1, this is done in a multistage process with various outputs at each stage.

Firstly, using input data, such as asset condition analysis, system performance, and customer engagement results, a needs assessment is performed. This allows E.L.K. to identify some high-level programs that E.L.K. could undertake to address the needs. As part of this, an evaluation of the different options to address the need is also performed. This includes looking at options of full replacement, refurbishments or to do nothing. This allows E.L.K. to streamline the programs it will undertake with a recommended list of programs and alternatives.

Following the identification of recommended programs and alternatives to address the identified needs, a prioritization process is undertaken. At this stage, further inputs are considered, such as E.L.K.'s corporate goals, AM objectives, and the OEB performance outcomes. This information along with the programs identified are used to identify specific projects within the programs and identify a prioritized list of projects. In developing and implementing the asset management plan, E.L.K.'s overarching objective is to distribute electricity safely and reliably with highest operating efficiency while maintaining reasonable distribution rates.

The key objectives on which the asset management plan is based complete with their ranking on a scale of 1 to 3 (1 being the highest) in prioritizing investments is indicated in Table 5.3-1 below.

Table 5.3-1: Prioritization Rankings

E.L.K. AM Objectives	Ranking
Public Safety	1
Employee Safety	1
Reliability & Power Quality	1
Customer Preference	1
Operational Efficiency	1
Value for Ratepayers	2
Reasonable Rates	2
Modernization	2
Good Environmental Stewardship	3

These rankings are used to help inform a list of prioritized projects, which are then reviewed and approved by the E.L.K. management and Board. Once the projects and associated operating and capital spend has been approved, the projects are monitored from initiation to execution. Once the projects are complete, the assets are monitored on their performance, and updated information is fed back into the asset database.

Further detail about E.L.K.'s consideration of alternatives and its maintenance plans is provided below.

Program Alternatives Evaluation

E.L.K. considers all viable alternatives for resolving system capacity issues or operational constraints. For all identified issues and constraints, a “do-nothing” alternative is considered, in order to determine

whether the risks associated with the issue/constraint merit any significant investment. Once a capacity issue or operational constraint has been identified for which “do-nothing” is not an acceptable approach, E.L.K. considers all reasonable alternatives to resolve the issue. This includes considering the potential of non-wire alternatives (NWA). Furthermore, E.L.K. continues to monitor for any impacts on the potential increase of electrification on the capacity of its system. However, E.L.K. does not expect any capacity related issues within the distribution system over the 5-year planning horizon. The Regional Planning Process has played a role in assessing alternatives and resulted in a more formal approach for upstream transmission system capacity constraints.

Maintenance Plans

E.L.K. undertakes maintenance and inspection practices on a regular basis to maintain customer reliability and power requirements in the system. This includes inspecting assets as part of service work orders and conducting a poles and transformers maintenance and inspection program on a 3-year cycle across its 6 service territories. Inspection, maintenance, and operational data are collected and stored which is used to support E.L.K.’s operating and capital expenditure plans.

Completion of the inspection and maintenance programs is not only a matter of compliance but the results from the inspection and maintenance programs allow for continuous updates of the asset database. The programs allow for assets to be inspected and assessed for any necessary actions that need to be taken promptly in a proactive approach. E.L.K.’s inspection and maintenance programs are audited every year as required by Ontario Regulation 22/04. Further discussion of E.L.K.’s inspection and maintenance programs is provided in Section 5.3.3.2.

5.3.1.4 Data

E.L.K. uses several datasets and inputs to assess the status of its distribution system assets and to assist in determining the capital and operational investments to be made in the system. This ranges from asset condition analysis, customer engagement, and inspection and maintenance results to what its AM objectives are and how they link to the OEB’s performance outcomes and any external factors. Some of the key elements are explained in further detail below.

Inspection & Maintenance

E.L.K. undertakes maintenance and inspection practices on a regular basis to ensure its distribution assets remain safe and reliably deliver power to customers. This includes inspecting assets as part of service work orders and conducting a pole and transformer maintenance and inspection program on a 3-year cycle. Inspection, maintenance, and operational data are collected and used to support E.L.K.’s operating and capital expenditure plans.

1 The data gathered through asset inspections directly informs E.L.K.'s capital planning processes and
2 is used across various capital programs to identify and target assets that require replacement or
3 renewal.

4 Since the last DSP filing, E.L.K. has made improvements to its inspection practices by completing
5 thorough asset inspections across multiple asset classes. Decisions related to asset replacement are
6 now informed by a combination of inspection data and asset age, rather than age-based criteria alone.
7 In the previous DSP period, E.L.K. had identified the integration of inspection data into the GIS system
8 as a priority; however, this was delayed due to the later-than-planned commissioning of the GIS
9 platform.

10 To address these gaps, E.L.K. has developed and implemented a formal Inspection and Maintenance
11 Plan that establishes a structured approach to inspecting the entire distribution system on a recurring
12 three-year cycle. E.L.K. plans to continue completing inspections and populating the GIS system with
13 inspection and condition data to improve data completeness, support informed decision-making, and
14 strengthen asset management, capital prioritization, and long-term system planning outcomes.

15 Asset Condition Assessment

16 An ACA was undertaken in 2025 to assess the condition of the system and to have empirical data on
17 which to base the revised project prioritization. The ACA report involves the interpretation of condition
18 and performance data of key assets to assess the overall condition of the asset. This includes
19 identification of assets that are in Very Poor and Poor condition, which are more closely inspected to
20 determine the level of current risk to E.L.K.

21 These reports are key supporting tools for developing an optimized lifecycle plan for asset
22 sustainability. The results from these reports were incorporated into a formalized capital plan and have
23 resulted in the project prioritization within the service area for the forecast period.

24 E.L.K. intends to continue using the information from its ongoing proactive inspection and maintenance
25 programs to develop its capital replacement, refurbishment and maintenance plans. For example, the
26 inspection program for poles identifies the remaining strength of the poles and priority is given to those
27 poles with the lowest remaining strength, while staff judgment and knowledge may be applied to
28 prioritize poles in poor condition based on the consequence of failure. Under E.L.K.'s asset
29 management process, decisions to repair, refurbish or replace existing assets will continue to be based
30 on all data available and asset condition, supplemented with experienced judgment and knowledge of
31 staff.

1 System Performance Analysis

2 E.L.K. places a high level of importance on ensuring distribution system reliability meets the
3 expectations of its customers. E.L.K. strives to continually improve its processes for collecting,
4 measuring, analyzing, and utilizing outage information within its asset management process to
5 effectively manage distribution system reliability in its service territories.

6 The objective of E.L.K.'s reliability analysis is to identify and manage the primary outage causes that
7 affect overall system performance and customer service quality. Reliability data is reviewed at the
8 feeder and system level to evaluate outage risk and to support the prioritization of assets for inclusion
9 in annual O&M programs and the capital investment plan. This analysis forms a key input to E.L.K.'s
10 asset management process and helps ensure resources are directed toward areas with the greatest
11 reliability need.

12 Outage causes are tracked and analyzed by outage cause codes. This allows E.L.K. to identify trends
13 in causes of outages and allows for this information to feed into its prioritization and evaluation process
14 when developing its capital investment plans and targeted O&M programs. The analysis is ultimately
15 used to inform E.L.K.'s asset management process in developing the O&M programs and capital
16 expenditure plan for each year.

17 In response to direction from the previous rate rebasing application, E.L.K. enhanced its approach to
18 capturing and understanding momentary outages and power flicker events. E.L.K. developed a
19 customer power flicker reporting form that is available on its website and promoted through social
20 media and customer service interactions. Information collected through this form provides additional
21 insight into momentary interruptions experienced by customers and supports follow-up investigations
22 where patterns or recurring concerns are identified.

23 E.L.K. has strengthened outage cause analysis by tracking outages at a sub-code level. As committed
24 in the previous rate application, sub-code tracking was initially implemented for defective equipment
25 and tree contact outages. Beginning in 2024, this practice was expanded in alignment with OEB
26 requirements for all LDCs to capture sub-codes across all outage cause categories. Enhanced
27 sub-code tracking enables more detailed identification of outage drivers and supports targeted
28 maintenance, vegetation management, system renewal, and reliability-focused capital investments.

29 As an example, during the historical period, tree contact had consistently been one of the leading
30 causes of interruptions within E.L.K.'s service territory. In response to this identified trend, E.L.K. has
31 increased its focus on vegetation management activities in recent years, including enhanced tree
32 trimming around primary and secondary circuits. These targeted efforts are intended to reduce outage

frequency associated with tree contact and address one of the most significant reliability drivers impacting customers.

Customer Engagement Activities

Customer requirements are reflected in the setting of performance targets, such as response times for outages and notification times for planned outages. Customer expectations are gathered via surveys and routine customer contact. E.L.K. is aware of what customers prefer through their engagement in a comprehensive customer survey.

Load Forecast

Load forecasting and capital growth planning are key supporting tools for developing an optimized plan for meeting the expected system requirements and demand.

Given the current and forecasted load growth over the five-year planning horizon E.L.K. expects that its electrical infrastructure will continue to be able to accommodate this load growth. However, there is always the possibility of large developments, which may trigger upgrades to existing equipment or expansions to the distribution system. Further details on E.L.K.'s load forecast and relevant factors considered are contained in Exhibit 3.

External Factors

Other external drivers may also influence E.L.K.'s decision-making in determining the optimal plans for its system. External drivers include:

- **Government / Regulatory / Legal:** these priorities and areas of focus are important considerations for E.L.K.'s planning, as changing requirements may mandate E.L.K. to focus attention in prescribed areas and address new requirements.
- **Economic:** economic growth and decline within E.L.K.'s service area.
- **Technological:** innovation and development within the electrical/utility sector which includes automation, technology awareness, electric vehicle penetration, battery storage and new services.
- **Environmental:** ecological and environmental aspects that can affect E.L.K.'s operations or demand which includes renewable resources, weather or climate changes.

E.L.K. continues to remain cognizant of these external drivers when developing its capital and maintenance plans.

5.3.2 OVERVIEW OF ASSETS MANAGED

This section presents a description of E.L.K.'s service area, a summary of the system configuration, the results of the ACA, and system utilization relative to planning criteria.

5.3.2.1 Description of Service Area

5.3.2.1.1 Overview of Service Area

E.L.K. is a local distribution company serving more than 12,700 customers in the Towns of Essex, Lakeshore and Kingsville within which there are six (6) non-contiguous communities. These communities are supplied by three (3) HONI-owned transformer stations and one (1) HONI-owned distribution station. The service territory is shown in below:



Figure 5.3-2: E.L.K.'s Service Area

E.L.K. assets include poles, overhead conductors, line transformers, switches, conduits, underground cables, IT systems, transportation equipment and office / operations building. E.L.K. has experienced some measured growth in the number of customers in its service areas, with this trend expected to continue for the forecast period.

5.3.2.1.2 Customers Served

Table 5.3-2 below depicts the number of customers that E.L.K. serves. The table illustrates a moderate increasing trend in E.L.K.'s total customer base over the historical period, primarily in the residential rate classification. E.L.K. has seen a 1.5% increase in its customer base from 2021-2025, or a compound annual growth rate of approximately 0.3%.

Table 5.3-2: Changing Trends in Customer Base

Year	Residential	General Service <50 kW	General Service ≥50kW	Total
2021	11,096	1,236	101	12,433
2022	11,136	1,199	98	12,433
2023	11,214	1,174	92	12,480
2024	11,299	1,170	90	12,559
2025	11,355	1,179	89	12,623

5.3.2.1.3 System Demand & Efficiency

Table 5.3-3 shows the annual seasonal and average peak demand⁹ in kW for E.L.K.'s distribution system. E.L.K. experiences their system peak during the summer months. While peak demand has fluctuated over the historical period, summer peak demand has generally remained within the range of approximately 58 MW to 73 MW, and average annual peak demand has remained relatively stable.

Table 5.3-3: Peak System Demand Statistics

Year	Winter Peak (kW)	Summer Peak (kW)	Average Peak (kW)
2021	46,485	72,969	49,137
2022	53,628	64,385	50,758
2023	40,933	57,724	44,339
2024	46,993	60,500	45,320
2025	42,611	58,704	44,988

Table 5.3-4 indicates the kilowatt-hour purchased by E.L.K. and delivered. Historical losses as a percentage of purchased energy are an average of 5.74% over the historical period. 2024 and 2025

⁹ Average peak demand is calculated by dividing the totalized distributor's actual maximum monthly peak loads during the reporting period by 12.

show an increase in losses, as total kWh purchased increased over time while kWh delivered remained flat.

Table 5.3-4: 2021-2025 System Losses

Year	Total kWh Purchased	Total kWh Delivered (excluding losses)	Losses as % of Purchased
2021	249,877,498	240,121,100	4.1%
2022	245,378,475	235,189,564	4.3%
2023	240,736,249	231,920,758	3.8%
2024	255,428,233	237,199,174	7.7%
2025	256,032,976	235,245,674	8.8%

E.L.K. undertook extensive efforts to investigate and reconcile the differences observed in the OEB Retail Settlement Variance Accounts (RSVA) 1588 (Commodity), Account 1589 (Global Adjustment), and Account 1550 (Low Voltage) balances in recent years. E.L.K. engaged KPMG to conduct an independent third-party audit, received operational and analytical support from Entegrus Inc. under a Management Services Agreement (approximately 2,000 hours), and worked closely with Hydro One and the IESO over several weeks to review data and system interactions. In addition, E.L.K. retained legal counsel and expert consultants, while internal staff dedicated significant effort to analyzing and compiling system data. Despite these comprehensive efforts in reconciling prior RSVA balances, E.L.K. has not been able to isolate a definitive root cause for the fluctuations in system losses observed in 2024 and 2025.

As shown in the table above, system losses remained relatively stable in the range of 3.8% to 4.3% from 2021 to 2023, which aligns with the reasonable expectations. However, losses increased to 7.7% in 2024 and further to 8.8% in 2025, indicating a material deviation from prior trends. E.L.K.'s next step is to commission a thorough engineering system loss study to help identify the reason for increased system losses and the potential solutions that can be implemented to reduce them.

5.3.2.1.4 Summary of System Configuration

As outlined above, within the towns E.L.K. serves, there are six non-contiguous service areas. E.L.K. owns, maintains, and operates approximately 89 km of overhead primary distribution feeders and 85 km of underground primary distribution circuits including seven 27.6 kV feeders and one 8.32kV feeders. These communities are supplied by three (3) HONI owned transformer stations and one (1) HONI owned distribution station. Between 2021 - 2025, E.L.K. delivered approximately 236,000,000 kWh of energy per year on average. Responsibility for maintaining circuits lies with the respective owners of the equipment.

- 1 The basic configuration is shown in
- 2 *Figure 5.3-3 below.*

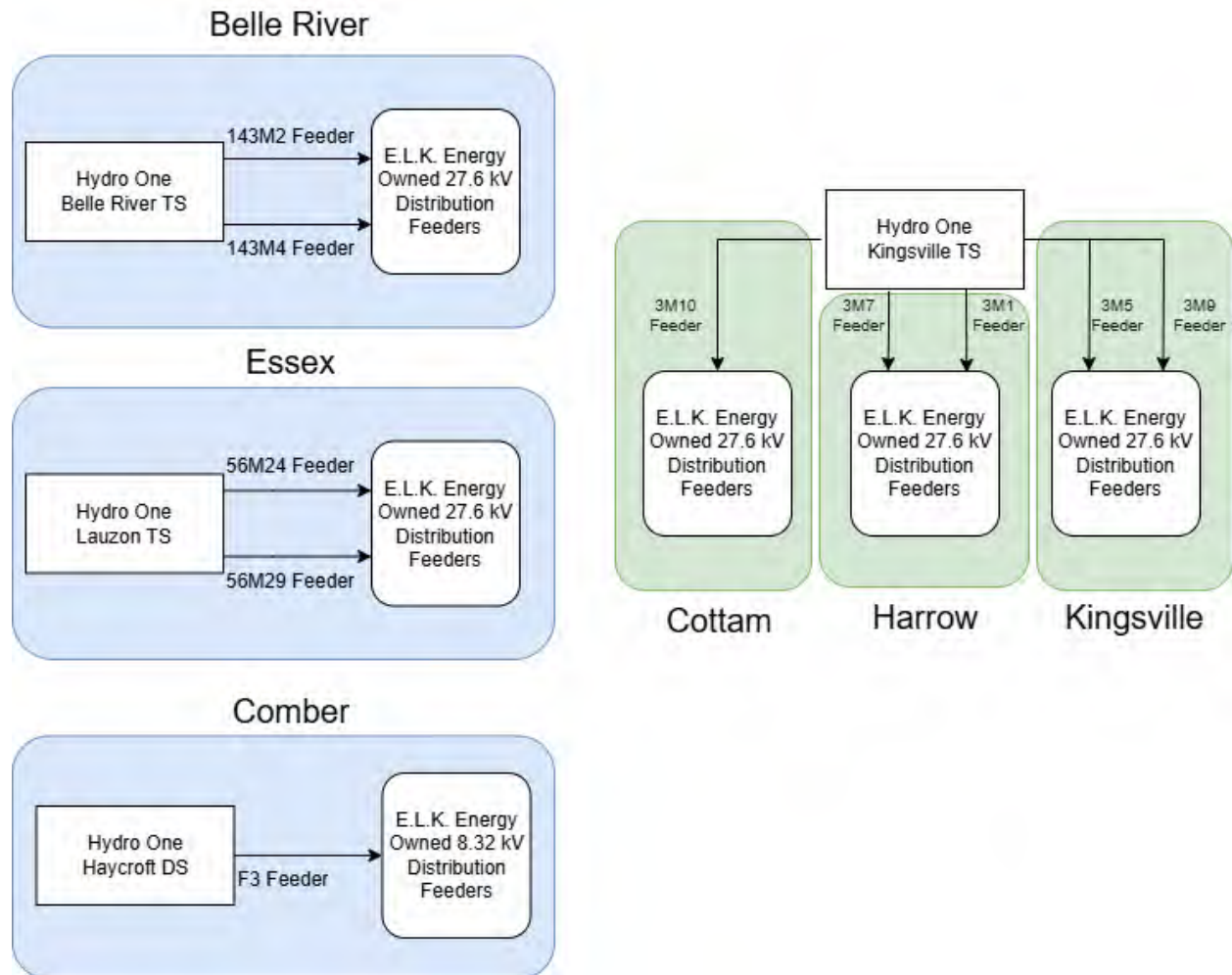


Figure 5.3-3: E.L.K.'s System Configuration

Table 5.3-5 below shows the HONI Stations that supply E.L.K.'s feeders, the voltage, capacity and the peak load.

Table 5.3-5: HONI Stations

Station	Feeder	Town	Voltage (kV)	Peak Load (kW)	Generation Capacity (kW)
Belle River TS	M4	Belle River	27.6	8624	8376
Belle River TS	M2	Belle River	27.6	N/A ¹⁰	6893
Haycroft DS	F3	Comber	8.13	1779	1101
Kingsville TS	M1	Harrow	27.6	15354	1646
Kingsville TS	M5	Kingsville	27.6	16768	232
Kingsville TS	M9	Kingsville	27.6	N/A ¹⁰	10996
Kingsville TS	M7	Harrow	27.6	10201	6799
Kingsville TS	M10	Cottam	27.6	8902	8098
Lauzon TS	M24	Essex	27.6	16541	459
Lauzon TS	M29	Essex	27.6	13401	3599

5.3.2.1.5 Climate

The Windsor-Essex Region has one of the warmest and most temperate climates in Canada, classified as humid continental but bordering on humid subtropical due to its southern location and proximity to the Great Lakes. It experiences four distinct seasons, with notably hot and humid summers and relatively mild, shorter winters compared to most of Ontario.

Summer temperatures typically range from the mid-20s to high 20s Celsius, often feeling hotter with humidity, while winter temperatures average just below freezing, with less persistent snow cover and fewer extreme cold events than regions further north. Precipitation is moderate and evenly distributed throughout the year, though the area frequently experiences summer thunderstorms, some of which can be severe, and there has been an increasing trend toward intense rainfall, localized flooding, tornadoes, and freezing rain.¹¹

Snowfall is comparatively low, and when it does occur, it often does not remain on the ground for long due to fluctuating temperatures.¹²

The primary climate-related risks identified for the Windsor–Essex region include increasingly intense summer storms and tornadoes with high winds and flooding, prolonged periods of extreme heat, and

¹⁰ Peak data is not available as the new feeders were commissioned in December 2025.

¹¹ <https://en.climate-data.org/north-america/canada/ontario/windsor-3064/>

¹² <https://www.citywindsor.ca/business/physician-recruitment/live/climate>

freezing rain events. Severe summer storms and tornadoes can result in widespread wind damage, downed conductors, pole failures, and debris-related faults, leading to increased outage frequency and extended restoration times.

Extreme heat events place additional stress on the electricity distribution system by increasing customer demand for cooling. Freezing rain events present a significant risk to overhead infrastructure, as ice accumulation on conductors and structures can lead to excessive loading, conductor galloping, and pole or cross-arm failures, often resulting in large-scale outages.

5.3.2.1.6 Economic Growth

The Conference Board of Canada had previously projected Windsor's economy to grow at an average annual compound rate of 2.9% from 2024 to 2027¹³ — giving it the strongest growth outlook among Canada's 24 largest cities. This optimism was driven largely by a wave of megaprojects landing in the region simultaneously. It should be noted however that while these figures are indicative of general growth in the Windsor-Essex region, it is not directly tied to growth in the E.L.K. service territory. E.L.K.'s service territory is primarily Residential with modest small to medium sized commercial / industrial customers, with many major developments occurring outside its service territory boundaries.

Key drivers of Windsor / Essex region growth:

NextStar Energy EV Battery Plant: The project targets 2,500 direct jobs at the facility, with a projected 1,960 spin-off jobs across multiple sectors — totalling about 5,110 new jobs in the region.¹⁴

Gordie Howe International Bridge: The bridge is expected to improve cross-border bottlenecks and benefit trade, as over \$300 million worth of goods cross the Ambassador Bridge each day.

Hospital & infrastructure: Construction of the \$2 billion Windsor-Essex acute care hospital is expected to start in 2026, helping fill the economic gap as other mega-projects wind down. The City of Windsor's 2026 budget also includes significant infrastructure investment around the NextStar plant, the future hospital site, and the Sandwich South development lands.

Invest Windsor Essex supported close to \$400 million in local investments for 2025, including a \$297 million pledge by The Minth Group, which is expanding a site adjacent to Windsor Airport and creating 1,099 jobs.

⁹ <https://www.investwindsoresssex.com/windsor-area-to-see-quite-robust-2025-growth-conference-board-of-canada/>

¹⁰ <https://news.ontario.ca/en/release/1007118/ontario-celebrates-grand-opening-of-nextstar-energys-battery-facility-in-windsor>

With the Canada-United States-Mexico Agreement (CUSMA) up for review in 2026, the trade relationship represents an area of uncertainty heading into the current 5-year planning period. A mutually favourable trade outcome between Canada and the U.S. could support stronger-than-expected economic growth in the auto-heavy Windsor-Essex region.

5.3.2.2 Asset Information

Table 5.3-6: E.L.K. Asset Breakdown by Asset Class

Asset Category	Population
Wood Pole	2,257
Concrete Pole	54
Steel Pole	144
Underground Primary Cables (km)	85
Pole-mount Transformer	877
Pad-mount Transformer (1 ph)	772
Pad-mount Transformer (3 ph)	93
Pad Mounted Switchgear	38
Overhead Switch	113
Overhead Conductor (km)	89

5.3.2.2.1 Asset Capacity & Utilization

Apart from the sustainment of existing assets in the distribution system, E.L.K. has also considered the need to make potential demand-based investments. Demand-based investments are those that are required to supply the needs of new customers, or to enhance reliability in an area where system capacity is constrained. E.L.K. has reviewed System Capacity and has also considered population growth, the economy and effectiveness of conservation programs.

Within E.L.K.'s distribution system there are no current or foreseen capacity constraints. E.L.K. does not own any substations and is supplied directly by HONI, with station capacity managed by HONI. As E.L.K.'s service area is comprised of 6 non-contiguous service areas completely embedded in HONI, feeder capacity is managed by HONI. E.L.K. can connect up to 500 kW of new or incremental load without notifying HONI. For loads greater than 500 kW E.L.K. must submit a New Customer Connection Information package to HONI requesting the capacity be allocated.

In order to determine how growth might affect the distribution system, a number of areas were analyzed. These include population forecasts, the number of new connections, the type of connections, and historical demand. Current modest population growth will not significantly affect the distribution assets within the planning horizon of 5 years.

5.3.2.2.2 Asset Condition

A summary of the Health Index evaluation results is shown in Figure 5.3-4. For each asset category, the population, sample size (number of assets with age or condition data available), average age, age availability and average Data Availability Index (DAI) are given. The average Health Index and distribution are also shown.

Asset Category		Population	Sample Size	Average Health Index	Health Index Distribution (Sample Size)					Average Age	Average DAI	Age Availability
					Very Poor (< 25%)	Poor (25 - <50%)	Fair (50 - <70%)	Good (70 - <85%)	Very Good (>= 85%)			
Pole Mounted Transformers		877	647	79%	16	38	93	185	315	37	Age Only	74%
Pad Mounted Transformers	1 Ph	772	756	74%	43	150	93	73	397	28	82%	98%
	3 Ph	93	90	93%	0	1	5	7	77	19	75%	97%
Overhead Switches		113	11	95%	0	0	0	2	9	34	Age Only	10%
Pad Mounted Switchgear		38	4	81%	1	0	0	0	3	14	Age Only	11%
Underground Cables (km)		134.6	123.3	99%	0.0	0.8	0.7	0.2	121.7	22	Age Only	92%
Poles	Wood	2257	1609	79%	81	205	254	114	955	44	49%	71%
	Concrete	54	3	76%	0	0	1	0	2	34	4%	6%
	Steel	144	140	80%	1	0	26	68	45	19	44%	97%



Figure 5.3-4: Health Index Evaluation

A summary of the Health Index distribution for all asset categories is also graphically shown in Figure 5.3-5. Note that the Health Index distribution percentages are extrapolated from the asset group's sample size.

Of the 9 sub-categories of assets, 4 of them (Pad Mounted Switchgear 3-ph, Overhead Switches, Underground Cables, Poles-Steel) had over 80% of their units classified as "good" or "very good", with all 4 of those sub-categories having an average Health Index score of 80% or higher.

For Overhead Switches, the sample size is only 10% of the entire asset population, therefore the Health Index results were extrapolated based on the sample size and should be taken for reference only.

A similar approach was applied to the Pad Mounted Switchgear and Poles-Concrete categories, which had a sample size of 11% and 4%, respectively. It can be seen from the results that among all of the asset categories, percentage-wise, Pad Mounted Transformers (1-ph) was a category of concern.

Over one fourth of the units in this asset sub-category were classified as "poor" or "very poor", with an average Health Index score of 74%.

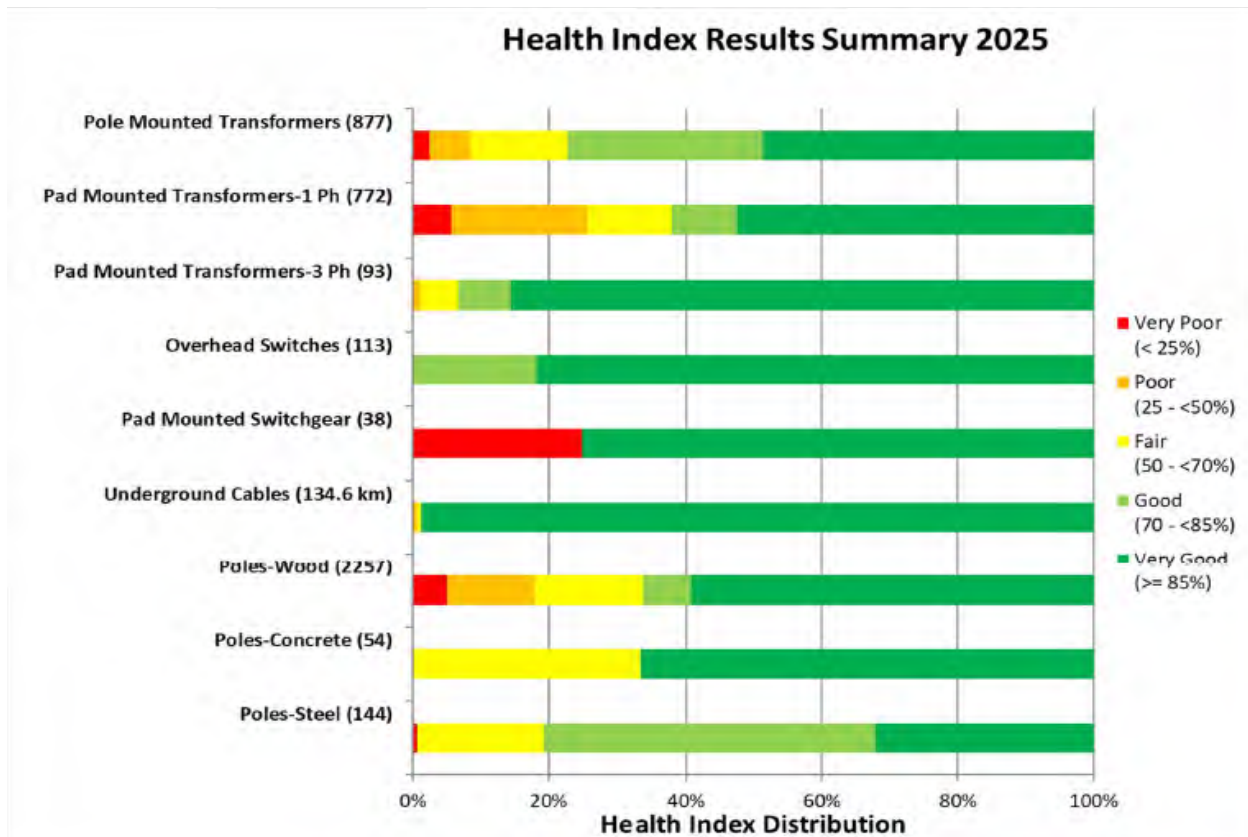


Figure 5.3-5: E.L.K. Asset Health Index Distribution

The most recent ACA report is attached to this submission as Appendix B.

5.3.2.2.3 Asset Risks

In terms of flagged-for-action¹⁵ plans, Pad Mounted Transformers (1-ph) and Poles (Wood) had high number of units to be addressed immediately, each corresponding to over 3% of their respective population.

For 10-year long term flagged-for-action plans, Pole Mounted Transformers, Pad Mounted Transformers (1-ph), and Poles (Wood, Steel) had over 30% of the population to be addressed.

¹⁵ Flagged-for-action: Number of units that are expected to require attention

Asset Category		1st Year Action		10 Year Action in Total		Replacement Strategy
		Quantity	Percentage	Quantity	Percentage	
Pole Mounted Transformers		25	2.9%	273	31.1%	Reactive
Pad Mounted Transformers	1 Ph	26	3.4%	233	30.2%	Proactive/Reactive
	3 Ph	0	0.0%	6	6.5%	Proactive/Reactive
Overhead Switches		1	0.9%	21	18.6%	Reactive
Pad Mounted Switchgear		1	2.6%	5	13.2%	Reactive
Underground Cables (km) (km)		0.2	0.1%	8.3	6.2%	Reactive
Poles	Wood	75	3.3%	690	30.6%	Proactive/Reactive
	Concrete	0	0.0%	2	3.7%	Proactive/Reactive
	Steel	4	2.8%	48	33.3%	Proactive/Reactive



Figure 5.3-6: Asset-Specific Replacement Strategy

5.3.2.2.4 Fleet Assets

E.L.K. maintains a fleet of specialized vehicles that support the operation, maintenance, inspection, and restoration of its distribution system. The current fleet consists of 12 vehicles, including light-duty pickups, SUVs, bucket trucks, a digger truck, a dump truck, and an underground service truck. These vehicles are used daily by operations, metering, and engineering staff to perform customer connections, inspections, maintenance activities, outage restoration, and capital construction work. Table 5.3-7 below shows the current fleet vehicle inventory at E.L.K.

Table 5.3-7: E.L.K. Fleet Asset Inventory

Fleet ID	Description	Year
10121	Pickup	2021
10216	Pickup	2016
10519	Explorer	2019
20121	Freightliner Posi Plus Double bucket	2021
20224	Freightliner Single Bucket 42'	2023
20324	Freightliner Single Bucket 46'	2023
30320	RBD Digger Truck	2020
40121	Dump Truck	2021
10322	Escape	2022
10623	Pickup	2023
10723	Pickup	2023
40615	Underground Truck	2015

5.3.3 ASSET LIFECYCLE OPTIMIZATION POLICIES AND PRACTICES

This section presents E.L.K.'s asset lifecycle optimization and risk management procedures and practices. E.L.K. owns and operates assets within its six service areas and is responsible for the management of all its distribution and station assets. E.L.K. maintains the efficiency and reliability of its system through active inspection, maintenance, and AM processes. The objective of E.L.K.'s asset

lifecycle optimization policy is to provide the optimal level of service to customers by ensuring the electrical system operates as designed, constructed, and maintained to ensure its reliability, safety, and affordability. The specific description of procedures and practices in the following sub-sections describe the policies and practices E.L.K. employs to those asset lifecycle objectives.

The asset lifecycle practices and procedures employed by E.L.K. are asset-specific and range from visual inspections to more in-depth examinations, such as testing and analysis. The information gathered from these practices is used to determine a course of action with respect to the asset and primarily informs the System Renewal portion of E.L.K.'s capital plan.

5.3.3.1 Asset Replacement and Refurbishment Policy

5.3.3.1.1 Asset Replacement Practices

E.L.K.'s asset replacement practices include a combination of proactive and reactive asset replacement. Several factors inform the decision to replace an asset, including asset condition, risk of failure, impact of failure (safety, reliability, environmental), number of customers or load impacted, asset performance, obsolescence, and industry standards.

Proactive replacement is utilized where assets have deteriorated to the point where the risk of failure is high, and the impact of that failure poses a significant safety, reliability or other risk to E.L.K., its customers, or the public. Reactive replacement is utilized where assets can fail safely posing little to no impact to E.L.K.'s asset management objectives.

E.L.K.'s Asset Management Process has informed longer-term planning and predictable investment levels that aim to optimize operational and financial risks. E.L.K.'s approach is holistic in nature and takes into consideration the combined implications of managing all types of physical, financial, and human assets.

In identifying policies and practices for lifecycle optimization, along with E.L.K.'s Asset Management Process highlighted in Section 5.3.1.3, E.L.K. considers the following overarching factors that relate to the expectations E.L.K. has for system performance:

- Electricity growth rates will continue to be met by the electrical infrastructure that is currently owned and operated by E.L.K., along with proposed enhancements through the System Renewal programs identified in this DSP.
- Recognition that the economies of the Towns of Essex, Kingsville and Lakeshore depend on a secure and reliable supply of electricity.
- Present service levels will continue to be maintained or improved and a balance will be maintained between customer needs, price-quality trade-offs, and industry best practice(s).

However, there is a certain degree of uncertainty associated with large developments or economic drivers that could trigger unplanned adjustments in the replacement of E.L.K.'s assets.

- E.L.K.'s asset management systems will continue to evolve in order to process performance information to meet demand, capacity, security, and reliability levels in a timely manner.
- Compliance with relevant regulatory requirements, as they pertain to electricity rates, filing requirements, health & safety, and environmental protection, will be maintained.
- Asset management planning involves forecasts based on information collected from many sources. Distribution system development for the next five (5) years has been projected, and information will become more accurate as work progresses through the five-year plan, allowing E.L.K. to adapt and adjust its plans accordingly

Equipment that has been identified as defective, including, due to repeated failures, or equipment that is recalled by its manufacturer and that is installed in the system, are systematically replaced through a planned replacement program. This process involves location identification, GIS tracking and monitoring.

E.L.K.'s asset replacement strategies for its different asset classes are summarized in Table 5.3-8: below.

Table 5.3-8: Summary of E.L.K.'s Asset Replacement Practices

Asset Class	Primary Replacement Strategy	Description
Poles	Proactive	E.L.K. identifies poles for replacement based on poor or very poor condition and replaces them proactively due to the potential reliability and safety impact if failure occurs. Pole replacements are completed depending on their level of degradation. More degraded poles are replaced immediately while poles with varying degrees of degradation and remaining strength are inspected based on their condition.
Pad Mounted Transformer	Proactive	Pad Mounted transformers are flagged for replacement when they indicate signs of failure such as oil leakage or shell rust-through. Other rationale for transformer replacement is consistent exceedance of transformer capacity and reaching typical end-of-life (age). Older transformers mounted on pads rather than foundations will typically be replaced proactively due to the length of time to undertake civil work to accommodate new transformer configurations and for customers to replace their secondary connections in a new configuration.

Asset Class	Primary Replacement Strategy	Description
Underground Primary Cable	Reactive/Proactive	Underground primary cable is currently being replaced reactively, with a proactive replacement program beginning in 2030 based on the expected end of life of these assets. E.L.K. prioritizes replacement in areas with segments that are known anecdotally by staff to have experienced multiple cable faults, as these segments will create damage in adjacent segments if they fault again.
Pole Mounted Transformer	Reactive/Proactive	Pole Mounted transformers have historically been replaced reactively, with a new proactive replacement program initiated in 2026. Pole Mounted transformers will be prioritized for replacement when they begin to demonstrate early signs of internal failure based on E.L.K.'s engineering assessment of condition (i.e., loading history, service age, visual inspections, rust damage).
Pad Mounted Switchgear	Reactive	Pad mounted switchgears are replaced reactively. Switchgears are examined, lubricated, exercised, and failing components are replaced each year to extend their functional life. Impending component failures are prevented through component replacement whenever possible, and when necessary, the entire switch is replaced. Pad Mounted switchgears have traditionally been subject to arcing when conditions such as high humidity, dust, dirt and corrosion are present within the switch enclosure. This arcing can result in significant destruction of components within the switch enclosure and in such cases the entire switch is often replaced.
Overhead Switch	Reactive	Overhead switches are either reactively replaced when they fail or replaced in conjunction with other distribution system upgrades. Overhead switches (and other system components) are often replaced when other work is occurring on the line that the switch is in. For example, if the pole line is being replaced, and the switch is near end of life, it will likely be replaced along with the line work rather than place a component back in service that likely has a limited length of useful service.

5.3.3.1.2 Asset Refurbishment Practices

E.L.K. assesses the opportunity to refurbish assets, rather than replace them, to manage capital expenditures while extending the service lives of assets. This assessment is completed on a case-by-case basis for an asset identified as a replacement candidate. E.L.K. evaluates the option to refurbish an asset based on the following factors:

- Cost of refurbishment vs. replacement
- Remaining useful life
- Extended useful life from refurbishment

- Whether the asset may need to otherwise be replaced due to system access or relocation work
- Obsolescence and replacements/parts availability
- Compliance with applicable standards
- Public safety

Wood poles are a common asset category where refurbishment vs. replacement decisions are considered, which is further discussed in the section below.

To optimize equipment value and minimize replacement costs, E.L.K. considers reusing equipment from the field when it is safe to reuse. To ensure that equipment is safe for reuse, E.L.K. complies with Ontario Regulation 22/04 (Reg. 22/04), Section 6(1)(b) – Approval of Electrical Equipment. All equipment that has been proposed for reuse must meet certain condition and safety criteria for use by a qualified person within E.L.K.

If it is determined that the equipment cannot be reused, E.L.K. will conduct a repair estimate assessment which identifies the cost of refurbishing the equipment and an estimate of expected remaining useful life. If the cost of repair plus Net Book Value is less than the replacement cost, then the asset is repaired. If the repair costs are greater than the replacement costs the asset is replaced and disposed of appropriately. Where appropriate, removed and repaired assets, that are still in good working order, are kept as spares.

Pole Restoration Program

E.L.K. has implemented a proactive pole restoration program to extend the service life of its existing wood pole assets through targeted treatment and structural reinforcement. Poles in the worst condition are flagged for replacement while poles with modest remaining strength may be flagged for refurbishment.

Refurbishment is intended to provide a modest economic life extension to the pole. The program focuses on mitigating deterioration by applying preservative treatments and installing trusses (bracing) or a structural wrap to restore structural integrity. E.L.K. has increased the delivery of proactive capital projects across its service territory, aligning with a shared commitment to reliability and customer service. Pole trussing has been identified as a cost-effective solution, capable of extending pole life while helping restore original strength. Within the DSP period, E.L.K plans to restore 175 poles.

5.3.3.1.3 Fleet Replacement Practices

E.L.K. manages its fleet using a lifecycle-based replacement strategy that considers vehicle age, mileage, maintenance history, reliability, safety, and operational requirements. Replacement decisions are guided by the Typical Useful Life values established through the Kinectrics depreciation study, along with vehicle condition assessments, odometer readings, repair costs, and technology advancements. As vehicles age and maintenance requirements increase, E.L.K. evaluates whether continued operation remains cost-effective or whether replacement is required to maintain reliable field operations and support customer service activities.

The fleet supports a wide range of utility activities, including outage response, metering, inspections, maintenance, construction, and restoration work. E.L.K.'s fleet renewal practice focuses on replacing vehicles before escalating maintenance costs, reliability issues, and safety risks that can impact operations. Alternatives such as extending vehicle life or leasing replacement vehicles are evaluated; however, E.L.K. generally selects like-for-like replacement where it provides the most cost-effective balance of reliability, safety, and long-term cost management.

E.L.K. plans to replace two fleet vehicles during the 2027-2031 forecast period that have reached the end of their useful lives and experiencing increasing maintenance and declining reliability. Both vehicles are over 10 years old with current mileage of over 330,000 km, while the useful life of a light /medium duty vehicle as per the Kinectrics report is approximately 5-10 years.

5.3.3.2 Description of Maintenance and Inspection Practices

Table 5.3-9: Frequency of Maintenance and Inspection Activities

E.L.K. Maintenance/Inspection Activities	Frequency	Asset Type
Asset Inspection – Non-pole Equipment	1/3 rd of system annually	Pad and pole mounted transformers, switches, and switchgear
Infrared Scans	Every two years	Transformer bushings, switch connections, cutouts
Pole Testing	1/3 rd of system annually	Wood poles
Vegetation Management	1/3 rd of system annually	Overhead primary and secondary cables
Condition-based Maintenance	Ad hoc	All assets

This section outlines the current maintenance practices undertaken by E.L.K. to maintain customer reliability and power requirements in the system. Some E.L.K. assets require frequent maintenance, some require infrequent maintenance, and some are nearly maintenance free. For most E.L.K. assets, maintenance programs are established for consistency, and all maintenance work meets the requirements of O. Reg. 22/04 is completed by qualified E.L.K. staff.

Preventive maintenance is scheduled, cyclical maintenance performed regardless of asset condition to reduce failure probability. It is time-based or interval-based and assumes that routine care extends asset life and prevents outages. Examples of preventive maintenance are pole, transformer and switch inspections and tree trimming.

Predictive maintenance is condition-based maintenance triggered by measured asset health indicators. It uses diagnostics, sensors, and analytics to predict failures before they occur. This would include infrared thermal scans to detect hot spots signalling an impending failure.

Reactive maintenance is corrective work performed after an asset has failed or is already causing an outage or hazard. Examples include a pole replacement after a storm, cable fault or transformer failure.

Further details on E.L.K.'s inspection and maintenance activities are provided below.

5.3.3.2.1 Inspections

With the implementation of the Inspection and Maintenance plan, visual and detailed inspections are conducted to actively assess the condition of E.L.K.'s assets at scheduled and ad hoc intervals. The inspection for assets is currently completed annually for 1/3rd of the system as per the DSC requirements. Inspection of assets results in the creation of databases or workorders and population of an inventory of notifications created during the visual inspections which is forwarded to E.L.K. supervisor for assessment and/or immediate corrective action.

In addition, E.L.K. engages a third-party vendor to complete systematic inspections of wood poles across its service territory. The pole inspection reports include recommendations to either replace poles that have reached end of life or restore poles that exhibit early signs of deterioration. Pole inspections are conducted on a structured three-year inspection cycle, consistent with regulatory and industry best practices.

E.L.K. has now completed one full inspection cycle, which included pole inspections across all service areas. The inspection results continue to support data-driven decisions related to pole replacement and restoration activities. Operating expenditures associated with ongoing pole inspections have been included in this DSP to ensure the continued execution of these programs over the forecast period.

Going forward, E.L.K. intends to further enhance its asset inspection approach, eventually striving for further consistency with ENWIN, which will allow for a consistency of inspection attributes and interpretation of results.

Thermographic Infrared Inspection

E.L.K. undertakes system-wide infrared (IR) thermography of overhead and underground distribution assets. The IR scans are conducted to actively identify hard to detect problems and risks within E.L.K.'s asset fleet and are completed across all service areas. IR thermography is a low-cost method to identify hard to detect problems and risks within the asset fleet. E.L.K. continues to schedule the IR thermography scans every two years.

Pole Inspection

E.L.K. operates and maintains 2,455 poles within the communities of Belle River, Comber, Cottam, Essex, Harrow, and Kingsville, with 2,257 (92%) being wood poles and the remaining being steel (6% of total) or concrete (2% of total).

An asset condition assessment was performed in 2025 by Kinectrics to determine the relative health of the asset class and propose specific replacement plans based on results. Condition parameters for poles include pole strength, pole physical condition, accessory condition and service record. Sub-Condition parameters include pole strength, signs of pocket, rot, woodpeckers or other damage, and condition of crossarm and guy wire.

The average age of the poles was 44, 34 and 19 years, for wood, concrete and steel poles respectively. Within the DSP period, 225 wood poles will be proactively replaced, and 175 poles will be restored.

5.3.3.2.2 Preventative Maintenance Activities

Line Clearing and Tree Trimming

E.L.K. has given more attention towards its vegetation management program/tree trimming and has now caught up on its vegetation management program, with all areas of the distribution system having been trimmed within the past three years. Vegetation management activities are undertaken by E.L.K. to extend the trouble-free operation of distribution assets and ensure continued system reliability. These activities are undertaken annually, with each service territory receiving comprehensive vegetation management on a three-year cycle. This approach has proved an appropriate balance in carrying out the necessary work to maintain vegetation while balancing cost and resourcing availability.

If customer requests are received to trim or remove trees in between recurring cycles, E.L.K. will review requests and respond as necessary.

5.3.3.2.3 Condition Based Maintenance

E.L.K. distribution assets that are identified as requiring attention by the inspection or IR programs will have a service order issued, reviewed and completed. This work is undertaken when assets are

1 identified as being out of specification, malfunctioning, or not meeting the requirements of the DSC.
2 The need for these maintenance activities is identified through predictive maintenance activities,
3 including inspections and IR scanning. Service orders are prioritized based on safety and risk when
4 scheduling repair, refurbishment, or replacement. All repairs are tracked and are completed by
5 qualified E.L.K. personnel.

6 *5.3.3.2.4 Lifecycle Optimization through Maintenance Planning*

7 E.L.K. manages assets with the intent of providing a safe, efficient, reliable, and cost-effective
8 electricity distribution system.

9 E.L.K.'s Asset Management Process described above helps determine what levels of investment is
10 required for maintenance activities and supporting capital expenditures. E.L.K. intends to continue its
11 maintenance and inspection practices on a 3-year cycle that will result in two areas being inspected
12 and two areas receiving tree trimming each year. E.L.K. may also utilize third-party resources to
13 complete inspections and ensure that all assets are investigated in the timelines identified in E.L.K.'s
14 maintenance and inspection practices.

15 *5.3.3.2.5 Asset Lifecycle Risk Management Policies and Practices*

16 E.L.K.'s lifecycle risk management strategy is aimed at protecting the public from physical, electrical,
17 and environmental hazards, by maintaining a schedule of regular asset inspections and maintenance
18 activities. The objectives of E.L.K.'s maintenance activities are outlined in the Asset Management
19 Process. Specifically, E.L.K. prioritizes maintenance work that could have physical, electrical and
20 environmental safety implications for follow-up repairs or assessment. If assets are not urgently
21 required to be repaired, refurbished or replaced immediately, then the information is fed into E.L.K.'s
22 asset database and incorporated into capital plan for future scopes of work to be completed under the
23 approved investment plan.

24 Ontario Regulation 22/04 - Electrical Distribution Safety is a key regulation which requires E.L.K., and
25 all other LDCs, to maintain distribution standards, material standards, and construction verification
26 programs to safeguard the public from hazards associated with the distribution system. The Electrical
27 Safety Authority (ESA) is responsible for enforcing the regulation through a system of annual audits
28 and regular field inspections.

5.3.3.3 Renewal Spending

5.3.3.3.1 Forecasting

The projected needs for a particular period are supported by a multitude of factors, depending on the information available for each asset type. This could include a combination of asset inspection, individual asset performance, and condition information as well as level-of-service for customers.

The ACA study established the health and condition of distribution and substation assets in service. By considering all relevant information related to the assets' operating condition, the condition of all major infrastructure assets was assessed and expressed on a normalized index in the form of a health index (HI). The HI was related to the probability of failure values for each asset, using a weighted average approach, as described in detail in Appendix B. As part of the ACA, each asset was assigned a health indicator expressed as "very good," "good," "fair," "poor," and "very poor."

The resulting information from the ACA study was used as a key input to help forecast the system renewal needs of E.L.K.'s assets over the forecast period. Assets that were identified to be in poor or very poor condition are prioritized for replacement over the planning horizon. Of these assets, criticality is determined based on the location, number of customers impacted, operability, and in conjunction with system expansion and road relocation projects.

5.3.3.3.2 Prioritization and Optimization

E.L.K. uses its project prioritization process to standardize risk assessment across a range of projects, providing an objectives-based ranking of each project's contribution to E.L.K.'s asset management objectives. E.L.K. chooses from a standardized list of impact and probability outcomes for each of the asset management objectives listed in Figure 5.3-1 to determine a score for each project.

Each investment receives an overall score indicating its contribution to the achievement of E.L.K.'s asset management objectives, which E.L.K. uses to rank each project in order of need and value. E.L.K. currently utilizes an informal project ranking, prioritization and scoring process, which first distinguishes between non-discretionary and discretionary projects. Non-discretionary projects, such as System Access investments, are automatically prioritized and included in the capital plan; however, they are still scored for comparability across all programs.

For discretionary projects, E.L.K. evaluates and ranks initiatives based on their impact across key criteria, including customer impact, safety, service quality, reliability, and environmental considerations. Each of these criteria is weighted and projects are assigned a score based on its contribution to satisfying the criteria, ranging from 1 (very high) to 5 (none). The overall project score is then determined by averaging the combined scores across all criteria, as illustrated in Table 5.4-19.

1 The continued performance of assets is also managed through E.L.K.'s capital investments and
2 maintenance programs. E.L.K.'s inspection, maintenance, and testing practices support asset life
3 cycle risk management by rectifying deficiencies to extend the lives of the assets and identifying the
4 assets in the very worst condition for replacement. Information obtained through asset databases,
5 maintenance and inspection records, and interruption records is a critical input into prioritizing and
6 optimizing which projects will bring the best value.

7 While E.L.K. intends to continue to build upon and formalize its prioritization process moving forward¹⁶,
8 given the urgent and largely non-discretionary need of the projects identified in this DSP, E.L.K.
9 believes the present prioritization and optimization process has remained appropriate to evaluate the
10 present slate of projects.

11 *5.3.3.3.3 Strategies for Operating within Budget Envelopes*

12 The proposed System Renewal projects over the forecast period are comprised of investments in
13 poles, transformers, underground primary infrastructure, and voltage conversion. These projects were
14 identified to incrementally improve system reliability. These projects were paced for implementation
15 based on the funding available for asset renewal and by considering the resources required for project
16 implementation for the type of work predominantly involved. Using E.L.K.'s AM process, assets have
17 been prioritized for renewal or rehabilitation over the next five years.

18 However, since E.L.K.'s AM process is continually being updated with new information, E.L.K.
19 completes investment planning on an annual basis to help inform any necessary budget adjustments
20 for the following year. E.L.K. understands that circumstances may change, and if needed, budgets
21 can be re-prioritized depending on customer and system needs. For example, due to the mandatory
22 nature of System Access projects, these projects will take priority if there are competing demands with
23 System Renewal projects. Completing investment planning on an annual basis allows E.L.K. to use
24 the best available information to effectively plan for and manage the highest priority projects and
25 programs over the forecast period while remaining within the approved budget envelopes.

¹⁶ E.L.K. will likely leverage the more-formal risk-based project prioritization model employed by ENWIN in the future. That model ranks programs and projects in accordance with the best cost per risk reduction ranking. Programs and projects are evaluated in terms of likelihood and consequence (risk) for both do-nothing and mitigation options. A risk reduction score is assigned and the cost per unit risk reduction is determined for the portfolio of infrastructure programs and projects. The programs and projects are then ranked in accordance with their cost per unit risk reduction, where programs and projects are then prioritized using the ranking as an input to the prioritization decision.

5.3.3.4 *Risks of Proceeding / Not Proceeding*

Risk is factored into the selection and prioritization of capital expenditures during the prioritization process and is ultimately used to determine the prioritized list of capital projects and programs over the forecast period. It is at this stage of the process that E.L.K. qualitatively considers the risks associated with proceeding versus not proceeding with an individual capital expenditure and decides whether the capital expenditure is required during the forecast period or if it can be deferred.

Assets with high-priority scores are monitored closely and alternative plans are considered to maintain, refurbish, or replace the assets to reduce the identified risk. It is noteworthy that some assets carry an inherently higher risk than others. For example, primary meter equipment failures have a higher nominal risk of failure associated with them than pole mount transformers due to the number of customers connected and their location within the distribution system. Assets with low Health Index and higher consequence risk are given a priority for replacement, while assets with low Health Indexes (HI) but lower consequence risk are given a lower priority for replacement. The top projects in each category are identified in the prioritization process and scrutinized using further investigation and expert opinion to eliminate data inconsistencies and determine appropriate scopes of work.

5.3.3.4 Important Changes to Life Optimization Policies and Practices since Last DSP Filing

Since the last DSP filing, E.L.K. has enhanced its asset life optimization approach by improving its maintenance and inspection practices. E.L.K. has developed and implemented a new Maintenance and Inspection Plan that applies to all major asset classes across the distribution system. This updated approach places greater emphasis on asset condition, performance history, and criticality, rather than relying primarily on age-based criteria alone.

The revised Maintenance and Inspection Plan enables a more targeted, risk-based approach to identifying emerging asset issues, supporting proactive intervention and more effective prioritization of maintenance and renewal activities. As a result, E.L.K. is better positioned to extend asset service life where appropriate, reduce the likelihood of unplanned in-service failures, and improve overall system reliability while optimizing lifecycle costs.

5.3.4 SYSTEM CAPABILITY ASSESSMENT FOR REG & DERs

E.L.K. is not forecasting any capital expenditures for REG and DER connections for the 2027-2031 period. The information regarding E.L.K.'s available capacity for load and generation can be found at the link below:

<https://www.elkenenergy.com/accounts-services/available-capacity-maps>

5.3.5 NON-WIRES SOLUTIONS ("NWS") TO ADDRESS SYSTEM NEEDS

NWS activities are aimed at reducing electricity consumption to manage system costs, reduce peak demand and improve affordability for customers.

With the CDM activity under the provincial 2021-2024 CDM Framework completed, there are now two new streams that E.L.K. is engaged and aware of. There is a renewed role for LDC's within the IESO eDSM programs. Stream 1 is an IESO province wide eDSM, which runs from 2025-2027, and includes Residential, Business, Income Qualified, First Nations programs and beneficial electrification (heat pumps, DERs, storage, etc.). Stream 2 is a Utility-Led / Local eDSM. It applies where LDC-specific or regional system needs exist. The funding is split based on the beneficiary-pays principle:

- Distribution rates (local benefit)
- Global Adjustment (bulk system benefit)

The framework for Stream 2 is built on the OEB Non-Wires Solutions (NWS) Guidelines and OEB Benefit-Cost Analysis Framework. Stream 2 guidelines were recently finalized.

E.L.K. continues to work with its customers in encouraging or supporting energy efficiency, energy generation or storage in their development projects as the belief is that demand management will be integral to the planning process for both temporary solutions (e.g., to manage load growth while infrastructure is being developed) and permanent solutions (e.g., shift demand to eliminate overloads).

E.L.K. considers the impact of conservation programs on the system and in particular its impact to mitigate load growth and consequent distribution system improvements. Conservation programs have historically had a positive impact in mitigating distribution improvements attributed to load growth.

Beyond this, E.L.K. will monitor the progress of the new programs and activities that can be offered to customers.

1 E.L.K. recognizes that recently the OEB has set out requirements for consideration for Non-Wires
2 Solutions.¹⁷ E.L.K. has not proposed any NWS for this upcoming rate period. As outlined in the
3 Chapter 5 filing requirements published in December 2025, Distributors are required to document their
4 consideration of NWSs when making investment decisions on electricity system needs with an
5 expected capital cost of \$2 million or more, excluding general plant investments, making use of the
6 Benefit-Cost Analysis Framework (BCA Framework). E.L.K. does not have any specific projects that
7 exceed \$2 million in this forecast period and therefore is not proposing any NWS. E.L.K. will continue
8 to explore NWS as the opportunity arises during this forecast period.

9 **5.3.6 CLIMATE VULNERABILITY ASSESSMENT AND SYSTEM HARDENING**

10 The OEB's Vulnerability Assessment and System Hardening (VASH) report¹⁸ outlines how distributors
11 are expected to integrate climate resiliency into their asset and investment planning. The objective is
12 to support decision-making so that at-risk assets are appropriately identified and that projects
13 proposed to improve resilience of infrastructure to climate-related vulnerabilities are cost-effective
14 when assessed by reference to value that customers put on electricity service.

15 As this is a relatively new requirement, E.L.K. is currently reviewing the tool and evaluating its
16 application for future filings. Notwithstanding this, E.L.K. already considers system vulnerabilities as
17 part of its ongoing planning processes and incorporates these considerations into investment
18 decisions aimed at strengthening system resilience.

19 E.L.K.'s proposed investment plan focuses on addressing immediate short-term system needs,
20 including the replacement of end-of-life assets. For example, priority is being placed on increased pole
21 replacement to mitigate the growing number of assets reaching the end of their service life. These
22 replacements inherently contribute to grid hardening by increasing the proportion of newer, more
23 resilient assets on the system. In addition, E.L.K. has initiated a grid modernization program that
24 includes the installation of smart devices, such as reclosers, to improve outage response times and
25 reduce customer impacts. These investments, along with enhanced operational practices focused on
26 outage avoidance (i.e. proactive tree trimming) are particularly critical in enhancing system
27 performance and resilience during extreme weather events. E.L.K. believes that after these essential
28 backbone investments are completed, and E.L.K.'s asset renewal backlog is more manageable, it will

¹⁷ OEB Chapter 5 Filing Requirements, Section 5.4.2.2; Final Guidance on the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs, EB-2025-0156, issued July 7, 2026.

¹⁸ EB-2024-0199, Vulnerability Assessment and System Hardening (VASH) Project, October 7, 2025, p.1.

- 1 be able to build upon this foundation and further consider additional VASH requirements into its
- 2 investment plans, while remaining mindful of pacing annual levels of investment.

5.4 CAPITAL EXPENDITURE PLAN

5.4.1 CAPITAL EXPENDITURE SUMMARY

This section outlines E.L.K.'s proposed capital expenditure plan for the 2027–2031 forecast period. Table 5.4-1 provides an overview of historical capital expenditures and System O&M costs, and Table 5.4-2 summarizes forecast capital expenditures and System O&M costs for the 2027–2031 period. This section also includes a review of historical plan vs actual variances and provides details supporting E.L.K.'s proposed investments across the System Access, System Renewal, System Service, and General Plant categories.

1

Table 5.4-1: Historical Capital Expenditures and System O&M

Category	Historical														
	2022			2023			2024			2025			2026		
	Plan.	Act.	Var.	Plan.	Act.	Var.	Plan.	Act.	Var.	Plan.	Act.	Var.	Plan.	Bgt.	Var.
	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%
System Access															
Gross Capital Spend	\$1,313	1,261	(4%)	943	872	(8%)	1,108	755	(32%)	1,144	512	(55%)	1,183	2,716	130%
Capital Contributions	(1,006)	(1,211)	20%	(696)	(191)	(73%)	(710)	-	(100%)	(724)	(268)	(63%)	(738)	(1,724)	134%
Net Capital Expenditures	307	50	(84%)	247	681	176%	398	755	90%	420	244	42%	445	992	123%
System Renewal															
Gross Capital Spend	347	790	128%	370	797	116%	452	1,125	149%	494	879	78%	539	1,128	109%
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	--
Net Capital Expenditures	347	790	128%	370	797	116%	452	1,125	149%	494	879	78%	539	1,128	109%
System Service															
Gross Capital Spend	42	44	5%	42	46	10%	42	480	1053%	42	289	595%	83	592	613%
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capital Expenditures	42	44	5%	42	46	10%	42	480	1053%	42	289	595%	83	592	613%
General Plant															
Gross Capital Spend	114	201	76%	719	888	23%	244	776	218%	117	56	(52%)	56	194	246%
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capital Expenditures	114	201	76%	719	888	23%	244	776	218%	117	56	(52%)	56	194	246%
Total Expenditure, Gross	1,816	2,295	26%	2,073	2,603	25%	1,846	3,135	70%	1,797	1,737	(3%)	1,861	4,629	149%
Total Capital Contribution	(1,006)	(1,211)	20%	(696)	(191)	(73%)	(710)	-	(100%)	(724)	(268)	(63%)	(738)	(1,724)	134%
Total Expenditure, Net	810	1,084	34%	1,377	2,412	75%	1,135	3,135	176%	1,073	1,469	37%	1,123	2,905	159%
System O&M	1,447	1,345	(7%)	1,476	1,369	(7%)	1,505	1,361	(10%)	1,535	1,835	19%	1,566	1,805	15%

2

Table 5.4-2: Forecast Capital Expenditures and System O&M

Category	Forecast				
	2027	2028	2029	2030	2031
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
System Access					
Gross Capital Spend	1,101	1,117	1,133	1,150	1,167
Capital Contributions	653	661	670	679	688
Net Capital Expenditures	448	456	463	471	479
System Renewal					
Gross Capital Spend	1,811	1,566	1,395	1,878	1,737
Capital Contributions	-	-	-	-	-
Net Capital Expenditures	1,811	1,566	1,395	1,878	1,737
System Service					
Gross Capital Spend	182	474	524	337	524
Capital Contributions	-	-	-	-	-
Net Capital Expenditures	182	474	524	337	524
General Plant					
Gross Capital Spend	144	129	295	46	47
Capital Contributions	-	-	-	-	-
Net Capital Expenditures	144	129	295	46	47
Total Expenditure, Gross	3,238	3,286	3,348	3,411	3,475
Total Capital Contribution	653	661	670	679	688
Total Expenditure, Net	2,585	2,625	2,678	2,732	2,787
System O&M	1,844	1,881	1,918	1,957	1,996

Capital Expenditure over the Forecast Period

The following section provides a snapshot of the 2027-2031 capital expenditure forecast. Further detail can be found in section 5.4.1.2.

Table 5.4-3: Net Planned Capital Expenditures by Investment Category (\$ '000)

Category	2027(\$)	2028(\$)	2029(\$)	2030(\$)	2031(\$)	Avg. (\$)
System Access (Net)	448	456	463	471	479	463
System Renewal	1,811	1,566	1,395	1,878	1,737	1,677
System Service	182	474	524	337	524	408
General Plant	144	129	295	46	47	132
Total Expenditure	2,585	2,625	2,678	2,732	2,787	2,681

System Access

Expenditures within the System Access category are driven by external requirements such as servicing new customer loads and relocating distribution assets to suit road or municipal authorities. The timing of investments in this category are driven by the needs of external parties and are considered mandatory. Most of the forecasted investments in this category are based on historical averages, supported by information from third parties and municipalities in the E.L.K. service territory.

Table 5.4-4: Forecasted System Access Investments (\$'000)

Category	2027(\$)	2028(\$)	2029(\$)	2030(\$)	2031(\$)	Avg. (\$)
System Access (Net)	448	456	463	471	479	463

There are two main categories that E.L.K. anticipates system access investments will fall into: subdivision development and roadworks projects. Subdivision developments include new electrical supply and materials to connect residential and commercial developments where no current supply exists. System Access rebuilds include the relocation or enhancement of assets because of infrastructure development driven outside of an E.L.K. need, such as road rebuilds.

System Renewal

Expenditures within the System Renewal category are largely driven by the condition of distribution system assets. These investments support the overall reliability, safety, and sustainment of the distribution system. E.L.K. conducted an asset condition assessment to inform System Renewal decisions within this DSP. The output of these assessments and processes led to targeted programs for capital expenditure and prioritization of System Renewal.

Table 5.4-5: Forecasted System Renewal Investments (\$'000)

Category	2027(\$)	2028(\$)	2029(\$)	2030(\$)	2031(\$)	Avg. (\$)
System Renewal	1,811	1,566	1,395	1,878	1,737	1,677

There are multiple focus areas for E.L.K.'s System Renewal activities: transformer replacements and upgrade, pole replacement and treatment, Open Bus conversion, Live Front Transformer conversion and 8kV renewal. As part of these asset renewal projects, E.L.K. intends to replace on, average, 45 poles per year that are in "very poor" or "poor" health condition, as well as undertake treatment activities on other at-risk poles in the service territory, restoring 35 poles per year. Additionally, for the transformer replacement project, E.L.K. aims to replace approximately 40 degraded or end of useful life transformers annually within different System Renewal programs. These investments are aimed at maintaining the safety and reliability of the distribution system while mitigating the cost impacts to customers.

System Service

Expenditures in the System Service category are driven by the need to ensure that the distribution system continues to meet its operational objectives, while being able to anticipate future customer electricity requirements. Investments in System Service are captured in the table below.

Table 5.4-6: Forecasted System Service Investments (\$'000)

Category	2027(\$)	2028(\$)	2029(\$)	2030(\$)	2031(\$)	Avg. (\$)
System Service	182	474	524	337	524	408

The main investment activity comprising System Service for E.L.K. within this DSP is the installation and deployment of reclosers, cutout-mounted reclosers, and faulted circuit indicators. E.L.K. forecasts deploying on an average of 3 reclosers per year, 6 sets of fault indicators in 2027, and 8 to 12 cutout-mounted reclosers per year starting from 2028. This equipment will allow for more accurate visibility, enhanced sectionalization, remote operability for the areas for power service restoration and monitoring. These investments also help with the grid modernization strategy by increasing system automation, improving system visibility and establishing foundations for future protection and control advancements.

General Plant

Expenditures in the General Plant category are driven by the need to modify, replace or add to assets that are not part of the distribution system, but which are essential to support E.L.K.'s daily operations. The items within this category are important and contribute to the safe and reliable operation of a distribution system. If General Plant investments are ignored or deprioritized, this could

lead to future operational risks or increased investments in future years. E.L.K.'s planned capital investments in General Plant are highlighted in the table below.

Table 5.4-7: Forecasted General Plant Investments (\$'000)

Category	2027(\$)	2028(\$)	2029(\$)	2030(\$)	2031(\$)	Avg. (\$)
General Plant	144	129	295	46	47	132

The main investment activity with the General Plant category will be the procurement of two new fleet vehicles for the E.L.K. fleet. Previous units have reached end of useful life and need to be replaced, which leads to the capital investments in 2028 and 2029. The delivery of these fleet vehicles will allow E.L.K. to safely operate and maintain the distribution system across its service territories.

The IT strategy is planned to include data enhancement for the newly commissioned GIS system in 2027. A GIS system with accurate asset information is essential and is the backbone of many related systems that track and monitor important information about assets and the overall system.

5.4.1.1 Plan vs Actual Variances for the Historical Period

This section discusses variances between E.L.K.'s planned capital expenditures and actual capital expenditures in the historical period. One of the main trends observed within the variance analysis below is E.L.K.'s evolution to an enhanced proactive replacement approach to address end of life assets, as well as initial, foundational investments in its Grid Modernization plan.

Starting in 2022, E.L.K. augmented its replacement approach to addressing assets at end of life within the System Renewal category. Historically, E.L.K.'s approach to replacing assets was primarily on a reactive basis, utilizing a run-to-failure approach, with only limited proactive replacements. E.L.K. evolved its approach to become more proactive, driven by the rising number of assets that were at/or reaching end of life, as well as to address the significant number of outages being caused by defective equipment. E.L.K. also observed that many of its peer utilities were also taking more proactive approach to replacing assets, rather than solely relying on replacing reactively. E.L.K. began to prioritize efforts to modernize the utility and the distribution system through investments in asset renewal and introducing new technology that is standard in the industry. The new investments, over time, are aimed at improving reliability of the distribution system and improving customer service.

As E.L.K. began gathering more data to inform its proactive approach, it became evident that forecasted expenditures identified in the prior DSP were too low to address the increasing number of assets that were reaching end of life and in need of replacement. For example, as E.L.K. gathered data from its pole testing, it was shown that a significantly higher number of poles were in need of replacement than E.L.K. had previously identified. E.L.K. therefore took the prudent step to evolve its

1 approach, increasing the level of proactive renewal investments to begin addressing the backlog of
 2 needed investments, in addition to increases in System Service investments for second supply feeds
 3 and related recloser switches to assist in addressing the length and number of outages caused by loss
 4 of supply.

5 Further details and variance explanations are provided below.

6 **Table 5.4-8: Variance Explanations - 2022 Planned Versus Actuals**

Category	2022				Variance Explanations
	Plan.	Act.	Var.		
	\$ '000	\$ '000	\$ '000	%	
System Access	1,313	1,261	(52)	(4%)	Multiple subdivision development projects were executed in 2022, consistent with the 2022 Plan. Some projects that were previously delayed due to longer lead time for the distribution transformers were mostly delivered in 2022, triggering a high number of subdivisions to be energized in 2022. The costs of these projects were slightly under the 2022 Plan, partially offset by higher other service connections.
System Renewal	347	790	443	128%	This variance was primarily driven by higher quantities of asset replacements. Historically, E.L.K.'s methodology had been to replace the asset primarily on a reactive bases, however, in 2022, E.L.K. took a proactive approach in replacing assets such as transformers, poles and cables that formed part of E.L.K.'s aging infrastructure assets. This was to begin a steady increase in replacements to address assets that were in need of replacement.
System Service	42	44	2	5%	This slight variance was driven by the price increase in the cost of the Faulted Circuit Indicators (FCI).
General Plant	114	201	87	76%	This variance was driven due to the delay in starting the ESRI GIS project. E.L.K. was required to upgrade some of the hardware first to support the new GIS system. Another cause of the variance was due to some yard renovations that were required to optimize the yard space for equipment storage.
Total Expenditure, Gross	1,816	2,295	479	26%	Overall, the expenditure was primarily driven by increases in System Renewal, with a slight increase in General Plant. Details of these variances are explained in this table within each category.
Capital Contributions	1,006	1,211	205	20%	This variance was driven by higher than planned capital contributions related to the subdivision development projects and other service connections.

Category	2022				Variance Explanations
	Plan.	Act.	Var.		
	\$ '000	\$ '000	\$ '000	%	
Total Expenditure, Net	810	1,084	274	34%	Overall, the expenditure was primarily driven by increases in System Renewal, with a small increase in General Plant, partially offset by a slight decrease in System Access and higher than planned capital contributions. Details of these variances are explained in this table within each category.

1

Table 5.4-9: Variance Explanations - 2023 Planned Versus Actuals

Category	2023				Variance Explanations
	Plan.	Act.	Var.		
	\$ '000		\$ '000	%	
System Access, Gross	943	872	(71)	(8%)	This variance was driven primarily by multiple subdivisions projects where the timing of System Access spend was different than what was forecast in the 2023 Plan. This was partially offset by the Brien St Road Crossings that unexpectedly required hydro road crossing relocation to accommodate watermain installation, resulting in System Access spend fairly close to Plan levels.
System Renewal	370	797	428	116%	Similar to 2022, this variance is also driven primarily due to higher quantity of critical assets being replaced. E.L.K. continued the approach of replacing the critical assets proactively. Another cause of the increase in the system renewal category was due to the two storms that took place in February and June 2023. There were several assets (mainly overhead transformers and poles) that were replaced due to these storms. A portion of the revenue requirement impact of these costs was approved for recovery in a prior Z-Factor Application to the OEB (EB-2023-0013).
System Service	42	46	4	10%	This slight variance was driven by the price increase in the cost of the Faulted Circuit Indicators FCI.
General Plant	719	888	169	23%	The variance in general plant was driven by building renovation costs to add more office space for the additional employees as well as additional IT costs. The addition of two light fleet trucks that were not originally anticipated also occurred in the year, which was largely offset by one of the heavy fleet trucks originally budgeted in 2023 being delayed. The heavy fleet truck was part of the approved ICM application EB-2023-0013.
Total Expenditure, Gross	2,073	2,603	529	26%	Overall, the expenditure was primarily driven by increases in System Renewal and General Plant. Details of these variances are explained in this table within each category.

Category	2023				Variance Explanations
	Plan.	Act.	Var.		
	\$ '000		\$ '000	%	
Capital Contributions	696	191	(505)	(73%)	While several subdivision projects did provide capital contributions, the overall level of contributed capital was lower than anticipated due to lower than planned subdivision connections, and refunds / true-ups of prior contributions collected.
Total Expenditure, Net	1,377	2,412	1,034	75%	Overall, the expenditure was primarily driven by increases in System Renewal and General Plant, as well as lower Capital Contributions. Details of these variances are explained in this table within each category.

1

Table 5.4-10: Variance Explanations - 2024 Planned Versus Actuals

Category	2024				Variance Explanations
	Plan.	Act.	Var.		
	\$ '000		\$ '000	%	
System Access, Gross	1,108	755	(353)	(32%)	This variance was driven primarily by multiple subdivisions projects where the timing of System Access spend was different than that forecast in the 2024 Plan, partially offset by higher costs for other service connections. The timing of System Access projects becomes more difficult to predict further out in the planning period.
System Renewal	452	1,125	673	149%	This variance was driven by increased system renewal activity to improve system reliability and address a growing number of assets reaching end of their useful life. Additional renewal efforts were required to align with replacement priorities and targets identified in the Asset Condition Assessment (ACA). These activities included expanded live-front transformer replacements, insulator replacements, and a higher volume of pole and transformer replacements. In addition, increased use of the Pole Restoration program, including the installation of trusses on existing poles, contributed to higher expenditures in this category. There was also higher than anticipated activity in other System Renewal programs, such as the MOST to MIST conversion program and the Meter Reverification program.
System Service	42	480	438	1,053%	The variance in the System Service category is driven by the development and implementation of a more targeted Smart Grid plan focused on improving system reliability and operational performance. As part of this approach, E.L.K. installed reclosers with auto-transfer schemes in Essex and Harrow to improve response to loss-of-supply events. The

Category	2024				Variance Explanations
	Plan.	Act.	Var.		
	\$ '000		\$ '000	%	
					reclosers are currently in service and can be operated manually and the auto-transfer scheme will be addressed in the future with Hydro One. The reclosers were part of the approved ICM application EB-2023-0013.
General Plant	244	776	532	218%	The variance in general plant category is driven by the delayed delivery of one of the heavy trucks that was scheduled to be delivered in 2022, however, due to COVID-19 delays it was placed in service in 2024. The heavy fleet truck was part of the approved ICM application EB-2023-0013. Another factor for the variance is due to the ESRI GIS Utility Network project. The project was initially scheduled to be commissioned in 2023 but due to a shortage of staff, it was delayed until 2024. The variance in general plant category was also due to adding a new backup generator for E.L.K.'s facility to provide continuous power supply during a power outage.
Total Expenditure, Gross	1,846	3,135	1,290	70%	Overall expenditures increased above original targets across all investment categories, other than System Access. Details of these variances are explained within each category in this table.
Capital Contributions	710	-	(710)	(100%)	This variance was driven by lower than planned capital contributions resulting from reduced subdivision construction activity. Some contributions for some 2024 System Access projects, and refunds and true-ups of prior contributions received, were recorded in 2025.
Total Expenditure, Net	1,135	3,135	2,000	176%	Overall expenditures increased above original targets across all investment categories, other than System Access. Details of these variances are explained within each category in this table.

1

Table 5.4-11: Variance Explanations - 2025 Planned Versus Actuals

Category	2025				Variance Explanations
	Plan.	Actual	Var.		
	\$ '000		\$ '000	%	
System Access, Gross	1,144	512	(632)	(55%)	This variance was driven primarily by multiple subdivisions projects where the timing of System Access spend was different than that forecast in the 2025 Plan, partially offset by higher-than-planned other new service connections. The timing of System Access projects becomes more difficult to predict further out in the planning period.
System Renewal	494	879	385	78%	This variance was driven due to the continuation of the renewal programs introduced in 2024 to remove obsolete live front transformers. E.L.K.

Category	2025				Variance Explanations
	Plan.	Actual	Var.		
	\$ '000		\$ '000	%	
					also continued the focus on replacing the critical asset such as poles, transformers and cables that had reached end-of-life. In addition, there was higher number of residential and commercial meters that were replaced as part of the Measurement Canada guidelines.
System Service	42	289	248	595%	The variance in system service category was driven by bringing in additional feeders for Kingsville and Belle River. Both municipalities had only a single feed coming from Hydro One TS's. The additional feeders currently help switching the load between feeders in case of Loss of Supply and improves resiliency of these critical service areas. The additional feeders in Kingsville and Belle River are first phase of the smart grid in these municipalities.
General Plant	117	56	(61)	(52%)	The variance in the general plant category was caused by the light fleet vehicle that was purchased earlier in the DSP period. The light fleet vehicles were needed earlier in the DSP period to accommodate the Line Supervisor position and an additional meter technician position.
Total Expenditure, Gross	1,797	1,737	(60)	(3%)	Overall expenditure levels compared to the original plan numbers were primarily driven by an increase in System Service and System Renewal, as driven by E.L.K.'s newly implemented Smart Grid Plan, partially offset by lower System Access spend. Overall gross spend was largely consistent with the Plan.
Capital Contributions	724	268	(456)	(63%)	This variance was driven by lower than planned capital contributions resulting from reduced subdivision construction activity compared to forecasts, and refunds and true-ups of prior contributions received.
Total Expenditure, Net	1,073	1,469	396	37%	Overall expenditure increases compared to the original plan numbers was primarily driven by an increase in System Service and System Renewal, as driven by E.L.K.'s newly implemented Smart Grid Plan and proactive asset replacement strategy.

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Table 5.4-12: Variance Explanations - 2026 Planned Versus Budget

Category	2026				Variance Explanations
	Plan.	Budget	Var.		
	\$ '000		\$ '000	%	
System Access, Gross	1,183	2,716	1,533	130%	The variance in the system access category is driven by anticipated subdivisions that will require servicing in 2026. In addition, there are 2 municipal

Category	2026				Variance Explanations
	Plan.	Budget	Var.		
	\$ '000		\$ '000	%	
					projects in Essex and Kingsville that require E.L.K.'s pole relocation that have driven the cost higher in this category.
System Renewal	539	1,128	589	109%	The variance in the System Renewal category is primarily driven by the increased number of renewal programs identified and recommended in the 2025 ACA. In addition to ongoing pole and transformer renewal initiatives, E.L.K. is undertaking the conversion of obsolete live-front 4 kV transformers to 27.6 kV dead-front transformers.
System Service	83	592	509	613%	The variance in the System Service category is primarily driven by Smart Grid enhancements that have been underway since 2024. As part of the second phase of the Smart Grid plan for the Kingsville and Belle River communities, E.L.K. is installing reclosers in areas where two new feeders were introduced to improve system configuration.
General Plant	56	194	138	246%	The variance in the General Plant category is driven by E.L.K.'s ongoing efforts to improve asset data quality within the GIS as part of the Utility Network implementation, as well as building renovation activities required to address aging and essential facility components.
Total Expenditure, Gross	1,861	4,629	2,768	149%	Overall expenditure increases compared to the original plan numbers was primarily driven by an increase in System Service, as driven by E.L.K.'s newly implemented Smart Grid Plan. In addition, System Renewal had a large increase in expenditure driven by the need to address its increasingly deteriorating assets as outlined in the 2025 ACA. System Access is also higher to accommodate expected new growth projects.
Capital Contributions	738	1,724	986	134%	The variance in capital contribution is due to the higher number of subdivision developments that are anticipated to be in service in 2026.
Total Expenditure, Net	1,123	2,905	1,782	159%	Overall expenditure increases compared to the original plan numbers was primarily driven by an increase in System Service, as driven by E.L.K.'s newly implemented Smart Grid Plan. In addition, System Renewal had a large increase in expenditure driven by the need to address increasingly deteriorating assets as outlined in the 2025 ACA. System Access is also higher to accommodate expected new growth projects, partially offset by expected capital contributions.

5.4.1.2 Forecast Expenditures

The following table summarizes E.L.K.'s planned capital expenditures, by investment category, over the forecast period.

Table 5.4-13: Planned Capital Expenditures by Investment Category

Category	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
System Access, Net	448	456	463	471	479	2,317	17%
System Renewal, Net	1,811	1,566	1,395	1,878	1,737	8,387	63%
System Service, Net	182	474	524	337	524	2,041	15%
General Plant, Net	144	129	295	46	47	662	5%
Total Expenditure, Net	2,585	2,625	2,678	2,732	2,787	13,407	100%

Overall, E.L.K. is forecasting \$13.4M in net capital expenditures across the 2027-2031 period. This level of expenditure is required to ensure that E.L.K. can continue to serve its customers safely and efficiently, whilst addressing the significant number of assets at end of life and modernizing the grid to continue to improve reliability as well as accommodate future needs. This level of increased investment relative to the prior DSP is primarily focused on System Renewal and System Service, reflecting E.L.K.'s focus on addressing an asset renewal backlog and necessary system modernization.

System Renewal is the largest category of planned capital expenditure over the 2027-2031 forecast period, representing 63% of overall net spending. System Access investments are the next largest investment category at 17%, followed by System Service at 15% and General Plant at 5%.

In the 2027-2031 DSP, there is a significant focus on System Renewal investments. By replacing and renewing infrastructure that has or will be approaching end-of-life during the rate period, these investments will enable E.L.K. to maintain and improve its reliability statistics. E.L.K. plans to increase investments in its pole replacement programs, transformer replacement programs and underground infrastructure rehabilitation.

System Access investments are forecast to remain at a relatively consistent level over the 2027-2031 period. This level of investment was determined based on known third party-driven projects (i.e. customers, developers and municipalities), as well as recent historical trends.

System Service investments are focused on grid modernization and reliability improvements through the deployment of Smart Grid technologies. These investments include the installation of automated switching and protection devices that enhance feeder sectionalization, improve response to loss-of-supply events, and reduce outage duration.

General Plant investments in the forecast period include two vehicles that are due to be replaced in 2028 and 2029, as well as continued enhancements to the GIS system in 2027.

The following subsections describe the planned capital expenditures in each investment category in more detail.

5.4.1.2.1 System Access 2027 – 2031 Expenditures

E.L.K. is forecasting to incur Gross \$5.7M and Net \$2.3M in System Access Capital Expenditures over the 2027-2031 period.

Typically, the expenditures within the System Access category are largely driven by customer service requests for new connections and municipal/third-party driven projects and/or service upgrades. In addition, metering investments are part of System Access. All investments in this category are non-discretionary and are mandated service obligations. The timing of these investments is driven by the needs of external parties and are of a mandatory nature pursuant to applicable law and regulations and government policy. The forecast is based on the information received from the Town of Essex, Town of Kingsville and Municipality of Lakeshore as part of their Capital investment plans for works that may require relocation of E.L.K.'s existing infrastructure.

In the absence of a final design, the budgetary estimates rely on the anticipated scope of relocation works based on the location and construction limits identified by these third parties. For metering investments, these estimates are driven by the Measurement Canada guidelines. E.L.K. is currently behind on a portion of its required metering re-verifications, and a portion of the capital budget (approximately \$100,000) has been allocated to catch up on these activities and achieve compliance with Measurement Canada requirements over the forecast period.

From 2027 to 2031, E.L.K. is forecasting a relatively consistent level of System Access investments. In addition, E.L.K. will continue to comply with any updates to the DSC that the OEB makes to enable the continued connections of new homes in a timely manner.

Table 5.4-14: Forecast Net System Access Expenditures

Projects	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
Subdivision Development	611	623	636	649	662	3,180	56%
Municipal Driven Projects	100	100	100	100	100	500	9%
Commercial Connections	200	200	200	200	200	1,000	18%
Metering Renewal	100	102	104	106	108	520	9%
Residential Connections	90	92	93	95	97	466	8%
Total Expenditure, Gross	1,101	1,117	1,133	1,150	1,167	5,668	100%

Projects	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
Capital Contribution	653	661	670	679	688	3,351	-
Total Expenditure, Net	448	456	463	471	479	2,317	-

1 The System Access programs are summarized below:

2 Metering Renewal – Smart Meter Replacement/Reverification (\$520,000)

3 Metering Renewal program supports the supply, installation, and maintenance of revenue meters
 4 installed at each customer service point for all customers connected to E.L.K.'s distribution system.
 5 This program is primarily driven by E.L.K.'s obligation to comply with Measurement Canada
 6 regulations around re-certification and end-of-life replacement. For further details on these projects,
 7 please refer to the material narrative in Appendix A.

8 General Service – Residential Connections (\$466,000), Commercial Connections (\$1,000,000)

9 The Residential and Commercial Connections programs are annual ongoing programs that enable
 10 general service customer connections, upgrades, and relocations. Expenditures for these programs
 11 during the forecast period are expected to be consistent with the historical period based on historical
 12 trends, historical program costs, and anticipated future developments. Some of these connections will
 13 require "System Expansions" in order to bring available capacity to customers' sites. In these cases,
 14 a capital contribution by the customer/developer would be calculated. The estimated contribution
 15 amounts are based on the load information available at this time as well as the phasing of the new
 16 builds. For further details on these projects, please refer to the material narratives in Appendix A.

17 Subdivisions (\$3,180,000)

18 Subdivision costs in this category involve designing and constructing the civil and electrical
 19 infrastructure to accommodate these connections. Given the undeveloped subdivision land left that
 20 E.L.K. expects to service, subdivision costs are expected to remain at a relatively consistent level over
 21 the forecast period.

22 As noted in section 5.2.2.2, E.L.K. engages with subdivision developers on a regular basis. Based on
 23 these developer consultations, examples of known major developments during the forecast period are
 24 outlined below. As is fairly typical with these investments, the timing of these developments are outside
 25 E.L.K.'s control and are often at the discretion of the developer. E.L.K. bases its forecast on available
 26 information at the time, as well as any historical trends.



34



Figure 5.4-2: Dalla Bona Ph 2 – Harrow (Highlighted in Red)

Any new development has to go through a Site Plan Approval (SPA) process that identifies to E.L.K. the infrastructure needs based on anticipated demand as well as potential timelines for these developments to be connected to E.L.K.'s distribution system. In the absence of existing infrastructure that can accommodate this new load, E.L.K. evaluates the infrastructure needs of the new subdivisions as part of system expansions to connect new customers and accordingly budget for these investments as part of its Planning horizon.

E.L.K. is currently aware of a few subdivisions at various stages of approval, ranging from initial consultation to active construction. Upon satisfactory completion of these subdivisions and the expiration of the two-year warranty period, E.L.K. will acquire these assets. Based on an estimated timeframe provided by the developers, E.L.K. will budget for these acquisitions accordingly. For further details on these projects, please refer to the material narrative in Appendix A.

Other – Municipal Driven Projects (\$500,000)

This program encompasses the small-scale relocation of distribution assets, such as poles and wires. The scope of work may entail relocation, holding, guying of single pole, transitioning services from overhead to underground, supplementary services such as site inspections, material handling, etc. as required by the municipalities and county authorities in response to road improvement initiatives. The budget for these incremental projects is based on historical spend and information available from the customers based on their approved capital plans.

The work associated with relocation of distribution assets is mandated by the Public Service Works on Highways Act (PSWHA). In accordance with the provisions of the PSWHA, E.L.K. collects contributed capital to fund a portion of these essential projects, ensuring compliance and supporting the necessary infrastructure upgrades. For further details on these projects, please refer to the material narrative in Appendix A.

5.4.1.2.2 System Renewal 2027 – 2031 Expenditure

E.L.K. is forecasting to incur \$8.4M in System Renewal Capital Expenditures across the 2027-2031 period. Expenditures within the System Renewal category are largely driven by the condition of distribution system assets and are targeted at addressing the overall reliability, safety, and sustainment of the distribution system. Refer to Figure 2 and Table 1 (Health Index Results Summary) of the ACA for baseline state of condition of E.L.K. major assets. Many of these System Renewal projects will also support the move to strengthen the Ontario grid and ensure the energy

system is prepared to respond to future extreme weather events as outlined in 'Ontario's Affordable Energy Future Report'¹⁹ published in October 2024.

As outlined in E.L.K.'s planning process in Section 5.3.1, a key input into the planning process for system renewal projects is the inspection and ACA results. E.L.K. uses these results as a starting point to determine which investments are required over the DSP period. 74% of customers across all rate classes recognize the importance of System Renewal investments, with 68% considering the proposed spending in this area to be appropriate.

Table 5.4-15: Forecast Net System Renewal Expenditures

Programs	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
Pole Renewal	450	459	468	478	487	2,342	28%
Pole Restoration	40	41	42	43	44	210	3%
Transformer Renewal	258	263	395	395	461	1,772	21%
Open Bus Conversion	150	153	130	133	135	701	8%
4kV Conversion	227	247	-	150	-	625	7%
Live Front Transformer Replacement	235	203	-	-	-	437	5%
Comber 8kV Renewal/Conversion	300	200	360	360	305	1,525	18%
27.6kV Primary Metering Unit (Comber)	150	-	-	-	-	150	2%
UG Primary Replacement	-	-	-	320	305	625	7%
Total Expenditure, Net	1,811	1,566	1,395	1,878	1,737	8,387	100%

The investment programs for System Renewal focus on improving the reliability, safety, and efficiency of E.L.K.'s electrical infrastructure. This involves replacing assets like poles, transformers, overhead and underground conductors that are past its useful life, in poor condition, or at high risk of failure, based on the ACA and obsolescence. The ACA helps prioritize which assets need replacement. During these upgrades, E.L.K. also optimizes the size of poles, conductors, framing, and transformers to meet future needs. When executing capital programs in areas with deteriorated assets, any equipment, such as conductors, insulators, or transformers, that are still in good condition will be reused. In addition, many of the capital programs and the pacing of investments outlined are aimed at helping E.L.K. to continue to improve its reliability. E.L.K. distribution system reliability has been slightly improving over the historical period, and E.L.K. intends to continue this momentum with a sustained level of System Renewal spending. Many of E.L.K.'s assets are in poor or very poor condition, and

¹⁹ Ontario's Affordable Energy Future: The Pressing Case for More Power – October 2024.

E.L.K. has proposed increases in some annual programs to address this, in addition to addressing the need for grid hardening to withstand increased adverse weather.

Pole Renewal (\$2,342,000) Pole Restoration (\$210,000):

E.L.K. owns 2,257 wood poles, of which 286 (13%) are currently in 'poor' and 'very poor' condition, as identified through the 2025 ACA. Many of these poles have deteriorated remaining strength, rot, and/or are out of plumb, making them at higher risk of failure compared to other poles. Pole failures pose serious safety and reliability risks to E.L.K. and its customers, and reactive replacement can be less cost effective and efficient than proactive replacement. Wood, being a natural material, is expected to deteriorate with age, environmental conditions, weather impacts and loading related stresses and each pole asset will deteriorate at a different rate subject to the level of exposure to these factors. As such, E.L.K.'s target is to increase its expenditures in its wood pole replacement program over the 2027 to 2031 rate period, to decrease the percentage of wood poles that are currently in or may enter into a state of 'very poor' condition and will be deemed critical due to high risk of failure.

E.L.K. has also introduced the 'Pole Trussing' method to restore the poles that have solid base below grade and a solid top. These poles usually have rot and decay right at the base of the poles. The Pole Trussing extends the lifespan of the poles and deferring replacement when feasible. E.L.K. currently replaces approximately 18 poles per year or 0.8% of the population. For the forecast period it plans to replace 45 poles a year based on the asset condition results. In addition, a further 35 poles a year will be reinforced to mitigate any failures. E.L.K. is proposing to increase the pace of its Pole Replacement program to mitigate asset failure risk, ensure safe operation, and balance customer preferences for improved reliability while maintaining reasonable distribution rates.

Please refer to the material narrative in Appendix A.

Transformer Replacement (\$1,772,000) Live Front Transformer Replacement (\$437,000):

E.L.K. owns 877 pole mount transformers, of which 54 (6.2%) are currently in 'poor' and 'very poor' condition, with a further 93 (10.6%) in fair condition, some of which are expected to degrade to poor or very poor condition over the DSP horizon. E.L.K. owns 865 underground distribution transformers (772 single phase pad mount and 93 three phase pad mount). The ACA results illustrate that a total of 194 (33.1%) underground distribution transformers are in 'poor' and 'very poor' condition with further 98 (11.3%) in fair condition, some of which are expected to degrade to poor or very poor condition over the DSP horizon. Distribution transformer failures pose serious safety and reliability risks to E.L.K. and its customers, and reactive replacement can be less cost effective and efficient than proactive replacement.

One key component of E.L.K.'s replacement plan for underground transformers is its ongoing initiative to replace the end-of-life obsolete live front transformers with dead front transformers, a transition that began in 2024. The live front transformers serve their purpose; however, they are now obsolete and there are no spare parts available if the transformer fails and requires repair. These transformers are also not considered safe for the workers and public due lack of safety protection when the transformer doors are open. Additionally, E.L.K. must maintain a separate inventory for these specialized units, adding logistical complexity.

In contrast, dead front pad-mounted transformers offer several advantages. They are easier and safer to install and maintain. The units also allow for easier visual inspections, reducing maintenance costs compared to live-front transformers. Furthermore, these transformers are not constrained by space limitations and can be more readily up-sized to meet increasing customer demand.

E.L.K. intends to replace an average of 35 distribution transformers per year, inclusive of approximately 20 pad mounted and 15 pole mounted transformers over the forecast period, within the Transformer replacement and Live Front Transformer Replacement programs. The proposed pacing will allow E.L.K. to maintain its reliability and maintain the current spread of condition of its distribution transformers. Please refer to the material narrative in Appendix A.

Open Bus Conversion (\$701,000)

E.L.K. has numerous areas in multiple service territories that have secondary open bus circuits in the rear of the properties. These rear lot open bus secondary circuits cause a high number of outages due to tree contact and wire contact during high wind weather conditions. There are approx. 28 blocks in Kingsville that have rear lot open bus secondary. This project will initiate in Kingsville and moves on to other service areas to replace the open bus secondary.

E.L.K. plans to replace the open bus secondary with a triplex in the rear yard secondary circuits. This replacement may cause the replacement of other assets such as poles in the area depending on the condition of other assets. As part of the open bus conversion program, E.L.K. also plans to relocate any overhead transformers located in the rear yard to the edge of the public right of way. The triplex will help reduce the outages caused by tree contacts on the secondary circuit. For further details on these projects, please refer to the material narrative in Appendix A.

Voltage Conversion (\$2,300,000)

E.L.K. operates multiple distribution voltages across its service territory. While the system predominantly operates at 27.6 kV, there remain portions of the network supplied at 8 kV and 4 kV. The entire community of Comber is currently served at 8 kV and contains some of the oldest distribution assets within the E.L.K. service territory.

As part of its long-term asset renewal and system standardization strategy, E.L.K. plans to renew the existing infrastructure in Comber and upgrade the distribution voltage to 27.6 kV. This voltage conversion will improve system reliability, operational efficiency, and alignment with current utility standards. The Comber conversion is planned as a multi-year capital program and is expected to extend throughout the forecasted Cost of Service period.

A key initial step in implementing the Comber voltage conversion program is the installation and commissioning of new 27.6 kV primary metering equipment. In addition, the voltage upgrade will require the replacement and/or modification of associated distribution assets, including distribution transformers, switches, protective fusing, and line insulators. These upgrades will be executed in a coordinated manner to ensure a safe and reliable transition from 8 kV to 27.6 kV operation.

In addition to the Comber conversion, E.L.K. has several areas embedded within the existing 27.6 kV system that continue to operate at 4 kV downstream of step-down transformers. There are three such areas located within the Essex and Kingsville service territories. E.L.K. plans to convert these 4 kV areas to 27.6 kV as part of its broader voltage standardization initiative. Converting these areas will reduce system complexity and minimize the need to maintain inventory for non-standardized equipment. This component of the voltage conversion program was initiated in 2026. For further details on these projects, please refer to the material narrative in Appendix A.

UG Primary Replacement Program (\$625,000)

E.L.K. has several areas within its service territory that are supplied by some of the oldest underground primary cables, which were originally installed as direct-buried conductors. Over several decades of operation, these cables—particularly in certain locations—have experienced repeated faults, requiring multiple splices and reactive repairs by field crews. As these assets continue to age, the frequency of cable failures is expected to increase, resulting in a higher number of sustained outages and extended power restoration times.

To address the reliability risks associated with the existing 85km of underground primary cables, E.L.K. plans to proactively replace 1.25km of the affected underground primary circuits annually. This UG cable replacement program will begin in 2030, and is expected to ramp up significantly from 2032 onwards. The replacement scope includes the installation of new primary cables housed within duct systems, which will provide improved mechanical protection, reduced failure rates, and enhanced long-term maintainability. This approach will significantly reduce the need for reactive repairs and improve overall system reliability in the targeted areas. Additionally, some UG cable will be replaced as part of other programs, including voltage conversions and live front transformer replacement programs.

As part of the underground primary replacement program, E.L.K. will also replace associated electrical infrastructure, including distribution transformers and transformer vaults, where required. These upgrades will modernize the electrical infrastructure and ensure that the renewed assets are compatible with current design standards and future system requirements. The program will be implemented on an area-by-area basis to comprehensively renew the underground distribution system within selected locations. For further details on these projects, please refer to the material narrative in Appendix A.

5.4.1.2.3 System Service 2027 – 2031 Expenditure

E.L.K. is forecasting to incur \$2.0M in System Service Capital Expenditures across the 2027-2031 period. System Service investments are modifications to E.L.K.'s distribution system designed to enhance its capability to meet current and future operational objectives, such as improving system efficiency, enabling better integration of Distributed Energy Resources (DERs), and increasing grid flexibility. These investments are driven by the need to address various constraints, such as aging infrastructure, and the increasing demand for grid modernization to accommodate emerging technologies and evolving customer needs. In addition, these investments support the journey to modernize the grid, enable a reliant grid as well as support the move to facilitating operational efficiencies.

The two key programs that form E.L.K.'s System Service investment strategy will help support smart grid plans for all E.L.K.'s service territories. These programs include the enhanced sectionalization of the system by adding 3-phase Reclosers and single-phase Cutout-mounted Reclosers. These grid modernization related programs are crucial for incorporating technologies like SCADA-enabled field devices and self-healing configurations to enhance grid intelligence, remote switching, and system restoration. These upgrades reduce system operator workload by automating normal and abnormal grid operations, improving reliability and recovery times for customers.

71% of customers across all rate classes recognize the importance of System Service investments, with 62% considering the proposed spending in this area to be appropriate. These investments are necessary to boost capacity and operational capability, ensuring reliable service for both existing and future customers. Specific programs and further details are provided in the following table.

Table 5.4-16: Forecast Net System Service Expenditures

Programs	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
Faulted Circuit Indicators (FCIs)	42	-	-	-	-	42	2%
Smart Grid – Recloser Deployment	140	374	374	187	374	1,449	71%

Programs	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
Single Phase Cutout-mounted Reclosers	-	100	150	150	150	550	27%
Total Expenditure, Net	182	474	524	337	524	2,041	100%

1 The system service programs are summarized below:

2 Smart Grid – Recloser Deployment (\$1,449,000), Single Phase Cutout Recloser (\$550,000)

3 As part of its Smart Grid modernization program, E.L.K. plans to deploy 15 reclosers over the forecast
4 period across selected areas of the distribution system to enhance system sectionalization and fault
5 management. The installation of these reclosers will improve overall system reliability by enabling
6 E.L.K. to more effectively isolate faulted sections of the network and limit the number of customers
7 impacted by outage events.

8 The deployment of reclosers will also enhance E.L.K.'s operational flexibility by providing remote
9 monitoring, control, and restoration capabilities. Following a fault event, these devices will allow crews
10 to sectionalize affected areas and restore power to unaffected customers remotely, significantly
11 reducing outage duration and improving restoration times.

12 In addition to reclosers, E.L.K. plans to deploy 20 to 30 Single phase cutout-mounted reclosers as part
13 of the Smart Grid program. These devices can be installed at locations where traditional fused cutouts
14 are currently in service, allowing for targeted upgrades without the need for extensive system
15 modifications. Single phase reclosers provide reclosing functionality and remote operability, further
16 improving fault response and power restoration performance.

17 Single phase reclosers represent a cost-effective solution for medium- to small-sized circuits,
18 particularly in remote or lightly loaded areas. By reducing the number of manual fuse operations and
19 truck rolls required following temporary faults, these devices contribute to improved reliability indices,
20 reduced operating costs, and enhanced customer service across the system. For further details on
21 these projects, please refer to the material narrative in Appendix A.

22 *5.4.1.2.4 General Plant 2027 – 2031 Expenditure*

23 E.L.K. is forecasting to incur \$0.7M in General Plant Capital Expenditures across the 2027-2031
24 period. Expenditures in the General Plant category is driven by the need to modify, replace, or add to
25 assets that are not part of the distribution system but support E.L.K.'s 24/7 operations. The items within
26 this category are necessary to contribute to the safe and reliable operation of E.L.K.'s distribution
27 system. If General Plant investments are ignored or deprioritized this could lead to operational risks

or increased investments in future years. E.L.K.'s planned capital investments in General Plant are captured in the table below.

Table 5.4-17: Forecast Net General Plant Expenditures

Programs	Forecast					Total (\$ '000)	% of Total
	2027	2028	2029	2030	2031		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
Tools	33	34	34	35	36	172	26%
IT Equipment & Software	11	11	11	11	11	55	8%
GIS	100	-	-	-	-	100	15%
Fleet –Trucks	-	85	250	-	-	335	51%
Total Expenditure, Net	144	130	295	46	47	662	100%

The General Plant programs are summarized below:

Tools (\$172,000)

This category includes investments in various tools and small equipment required to support the 24/7 operations and maintenance activities of the engineering, operations, and stores departments. These tools are essential for safe, efficient, and timely field work. The tools will be progressively replaced with electric alternatives (e.g., battery-operated chainsaws, presses, and other power tools) to reduce reliance on two-stroke motors and minimize exhaust gas emissions.

IT Equipment and Software (\$54,000)

This category includes investments in information technology equipment and software necessary to support E.L.K.'s operational and administrative functions. These expenditures ensure that systems remain reliable, secure, and aligned with current technology standards. Office equipment within this category includes items such as printers, desks, and other essential tools required for E.L.K. staff to perform their duties effectively and efficiently.

GIS (\$100,000)

E.L.K. acquired the ESRI GIS Utility Network platform during the previous Cost of Service / DSP period. Since implementation, E.L.K. has continued to advance its GIS data quality and enhancement efforts to improve data accuracy, completeness, and usability across the organization.

As part of this ongoing program, E.L.K. is systematically correcting legacy data issues and populating the GIS with comprehensive asset information, including equipment attributes and connectivity data. These efforts support improved asset management, inspection planning, and maintenance activities by providing field crews and engineering staff with more reliable and current system information.

Enhancing the quality of GIS data within the Utility Network model will also strengthen E.L.K.'s ability to support outage management, system analysis, and future grid modernization initiatives. This program remains an important foundational component of E.L.K.'s long-term operational efficiency, reliability, and data-driven decision-making strategy. For further details on these projects, please refer to the material narrative in Appendix A.

Fleet (\$335,000)

As part of its ongoing fleet renewal strategy, E.L.K. plans to replace two service vehicles that have reached end of life. These vehicles are critical for day-to-day operations as they are driven daily as one of the vehicles is currently assigned to the metering department, while the second vehicle is utilized as an underground service truck to support field operations.

The vehicles (model years 2015 and 2016) have accumulated 330,000 km to 350,000 km and have experienced increased maintenance requirements, indicating diminished reliability and operational efficiency. Replacing these units in 2028 and 2029 will reduce the risk of service disruptions, improve crew safety, and lower ongoing maintenance costs. The fleet renewal will ensure that E.L.K. field staff are equipped with reliable vehicles that are suitable for the operational demands of metering and underground service activities. For further details on these projects, please refer to the material narrative in Appendix A.

5.4.1.2.5 Investments with Project Lifecycle Greater than One Year

For capital projects spanning multiple years, costs remain under construction work-in-progress until the capital project is in service. Therefore, capitalization will only occur at the end of the project once it is in service and is considered to be "used and useful."

5.4.1.3 Comparison of Forecast and Historical Expenditures

A comparison of E.L.K.'s capital expenditures in the DSP's forecast period as compared to the historical period is provided in the following subsections.

5.4.1.3.1 Overall Capital Expenditures

The overall net capital expenditure trends over the 2022 to 2031 period are shown in Figure 5.4-3. The forecasted average overall net capital expenditures are expected to be approximately 22% higher than the historical average actuals. This increase is primarily due to enhanced investments in pole renewal and replacement, transformer renewal, underground rebuild and smart grid deployment. Capital expenditures in 2027 are higher due to increases in mandatory System Access projects, in particular, subdivision development and meter reverification. E.L.K. has minimal control over the timing

and pacing of these projects as they are driven by third parties (e.g., customers, developers, municipality) and Measurement Canada guidelines. To mitigate the increases in System Access in 2027, E.L.K. has deferred some spending in General Plant and System Service investments.

System Renewal expenditures are continuing an upward trend due to the need for E.L.K. to address a growing backlog of assets that have reached or are approaching end of useful life. Over time, replacement activity has not kept pace with asset aging, resulting in an increasing number of assets classified as being in poor or very poor condition. The current System Renewal program is therefore focused on catching up on required asset replacements in order to maintain system reliability and safety.

Net expenditures throughout the historical period have seen some volatility. This is in part due to re-evaluation of priorities within certain years and variations in capital contributions, as outlined Section 5.4.1.1 above.

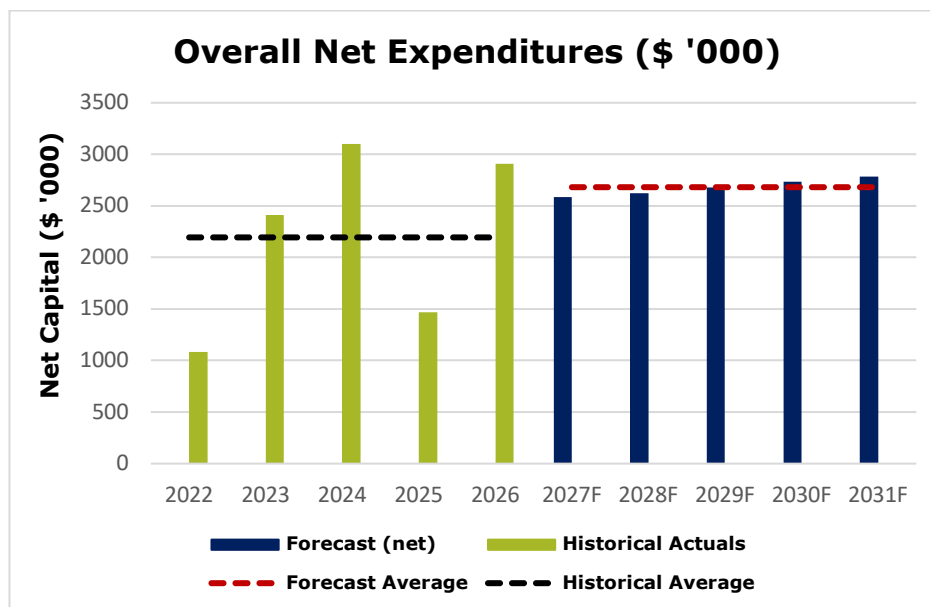


Figure 5.4-3: Overall Expenditures Comparison

5.4.1.3.2 System Access

System Access expenditures are largely driven by customer service requests for new connections and/or service upgrades, and mandated service obligations. As shown in Figure 5.4-4, the forecast average for System Access is 15% less than the historical years average. The decrease in spending projected for the forecast period is primarily driven by the timing and nature of these investments, which are dictated by the requirements of external parties and mandated obligations under applicable laws, regulations, and government policies, as well as the assumption of capital contributions from

project proponents which offset many of these costs. The forecast reflects information provided by the developers about their upcoming developments and also by the Town of Essex, Town of Kingsville, and Town of Lakeshore regarding their capital investment plans. These plans often necessitate infrastructure relocations due to potential conflicts with E.L.K.'s existing assets. In the absence of finalized designs, the budgetary estimates are based on the anticipated scope of relocation work informed by preliminary project details and historical trends.

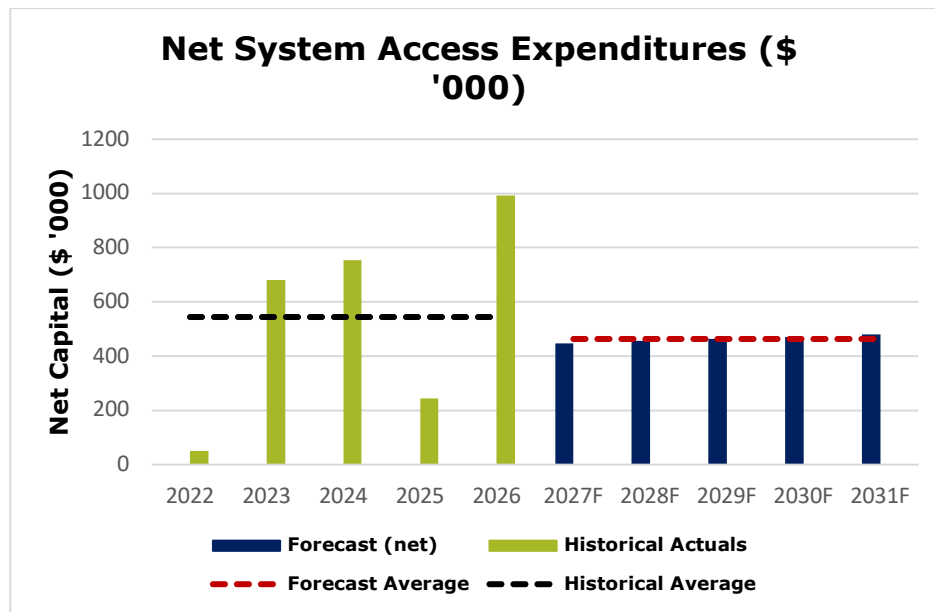


Figure 5.4-4: Net System Access Expenditures Comparison

5.4.1.3.3 System Renewal

System Renewal expenditures are impacted by planned capital investments and the objective to address condition-based maintenance activities within the asset system to meet customer's expected performance and reliability. As shown in Figure 5.4-5, the forecast average for System Renewal is 78% higher than the historical years average. The significant increase in spending projected for the forecast period is attributed to higher expenditures in the Pole Replacement, Transformer Replacement, Voltage Conversion/Replacement programs (refer to Section 5.4.1.2.2 for more details) to continue to address a backlog of replacing aging infrastructure.

Within the 2027-2031 period, forecast System Renewal spending is expected to be relatively stable with only small year-over-year increases to accommodate the proactive and reactive System Renewal investments needed to meet customer's expected performance and reliability, while also accounting for inflation.

The year-over-year variations observed over the historical period are driven by a variety of factors, including but not limited to resource and funding availability, higher than expected emerging capital jobs and trouble calls, reassignment of work to accommodate higher priority work, as well as E.L.K.'s refined strategy to proactively replace aging infrastructure.

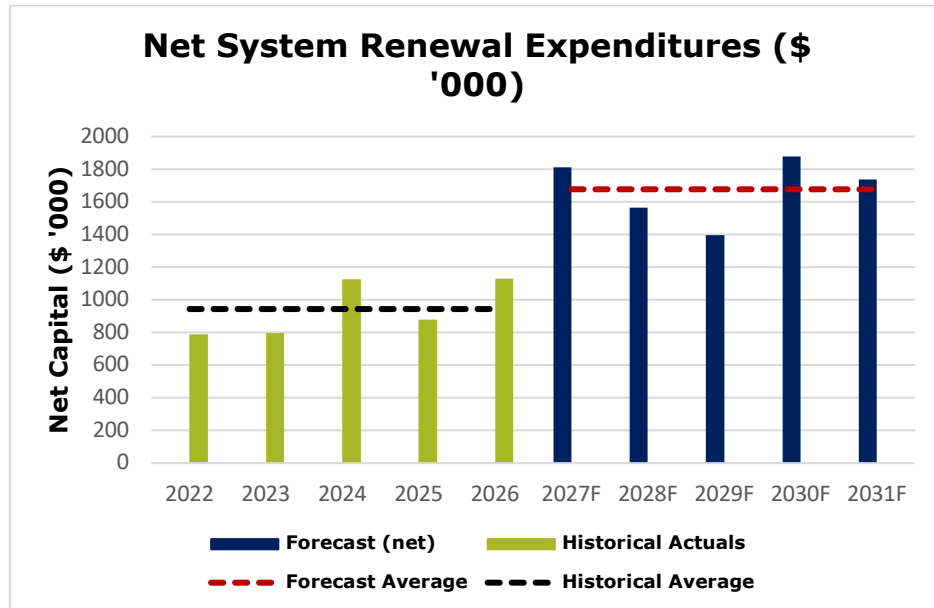


Figure 5.4-5: Net System Renewal Expenditures Comparison

5.4.1.3.4 System Service

The forecast average for System Service is 41% higher than the historical years average, as shown in Figure 5.4-6. This increase is primarily driven by the continued investment in the smart grid plan by adding intelligent switches and reclosers. Refer to Section 5.4.1.2.3 for more details.

These investments reflect E.L.K.'s dedication to grid modernization, enhancing long-term reliability, and improving cost efficiency. The Smart Grid program targets select feeders, equipping them with advanced remote-operable reclosers designed to support automatic restoration schemes. During the historical period, E.L.K. installed 12 reclosers and plans to accelerate this effort, with 15 additional switches slated for installation in the forecast period.

E.L.K. also plans to install the single-phase Cutout-Mounted reclosers which can replace the traditional fused cutout switches. This will allow E.L.K. to operate the cutout switches remotely and will reduce the power restoration time.

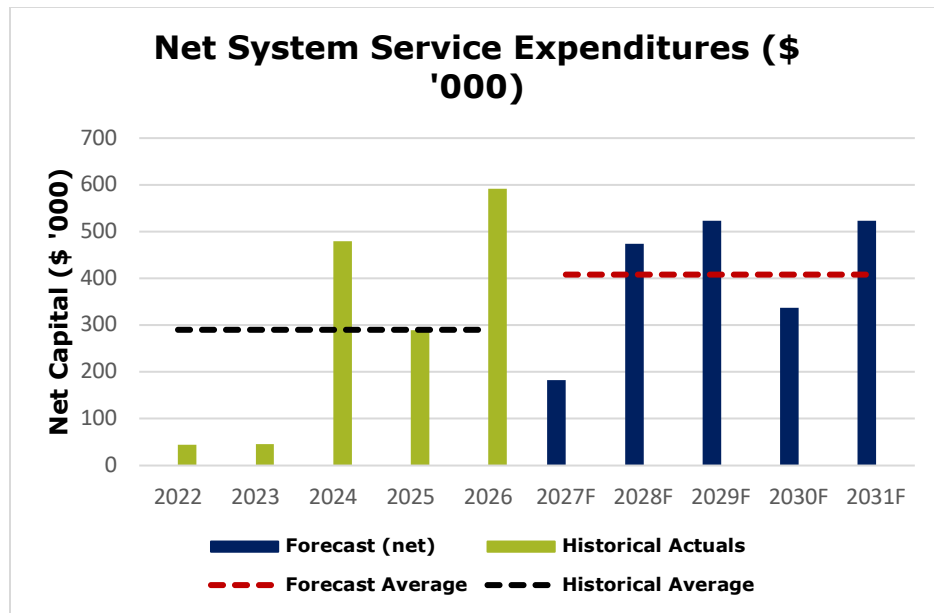


Figure 5.4-6: Net System Service Expenditures Comparison

The year-over-year variations observed over the historical period are driven by a variety of factors. Prior to 2022, E.L.K. had no investment in the System Service category. In 2022, E.L.K. started the Faulted Circuit Indicator program and in 2024, E.L.K. initiated the Smart Grid program that included secondary supply feeders for communities and reclosers.

5.4.1.3.5 General Plant

E.L.K. continues to use its planning process outline in Section 5.3.1 to address critical issues needed within the General Plant program, including existing facilities, fleet, and IT assets. As shown in Figure 5.4-7, the forecast average is 69% less than the historical years average. This decrease is primary driven by the fleet requirements in the previous Cost of Service period. The two heavy duty trucks were in the previous COS period were \$777,211 and were part of the approved ICM application EB-2023-0013.

In the 2027 to 2031 Cost of Service period, the investments in the General Plant category are forecast to fluctuate around the expected vehicle replacements in 2028 and 2029, but otherwise remain stable with modest annual levels of Tools and IT investments.

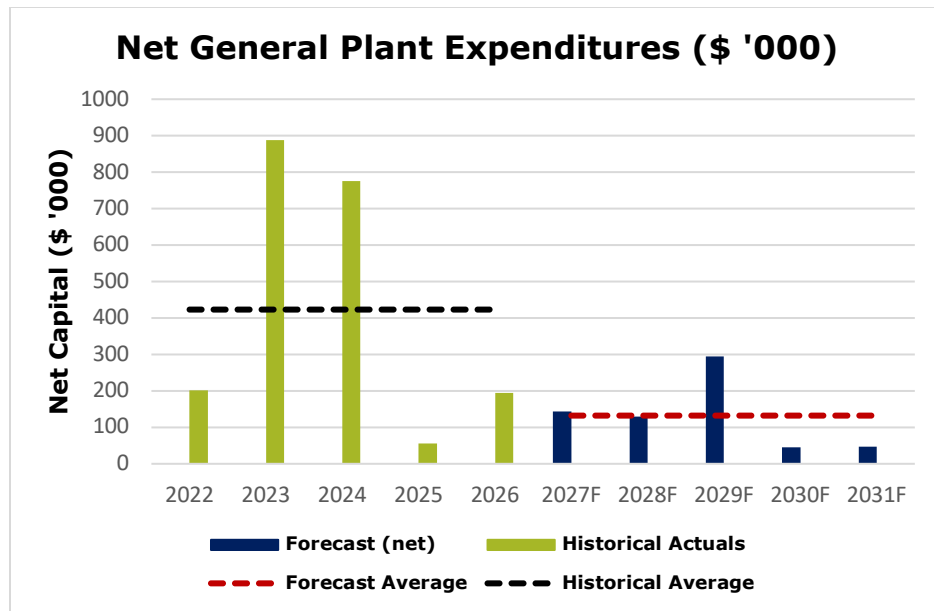


Figure 5.4-7: Net General Plant Expenditures Comparison

The year-over-year variations observed during the historical period are influenced by several factors, including purchase of heavy-duty fleet, building renovation, stock yard renovation. For further discussion, see Section 5.4.1.1.

5.4.1.4 Important Modifications to Capital Programs Since Last DSP

E.L.K. has made the following updates to its Capital Programs since its previous DSP prepared as part of EB-2021-0016:

- Overarching Philosophy of Increasing Proactive Replacements:** For many years, E.L.K.'s preferred approach to asset replacement was reactive. Beginning in 2022, E.L.K. began the transition to a more proactive replacement strategy within its asset management approach. As E.L.K. began its proactive programs in 2022, it began to realize that the prior proposed level of spend was still not sufficient to address its system needs. For example, results from pole testing highlighted significantly more poles that were at end of life and in need of replacement that E.L.K. originally forecasted. It therefore began to increase its actual expenditures accordingly. This philosophy is now the foundation of how E.L.K. does its planning and develops its proposed expenditures.
- Live Front Transformer Replacement:** E.L.K. has implemented the Live Front Transformer Replacement Program to proactively remove obsolete live front transformers from the distribution system. These legacy transformer designs do not align with current industry standards or E.L.K.'s asset objectives. The program was initiated in 2024 and is planned to

continue through 2027, with the objective of systematically eliminating remaining live front transformers from the system. This initiative supports improved public and worker safety, reduces operational risk, and enhances overall system reliability. In addition, E.L.K. is planning to increase the annual volume of transformer replacements in future DSP. Accelerating the replacement pace will allow E.L.K. to further reduce safety exposure, address aging assets more efficiently, and advance progress toward a fully standardized and modernized transformer fleet.

- **Pole Replacement and Restoration:** E.L.K. is increasing the rate at which it is replacing poles that have reduced strength and are at end-of-life. The Kinectrics ACA study identified that the rate of replacement of pole assets was insufficient in comparison to the expected life of its pole assets. In order to minimize the cost for this increased rate of pole replacement, E.L.K. has continued its practice of 'Pole-Trussing', which is an alternate strengthening system to temporarily support poles in poor condition where base-line rot has weakened them. E.L.K. is also considering an alternative to pole trussing which is pole wrapping with a resin-based fibreglass wrap that provides additional strength to the pole. This will allow a deferral of the time within which the pole will need to be replaced.

In addition to this, E.L.K. will eventually adopt ENWIN's practice of determining pole strength through more scientific means using a Resistograph® drill to more accurately determine the health and strength of a pole so that E.L.K. has better assurance that poles in the most critical state are addressed with the highest priority.

- **Open Bus Conversion:** Following increased outage frequency analysis, E.L.K. has expanded its approach to addressing rear-lot secondary reliability issues. Since the last DSP, E.L.K. has formally introduced an open-bus secondary replacement program, focusing on the systematic conversion of rear-lot open bus secondary circuits to insulated triplex conductors. This strategy represents a shift toward proactive replacement of high-risk secondary assets, beginning with approximately 28 blocks in Kingsville and expanding to other service areas in future years.
- **Smart Grid Enhancements:** Since the previous DSP, E.L.K. has expanded its Smart Grid capital programs beyond Faulted Circuit Indicator deployment by increasing the use of line reclosers to improve feeder sectionalization and enable remote power restoration. E.L.K. is also introducing single phase cutout-mounted reclosers as a cost-effective automation solution at existing fused cutout locations, particularly on smaller or remote circuits. Collectively, these enhancements improve operational flexibility, reduce outage duration, and minimize the number of customers impacted during fault events. These single-phase cut-out reclosing devices will also enable a momentary or permanent fault to “blink” only the branch upon which

the fault exists instead of the entire town. This will improve the customer experience for all ELK customers.

- **Voltage Conversion:** E.L.K. has modified its long-term voltage strategy since the last DSP to prioritize the elimination of multiple distribution voltages, including the initiation of a multi-year conversion of the Comber distribution system from 8 kV to 27.6 kV, where some of the oldest assets in the service territory remain in operation. E.L.K. also plans to convert the voltage of embedded 4 kV systems within the Essex and Kingsville service areas beginning in 2026 to eliminate downstream step-down configurations and reduce reliance on non-standard equipment. The main driver of these voltage conversions is that those systems are among the oldest in the E.L.K. service territory and are at or approaching end-of-life and their replacement at the more common 27.6kV sub-transmission voltage will support increased asset standardization, reduce system complexity and inventory requirements, and align network design with current distribution planning and operating standards.
- **Revenue and Connection Horizon:** Amendments to the Distribution System Code effective March 3, 2025 introduced two key changes that affect the economics and timing of residential connection projects. First, the revenue horizon for all residential connections was extended from 25 to 40 years, allowing distributors to include an additional 15 years of forecast billing revenue when assessing the cost-effectiveness of new connections, which significantly reduces the upfront capital contributions required from developers. Second, for qualifying housing developments, the maximum customer connection horizon was extended from 5 to 15 years, providing developers with greater flexibility to phase construction and connect customers over a longer period before allocated capacity is forfeited.

5.4.1.5 Forecast Impact of System Investments on System O&M Costs

E.L.K. anticipates reduced maintenance costs over time for certain deteriorated assets replaced over the DSP horizon. Proactive replacement of assets nearing end of life will also assist in avoiding some costs associated with outage response and reactive replacements. However, these reductions are expected to be offset by increased maintenance requirements for assets that are currently or expected to deteriorate into poor or very poor condition over the DSP horizon and are not scheduled for replacement.

In addition, some maintenance and inspection activities are uncorrelated with System Renewal expenditures, including:

- Inspection cycles in accordance with Appendix C of the DSC;

- Preventative maintenance (e.g., vegetation management);
- Reactive maintenance due to extreme weather events.

Due to the moderate pacing of E.L.K.'s planned System Renewal expenditures over the DSP horizon, no material impact on system O&M is anticipated.

Table 5.4-18: Forecast System O&M Expenditures

Category	Forecast (\$ '000)				
	2027	2028	2029	2030	2031
System O&M	1,844	1,881	1,918	1,957	1,996

5.4.1.6 Non-Distribution Activities

E.L.K. has not included any expenditures for non-distribution activities in its budget.

5.4.2 JUSTIFYING CAPITAL EXPENDITURES

Customer Value

Meeting customers' needs and expectations is one of E.L.K.'s AM objectives. These key inputs and objectives drive E.L.K.'s planning and AM processes, and customer feedback is a key input considered when developing capital plans.

By prioritizing system access projects, including new customer connections, service requests, new subdivisions, municipally driven projects, and joint use projects, all of which are mandatory, E.L.K. ensures that customer needs and requests are being met.

The scope of capital investments planned in the system renewal category has also been determined with the objective of optimizing the pacing of investments to strike a balance between affordable rate increases for customers while still investing in key areas to maintain the safety and reliability of the distribution system from deteriorating below an acceptable level.

The proposed system service investments deliver value to customers by accommodating future load growth or DER projects and improving grid operation performance and flexibility.

E.L.K. plans to automate more of its network over the forecast period, with SCADA-enabled devices. These investments are targeted at reducing the size and duration of interruptions and improve response times, which is consistent with customer's desire for a reliable electricity supply and to invest money in new technologies, even if it means there is an additional cost. These investments will also enable future grid automation activities and control activities.

1 E.L.K.'s General Plant investments are also selected and prioritized such that they can continue to
2 operate safely, efficiently and support other work. The upgrades in general plant will allow E.L.K. to
3 respond to interruptions, provide more information and communication options to customers, and
4 improve operational efficiencies by automating processes that were previously completed manually.

5 This aligns with the customer survey results, where over 78% emphasized the appropriateness of the
6 proposed spending.

7 In order to align E.L.K.'s overall capital budget envelope with customer expectations, E.L.K. has
8 prioritized and optimized its proposed capital investments such that the most critical projects and
9 programs have been budgeted over the forecast period, while a number of lower priorities, less critical
10 scoped projects and programs have been either deferred, reduced, or eliminated from the budget
11 envelope.

12 Technological Changes and Innovation

13 As part of its ongoing distribution system planning and modernization efforts, E.L.K. continues to
14 integrate cost-effective technological changes and innovative solutions to enhance system reliability,
15 operational efficiency, and asset management. Key areas of technological advancement include grid
16 automation, system monitoring, data management, and asset standardization.

17 **Smart Grid Technologies:** E.L.K. has advanced the use of Smart Grid technologies through the
18 deployment of line reclosers and single-phase cutout-mounted reclosers that provide remote
19 monitoring, sectionalization, and restoration capabilities. These technologies enable faster fault
20 isolation, reduced outage duration, and improved operational flexibility, particularly on rural and remote
21 circuits. During the historical period, the deployment of these devices has contributed to improved
22 reliability performance by limiting the extent of outages, reducing customer minutes interrupted, and
23 supporting faster service restoration following fault events.

24 **Digital Mapping and AM Technology:** E.L.K. has also adopted modern digital mapping and asset
25 management technology through the implementation of the ESRI GIS Utility Network platform.
26 Continued data cleanup and asset attribute population support improved inspection, maintenance
27 planning, outage response, and long-term capital decision-making, forming a foundational component
28 of E.L.K.'s data-driven asset management strategy.

29 **System Standardization Initiatives:** E.L.K. is progressing system standardization initiatives,
30 including voltage conversion programs that eliminate non-standard distribution voltages and reduce
31 reliance on legacy equipment. These initiatives improve system consistency, reduce inventory
32 complexity, and support the integration of modern protection and automation technologies.

Consideration of Traditional Planning Needs

As previously explained as part of its planning process described in Section 5.3.1, traditional planning needs, including customer growth, asset condition, and reliability are key inputs considered as part of E.L.K.'s AM processes.

E.L.K. undertakes system studies to identify areas that may require investments to accommodate required capacity. Load growth and supply of power is a direct input into E.L.K.'s planning for System Access and System Service type projects. It is also considered when rebuilds are completed in an effort to ensure that existing areas will be able to meet the existing and forecasted future demand needs for customers. Load growth is also a key input into the regional planning process which helps to identify future requirements (both wires and non-wires) to accommodate load growth.

Asset condition and reliability data are key inputs considered by E.L.K. when identifying, selecting, and prioritizing System Renewal expenditures. It is through the ACA and reliability studies that E.L.K. can identify the portion of the system that has reached (or soon will) a point that requires renewal, and where in the system those assets pose the greatest risk to reliability and/or public safety. Asset that are in poor or very poor condition, as well as targeted fair condition assets, directly influence the level of investment proposed over the forecast period and E.L.K. has put forth renewal levels that will yield sustained investment levels on a go forward basis as opposed to variable investment levels (i.e., to manage large demographics of assets in poor condition).

E.L.K.'s challenge is to seek an optimized balance between cost, risk, and performance. Therefore, in preparing this DSP, E.L.K. has focused on prioritizing investments into renewal of the most critical infrastructure components to achieve the balance required between keeping the power supply reliability from degrading while maintaining the electricity distribution rates at affordable levels.

Overall Capital Expenditures

E.L.K.'s overall capital expenditure plan for the 2027–2031 DSP period has been developed to ensure that, when considered as a whole, the proposed investments support the distributor's core objectives of safety, reliability, asset sustainability, operational effectiveness, and affordability. As outlined in Section 5.4, E.L.K.'s forecast capital expenditures average approximately \$2.7 million per year and are predominantly directed toward System Renewal, which represents the largest share of total spending over the five-year period. This reflects E.L.K.'s deliberate shift toward proactive management of asset condition risks identified through asset condition assessments, inspection data, and reliability performance analysis.

The capital program is balanced across the four OEB investment categories—System Access, System Renewal, System Service, and General Plant—to address both mandatory growth-related obligations

and longer-term sustainment of the distribution system. Investments in System Access ensure E.L.K. can meet evolving customer and development-driven load requirements, while System Service expenditures support grid modernization initiatives that improve fault response, sectionalization, and restoration times. General Plant investments, though smaller in proportion, are necessary to sustain field operations, data integrity, and fleet reliability, which underpin the effective delivery of all system investments.

Figure 5.4-8 illustrates E.L.K.'s overall net capital expenditure trends by investment category over the 2022–2031 period. The figure shows that total net capital expenditures increase from approximately \$1.1 million in 2022 to a peak of approximately \$3.1 million in 2024, followed by a temporary decline in 2025 and 2026. This decline reflects the completion of certain time-limited projects and the deferral or rescoping of discretionary investments during the latter part of the historical period.

Beginning in 2027, overall net capital expenditures increase and then stabilize over the forecast period, averaging approximately \$2.6 million to \$2.8 million annually through 2031. This stabilization reflects E.L.K.'s approach to pacing investments while anchoring recurring capital programs early in the forecast period to maximize long-term system benefits.

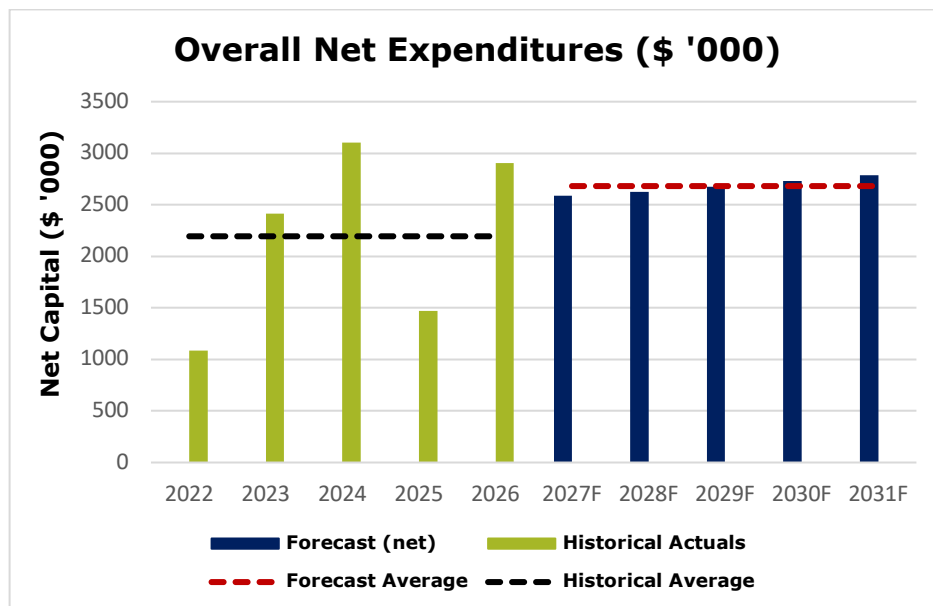


Figure 5.4-8: Overall Expenditure Trends

5.4.2.1 Material Investments

This section provides details of the material capital projects and programs included in the 2027-2031 capital plan. The projects and programs presented in Table 5.4-19 exceed E.L.K.'s materiality threshold of \$50,000. Additional details and supporting information for these projects and programs are provided in Appendix A – Material Narrative.

Table 5.4-19: Proposed Capital Investments during Test Year - Projects over Materiality

Category	Project Description	Priority Rank	2027 Planned Expenditure (\$ '000)
System Access	Subdivision Development – Essex Town Centre Ph 2-4	1	66
	Subdivision Development – Dalla Bona Ph 2		117
	Residential Connections		90
	Commercial Connections		-
	Municipal Driven Projects		75
	Metering Renewal		100
System Renewal	Pole Replacement and Restoration	2	490
	Transformer Renewal	2	258
	Open Bus Conversion	3	150
	4kV Conversion	2	228
	Live Front Transformer Replacement	2	235
	Comber - 8kV Renewal/Conversion	2	300
	27.6kV PME - Comber	2	150
	Underground Primary Replacement	3	-
System Service	Smart Grid - Cottam Recloser	4	140
General Plant	GIS Cleanup	2	100
	Fleet	2	-
Total Net Capital Expenditures			2,499

Appendix A

Material Investment Narratives

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

This program consists of new subdivision projects within E.L.K.'s service areas that are required to accommodate new customer connections. Projects within this program are initiated by third-party developers and municipalities. E.L.K. is anticipating two major subdivision developments in the 2027 Test year, which are expected to result in the total connection of approximately 128 new residential lots across two different E.L.K. service areas once the projects are fully completed. The scopes associated with each of the planned subdivision projects are summarized below:

1. Essex Town Center Ph 2-4: The scope of this project includes the installation of 1,100 m of primary cable, 1,500 m of secondary cable, and 12 underground transformers for the connection of 97 new lots.
2. Dalla Bona Ph 2: The scope of this project includes the installation of 2,000 m of primary cable, 2,600 m of secondary cable and 13 pad-mounted transformers for the connection of 31 new lots.

Where appropriate, capital contributions towards the cost of these projects are collected by E.L.K. in accordance with the DSC and the provisions of its Conditions of Service. E.L.K.'s capital into these projects represents cost to provide material to developers and labour to install transformers and make primary and secondary connections. After capital contributions, the total labour and material cost required from E.L.K. to support the completion of these new subdivision projects is expected to amount to approximately \$183,000 in 2027. Further costs are forecast for the 2028-2031 period building upon its 2027 costs, with actual costs varying once a subdivision project is known.

2. TIMING

- i. Start Date: January 1, 2027
- ii. In-Service Date: December 31, 2027 - 2031
- iii. Key factors that may affect timing: The timing of the project is primarily dependent on when developers proceed with their respective developments. As these projects are initiated by third-party developers, changes in development schedules, approvals, or construction sequencing may affect the timing of E.L.K.'s associated work.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	1,028	564	450	260	2,034	611	623	636	649	662
Contributions	808	192	40	67	1,424	428	436	445	454	463
Capital (Net)	220	372	410	193	610	183	187	191	195	199

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Economic evaluations are conducted by E.L.K. on a case-by-case basis, where applicable. For the subdivision projects included in this program, the need for an economic evaluation is dependent on the forecast project scope and the level of capital contributions provided by customers or developers. Based on the current information available for each of the two anticipated projects the anticipated costs and contributions have been assessed and are summarized in the following table:

Table 2: Subdivision Project Cost breakdown in the 2027 Test Year (\$000s)

Subdivision Project	Gross Capital	Capital Contribution	Net Capital
Essex Town Centre Ph 2-4	\$221	\$155	\$66
Dalla Bona Ph 2	\$390	\$273	\$117
Total	\$611	\$428	\$183

5. COMPARATIVE HISTORICAL EXPENDITURE

Historical expenditures are not necessarily indicative of future requirements, as subdivision development scope and scheduling can vary significantly and are primarily contingent on developer activity. Over the past five years, E.L.K. has incurred the following expenditures to support System Access subdivision development projects within its service territory. The costs presented below are net of customer and developer capital contributions.

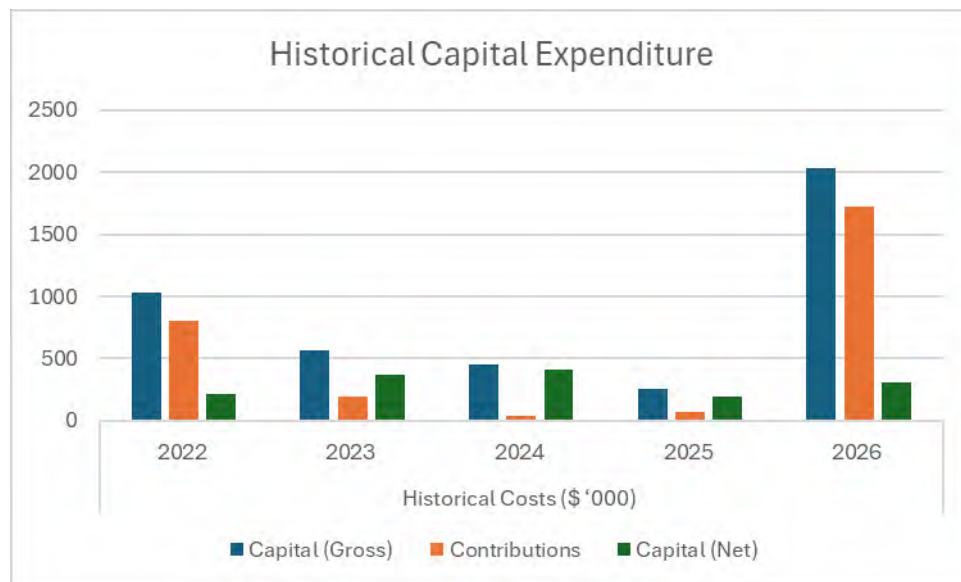


Figure 1: Historical Capital Expenditure

6. INVESTMENT PRIORITY

These projects are considered mandatory when initiated and therefore take priority over other capital programs. Subdivision projects are prioritized based on the order in which they are formally requested and advanced by developers. To manage multiple subdivision developments occurring concurrently, E.L.K. applies an internal prioritization methodology that considers project readiness and execution



Material Investment Narrative

Investment Category: System Access - Subdivisions

milestones. This includes the status of Offers to Connect (OTCs), execution of signed OTCs with required payments, and the ordering and confirmed delivery of major equipment such as transformers.

7. ALTERNATIVES ANALYSIS

Subdivision projects are initiated by third-party developers or municipalities, and E.L.K.'s role is to facilitate these connections in accordance with its established System Access policies and procedures. As such, alternative investments are generally not considered by E.L.K. unless they are formally proposed by the developer and require evaluation as part of the detailed design process.

Where alternative design or connection options are brought forward, they are reviewed on a case-by-case basis, considering technical feasibility, compliance with E.L.K.'s standards, overall cost-effectiveness, and long-term operational impacts. Only those alternatives that represent the most practical and cost-effective solution are advanced. This approach ensures that subdivision projects are delivered efficiently and reliably, while appropriately allocating costs through customer or developer capital contributions, consistent with the Distribution System Code.

8. INNOVATIVE NATURE OF THE PROJECT

Not Applicable

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 3: Investment Evaluation – Efficiency, Customer Value, Reliability & Safety

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	These capital investment projects are driven by third parties and typically have no impact on existing system operation efficiency and cost effectiveness. However, third-party driven projects are delivered using standardized System Access processes to ensure efficient execution.
Customer Value	Benefits to customers are realized in the completion of new subdivisions and accommodating new connections that are reliable, efficient, and built to current standards.
Reliability	There are no direct impacts on reliability as a result of these projects. However, new assets are designed to current standards to integrate safely with the existing system without degrading local reliability.
Safety	Infrastructure is constructed to current safety and engineering standards, reducing public and worker safety risk.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver for these projects is mandated service obligations. These are third party plans and requests to build new subdivisions within E.L.K.'s service areas. These are mandatory projects, and the scopes and timelines are based on requirements put forth by the third parties.
- ii. **Secondary Drivers:** There is no secondary driver associated with this capital program beyond E.L.K.'s commitment and obligation to provide System Access services under the DSC.
- iii. **Information Used to Justify the Investment:** System Access developments, such as the new subdivision projects outlined in this business case, are driven by third party requests (customers, developers, municipalities, etc.) and are mandated by the OEB to be completed under the DSC. E.L.K. consults with developers and municipalities on an ongoing basis to forecast and plan for proposed System Access developments. For each of the two subdivision projects planned for the test year, E.L.K. has coordinated with each developer/municipality to identify the scopes, schedules and costs associated with these projects.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** E.L.K. will ensure that each subdivision project is designed and constructed in accordance with E.L.K. standards and Ontario Regulation 22/04 to maintain high levels of reliability and redundancy. Third-party engineering consultants and vendors will be engaged, as required, to ensure compliance with these standards during project design and construction. All new subdivisions are serviced using underground distribution systems, which provide greater resilience to adverse weather conditions compared to overhead systems. In addition, new residential services are designed to a 200 A standard, providing sufficient capacity to accommodate future electrification needs, including electric vehicle charging.
- ii. **Benefit-Cost Analysis:** Subdivision projects are driven by third-party developer requests and plans. E.L.K. executes these projects in accordance with its standardized System Access procedures for distribution system connections. Alternative design options are not considered unless they are formally proposed by the developer and require evaluation as part of the detailed design process. Where alternatives are brought forward, they are assessed on a case-by-case basis, and only those that are practical, compliant with E.L.K. standards, and cost-effective are pursued.
- iii. **Historical Investments & Outcomes Observed:** E.L.K. has previously completed servicing for a number of subdivision development projects within its service territory, including earlier phases of these subdivision developments. Historical costs associated with these projects have varied depending on the size and scope of each subdivision, particularly the number of new residential connections within a single development.
- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** E.L.K.'s approach to servicing new subdivisions is designed to better meet the changing needs of customers, particularly as electricity use continues to evolve. For new subdivision developments, E.L.K. has standardized the use of 100 kVA transformers, which provide additional capacity compared to traditional designs. This added capacity is especially useful as more customers adopt electric vehicles and look to charge them at home. In addition, E.L.K. provides a 200-amp service up to the meter base for new residential connections. This gives developers and homeowners greater flexibility to upgrade their internal wiring in the future, if needed, to support electrification such as EV chargers or other electric equipment. Together, these practices help ensure reliable service, reduce the need for future infrastructure upgrades, and give customers more options as their electricity needs grow.

5. ECONOMIC GROWTH

These projects will support economic growth in Windsor / Essex region, by facilitating the construction of much needed residential housing in the region, consistent with Ontario's housing goals of building 1.5 million new homes over 10 years.¹

¹ <https://www.ontario.ca/page/housing-affordability-task-force-report>

Material Investment Narrative

Investment Category: System Access – Residential Connections

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

The Residential Connections Program is an ongoing System Access initiative required to support new residential development within E.L.K.'s service territory, including new service connections, upgrades, and relocations. These investments are primarily driven by third-party development activity and are necessary to ensure timely connection of customers in accordance with Distribution System Code (DSC) requirements. The need for this program is directly tied to anticipated residential growth and evolving housing demands across E.L.K.'s service areas. These Residential Connections are ad hoc in nature and largely in-fill connections not tied to specific major subdivision projects, which are captured in a separate System Access capital program.

The scope of the program includes installation of new service infrastructure and, where required, system expansions to provide sufficient distribution capacity to new residential developments. In cases where additional infrastructure is required beyond standard connections, capital contributions from customers are determined. The program is ongoing in nature, with expenditures expected to align with historical trends and planned development activity, ensuring E.L.K. can continue to meet its obligations to connect customers. E.L.K. has estimated expenditures of approximately \$466,000 over the 2027 to 2031 forecast period, or approximately \$93,000 per year, to support an average of 18 residential connections per year (excluding subdivisions).

2. TIMING

- i. Start Date: January 1, 2027
- ii. In-Service Date: December 31, 2027-2031
- iii. Key factors that may affect timing: The timing of residential connection projects is primarily dependent on third-party development schedules, including when customers proceed with the construction. As these projects are externally driven, changes in development timelines can directly impact the scheduling and execution of E.L.K.'s connection work.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	142	162	223	145	82	90	92	93	95	97
Contributions	0	0	0	0	0	0	0	0	0	0
Capital (Net)	142	162	223	145	82	90	92	93	95	97

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Economic evaluations in accordance with Section 3.2 of the (DSC) are conducted by E.L.K. on a case-by-case basis, where applicable. The Residential Connections Program is primarily driven by

Material Investment Narrative

Investment Category: System Access – Residential Connections

customer requests, and therefore the need for and extent of economic evaluation depends on the scope of each individual project.

Where required, system expansions triggered by residential developments are assessed in accordance with the DSC, and capital contributions are calculated based on forecast load, development phasing, and applicable connection and revenue horizons. These evaluations ensure that costs are appropriately allocated between E.L.K. and the customer, while maintaining compliance with regulatory requirements and supporting cost-effective system expansion. E.L.K. has assumed that additional capital contributions will not be required for in-fill Residential connections over the forecast period.

5. COMPARATIVE HISTORICAL EXPENDITURE

Table 2: Residential Connections and Costs

Year	Residential Connections	Average Cost
2022	23	\$6,165.38
2023	30	\$5,379.91
2024	52	\$4,293.22
2025	32	\$4,529.00
Average	34	\$5,091.88

6. INVESTMENT PRIORITY

Residential connection projects are considered mandatory System Access investments and therefore take priority over discretionary capital programs. These projects are driven by third-party developers and customers, and E.L.K. is obligated to provide timely connections in accordance with the DSC. As such, these investments are prioritized based on when projects are initiated and progress through the development process.

7. ALTERNATIVES ANALYSIS

Residential connection projects are driven by third-party developers and customer requests, and therefore alternatives in terms of whether to proceed with the investment are generally not available to E.L.K., as the distributor is obligated to provide service in accordance with the DSC.

8. INNOVATIVE NATURE OF THE PROJECT

Not Applicable

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

Material Investment Narrative

Investment Category: System Access – Residential Connections

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 3: Investment Evaluation – Efficiency, Customer Value, Reliability & Safety

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	New residential connections are connected using the standardized processes to ensure coordination and execution of the new connections.
Customer Value	Enables timely connection of new residential customers and supports community growth.
Reliability	New connections are designed to current standards which are predominantly underground services, these are generally more reliable and will ensure minimal reliability issues due to any potential failures.
Safety	Infrastructure is installed to current safety and engineering standards, ensuring safe operation for both customers and E.L.K. workers.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver for the Residential Connections Program is the need to connect new residential customers in response to the customer request as per E.L.K.'s mandated service obligation. These projects are triggered by third-party developers and customer requests, requiring E.L.K. to provide timely connections in accordance with the DSC.
- ii. **Secondary Drivers:** Not applicable.
- iii. **Information Used to Justify the Investment:** The Residential Connections Program is justified using information from E.L.K.'s customer connection requests, developer submissions, municipal growth forecasts, and historical connection trends.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** The Program demonstrates accepted utility practice by ensuring that new residential developments are connected using infrastructure designed and constructed to current underground standards, in accordance with O. Reg. 22/04. These standards ensure that new assets installed are capable of supporting reliable operation over their lifecycle.
- ii. **Benefit-Cost Analysis:** Residential connection projects are driven by third-party developers and customer requests, and therefore the option to defer or not proceed is generally not available to E.L.K. The primary alternative considered will be related to connection design, including minimizing system expansions where possible.
- iii. **Historical Investments & Outcomes Observed:** E.L.K. has historically completed residential connection projects on an ongoing basis as part of its System Access activities, with costs



Material Investment Narrative

Investment Category: System Access – Residential Connections

varying depending on the size and scope of the customer request. The outcomes of these investments are not always directly measurable in terms of system performance metrics, as the primary objective is to enable timely customer connections.

- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** The Residential Connections Program provides direct benefits to customers by enabling the connection of new residential developments in E.L.K.'s service territory. These investments ensure that new customers receive electricity service that meets current standards, supporting reliable day-to-day operation.

5. ECONOMIC GROWTH

Not Applicable.

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K.'s Commercial Connections program is an annual, ongoing System Access program that provides new electrical service connections, service upgrades, and service relocations for E.L.K.'s general service (commercial and industrial) customers. The need for this program is driven by external customer and developer requests for new or modified electrical service, rather than by asset condition, and reflects E.L.K.'s obligation to connect eligible customers within prescribed timelines. The scope of work includes the supply and installation of new services, metering, transformation, and associated distribution infrastructure required to connect commercial customers, as well as any system expansions needed to bring available capacity to a customer's site. Where a connection requires a system expansion, a capital contribution from the customer/developer is calculated and collected in accordance with the Distribution System Code ("DSC"), offsetting program costs. Over the 2027-2031 forecast period, E.L.K. is forecasting Commercial Connections expenditures of \$200,000 (gross) per year, for a total of \$1,000,000 (gross), representing approximately 18% of total forecast System Access expenditures over the period. This level of spending reflects estimated future commercial connection activity.

2. TIMING

- i. **Start Date:** January 1, 2027
- ii. **In-Service Date:** December 31, 2027 - 2031
- iii. **Key factors that may affect timing:** Commercial connection timing depends primarily on third-party development schedules, particularly customer construction start dates. Since these projects are externally driven, changes to development timelines directly affect when E.L.K. can schedule and complete the connection work.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	37	97	60	72	200	200	200	200	200	200
Contributions	(13)	(47)	(60)	(67)	(200)	(200)	(200)	(200)	(200)	(200)
Capital (Net)	24	50	0	5	0	0	0	0	0	0

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Economic evaluations in accordance with Section 3.2 of the DSC are conducted by E.L.K. on a case-by-case basis, where applicable. The Commercial Connections program is primarily driven by customer requests, and therefore the need for, and extent of, economic evaluation depends on the scope of each individual project.



Material Investment Narrative

Investment Category: System Access – Commercial Connections

Where required, system expansions triggered by commercial developments are assessed in accordance with the DSC, and capital contributions are calculated based on forecast load, project phasing, and applicable connection and revenue horizons. These evaluations ensure that costs are appropriately allocated between E.L.K. and the customer or developer, while maintaining compliance with regulatory requirements and supporting cost-effective system expansion. E.L.K.'s assumption is that gross Commercial Connections costs over the forecast period will be offset by related contributions.

5. COMPARATIVE HISTORICAL EXPENDITURE

E.L.K.'s historical Commercial Connections expenditures have varied from year to year, reflecting the customer-driven nature of individual commercial connection requests, which do not follow a consistent annual pattern and are dependent on the timing and scale of commercial development activity within E.L.K.'s service territory. The forecast level of expenditure over the 2027-2031 period represents an increase relative to the historical average, reflecting potential growth in commercial connection activity within E.L.K.'s service territory. On a per-project basis, forecast costs are expected to remain consistent with historical unit costs for comparable connection work.

6. INVESTMENT PRIORITY

Commercial Connections falls within E.L.K.'s System Access investment category, which E.L.K. treats as non-discretionary and assigns the highest investment priority ranking of any category in the 2027-2031 capital plan. Non-discretionary System Access projects, including Commercial Connections, are automatically prioritized and included in the capital plan due to E.L.K.'s obligation to connect eligible customers. Due to the mandatory nature of System Access projects, they take priority over discretionary System Renewal, System Service, and General Plant investments if there are competing demands on E.L.K.'s capital budget.

7. ALTERNATIVES ANALYSIS

Commercial Connections projects are undertaken in response to individual customer and developer requests for new or upgraded electrical service. As E.L.K. has an obligation to connect eligible customers, deferring or declining these connections is not a viable alternative.

8. INNOVATIVE NATURE OF THE PROJECT

Not applicable.

9. LEAVE TO CONSTRUCT APPROVAL

Not applicable.

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	This investment has minimal direct effect on system efficiency. Where a system expansion is required to serve a new commercial connection, E.L.K. designs the expansion to serve the customer's load efficiently while accounting for reasonably foreseeable future capacity needs in the area.
Customer Value	This investment directly supports customer value by enabling timely connection of new and upgraded commercial service, which supports customers' business operations and local economic activity.
Reliability	This investment has minimal direct effect on the reliability of service to existing customers, as it primarily involves connecting new load rather than modifying existing infrastructure. Any new equipment installed as part of a connection is built to current design standards, which can provide an incidental reliability benefit relative to older infrastructure.
Safety	All new commercial connections and associated infrastructure are designed, constructed, and inspected in accordance with the ESA requirements, ensuring that new customer connections are made safely for both the public and workers.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver of this program is external customer and developer demand for new or upgraded electrical service connections. This is a mandatory, non-discretionary category of investment, as E.L.K. is obligated to connect eligible customers within prescribed timelines.
- ii. **Secondary Drivers:** There is no secondary driver associated with this capital program beyond E.L.K.'s commitment and obligation to provide System Access services under the DSC.
- iii. **Information Used to Justify the Investment:** This investment falls outside of E.L.K.'s asset management process, as it is driven by external customer/developer requests rather than asset condition. The forecast is instead based on historical program costs and connection volumes, and anticipated future commercial/industrial development activity within E.L.K.'s service territory.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** Connecting eligible customers within the timelines prescribed by the DSC is a standard, mandatory utility practice. E.L.K. designs each connection to accommodate the customer's requested load while considering reasonably foreseeable future capacity needs in the surrounding area, consistent with prudent utility planning. E.L.K.

will ensure that each commercial project is designed and constructed in accordance with E.L.K. standards and Ontario Regulation 22/04 to maintain high levels of safety, reliability and redundancy.

- ii. **Benefit-Cost Analysis:** As a mandatory, non-discretionary category of investment, Commercial Connections projects are not ranked against alternatives on a benefit-cost basis. Alternative design options are not considered unless they are formally proposed by the developer and require evaluation as part of the detailed design process. Where alternatives are brought forward, they are assessed on a case-by-case basis
- iii. **Historical Investments & Outcomes Observed:** E.L.K.'s historical Commercial Connections expenditures have fluctuated from year to year, consistent with the discrete, customer-driven nature of individual connection requests. E.L.K. has budgeted approximately \$200,000 (gross) per year for Commercial Connections in the 2026 bridge year and throughout the 2027-2031 forecast period, reflecting an increase relative to the historical average to accommodate potential growth in commercial connection activity.
- iv. **Substantially Exceeding Materiality Threshold:** Not applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** The Commercial Connections Program provides direct benefits to customers by enabling the connection of new commercial developments in E.L.K.'s service territory. These investments ensure that new customers receive electricity service that meets current standards, supporting reliable day-to-day operation.

5. ECONOMIC GROWTH

E.L.K.'s service territory is primarily residential, with modest small to medium-sized commercial and industrial customers. Many of the major developments driving Windsor-Essex regional growth are located outside of E.L.K.'s service territory boundaries. Nonetheless, regional economic growth may generate incremental demand for commercial connections within E.L.K.'s territory over the forecast period, which this program is positioned to accommodate.

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

This program includes the relocation of distribution assets driven by municipal and county road improvement initiatives within E.L.K.'s service territory. The scope of work includes the relocation, holding, and guying of poles, as well as transitioning services from overhead to underground where required. The extent of work varies depending on final design requirements and the nature of each road project.

The total gross cost allocated for Municipal-Driven Projects over the 2027–2031 forecast period is \$500,000, or approximately \$100,000 / year, with an estimated 10 poles to be relocated per year. These projects are non-discretionary and are undertaken in response to external municipal requirements under the Public Service Works on Highways Act (PSWHA). The program is scoped and budgeted based on historical expenditures and available information from municipal capital plans. In accordance with the PSWHA, E.L.K. collects contributed capital from municipalities to fund eligible portions of this work and supporting timely execution of infrastructure relocations necessary for public road improvements.

2. TIMING

- i. **Start Date:** January 1, 2027
- ii. **In-Service Date:** December 31, 2027-2031
- iii. **Key factors that may affect timing:** The timing of Municipal-Driven Projects is primarily dependent on municipal and county construction schedules, including road reconstruction timelines, approvals, and project phasing. As these projects are externally driven, any changes or delays in municipal planning or execution can directly impact E.L.K.'s work.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	0	160	59	0	300	100	100	100	100	100
Contributions	0	111	7	0	100	25	25	25	25	25
Capital (Net)	0	49	52	0	200	75	75	75	75	75

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Where applicable, costs associated with these projects are recovered through contributed capital from municipalities, in accordance with regulatory requirements.



Material Investment Narrative

Investment Category: System Access – Municipal Driven Projects

5. COMPARATIVE HISTORICAL EXPENDITURE

E.L.K. has reviewed historical cost information for similar municipal-driven asset relocation projects to inform forecast assumptions. Historically, the average cost to relocate or replace a distribution pole has been approximately \$10,000 per pole, depending on site conditions and scope of work. Based on municipal requirements during the forecast period, E.L.K. estimates that approximately 10 poles per year will be relocated or replaced under this program.

6. INVESTMENT PRIORITY

Municipal-Driven Projects are considered high-priority, non-discretionary System Access investments because they are initiated by municipalities and county authorities. E.L.K. does not have discretion over whether these projects proceed and must prioritize them ahead of discretionary capital initiatives to ensure compliance with the requirements and to support municipal road improvement schedules. Projects are prioritized based on readiness, confirmed construction schedules, and coordination requirements with municipalities and other utilities.

7. ALTERNATIVES ANALYSIS

For Municipal-Driven Projects, alternatives are limited due to the non-discretionary nature of the work. Deferring the relocation of the assets is not viable, as E.L.K. is required to undertake these relocations in response to municipal road improvement projects. Failure to proceed would delay municipal infrastructure projects and result in non-compliance with legislative requirements. The recommended approach is to relocate the affected distribution assets in a practical and compliant manner by minimizing costs while meeting legislative obligations.

8. INNOVATIVE NATURE OF THE PROJECT

Not applicable

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation – Efficiency, Customer Value, Reliability & Safety

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Work is executed using standardized relocation practices and coordinated with municipal schedules to minimize rework and control costs.
Customer Value	Supports timely completion of municipal road projects while ensuring electricity service continuity and appropriate cost recovery through contributed capital.
Reliability	In most cases, assets (poles) are replaced rather than relocated during the project. Replacing older infrastructure with new assets helps reduce reliability risk and lowers the likelihood of equipment failure.
Safety	Ensures relocated infrastructure meets current safety standards, reducing risk to the public and crews during construction and ongoing operation.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver for Municipal-Driven Projects is external municipal and county road improvement initiatives that require the relocation of existing distribution assets. These projects are triggered by approved municipal infrastructure works.
- ii. **Secondary Drivers:** Not Applicable.
- iii. **Information Used to Justify the Investment:** Municipal-Driven Projects are justified using information from formal notifications, design drawings, and construction schedules provided by municipalities and county authorities as part of their approved road improvement programs. Asset records and GIS data are used to identify distribution infrastructure affected by these projects and to determine the scope of required relocations.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** Relocation work is designed and executed to current utility standards, ensuring that the distribution system continues to operate reliably following municipal construction. By coordinating asset relocations with municipal projects and installing assets to current standards, E.L.K. maintains a distribution system that can continue to perform reliably under changing operating conditions.
- ii. **Benefit-Cost Analysis:** For Municipal-Driven Projects, alternatives are limited due to the non-discretionary nature of the work. Deferring the relocation of distribution assets is not viable as E.L.K. is required to undertake relocations in support of municipal road improvement projects. Failure to proceed would delay municipal infrastructure works and result in non-compliance with legislative requirements. The recommended approach is to relocate only



Material Investment Narrative

Investment Category: System Access – Municipal Driven Projects

the affected distribution assets in a practical and compliant manner, minimizing costs while meeting regulatory obligations.

- iii. **Historical Investments & Outcomes Observed:** E.L.K. has reviewed historical cost information from comparable municipal-driven asset relocation projects to support forecast assumptions. Based on past experience, the average cost to relocate or replace a distribution pole has been approximately \$9,000 - \$10,000 per pole, subject to site conditions and project scope. Based on anticipated municipal requirements during the forecast period, E.L.K. expects that approximately 10 poles will be relocated or replaced under this program per year, and has used that to forecast the annual level of forecasted program cost.
- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable

4. INNOVATION

- i. **Assessment of Benefit for Customers:** Municipal-Driven Projects provide customer benefits by ensuring that distribution assets affected by municipal road improvement initiatives are relocated and reinstalled with current design standard that maintains reliable electricity service. By coordinating asset relocations with municipal construction schedules, E.L.K. helps minimize service disruptions to customers during road reconstruction activities and ensures continuity of supply once projects are completed.

5. ECONOMIC GROWTH

Not Applicable.

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K. owns and operates approximately 12,700 revenue meters, installed on its customers' premises for the purpose of measuring electric consumption and demand of connected load for the purpose of billing. All existing residential and general service (GS) customers (< 50 kW) were equipped with smart meters in 2010. The Metering program includes the supply, installation, replacement and maintenance of E.L.K.'s metering assets, in compliance with Measurement Canada standards. E.L.K. conducts meter re-verification through Measurement Canada, which extends the life of existing meter assets to reduce life cycle costs. The activities falling within the scope of this program include:

- Installation or replacement of meters at new / existing service locations; E.L.K. is looking to purchase 350 new meters on average each year over the forecast period.

Since these investments are required by the DSC and Measurement Canada standards, they are considered non-discretionary.

Customer connection requests are fulfilled consistent with E.L.K.'s Conditions of Service. The projects are designed to meet customer requirements and maintain system reliability and efficiency. E.L.K. uses standardized designs that have been engineered and approved in order to build efficiencies into the process. Through the implementation of this program, E.L.K. can continue to accurately and correctly measure and bill customers for the electricity that they use and satisfy the OEB "Billing Accuracy" requirement to have 98% billing accuracy.

2. TIMING

- i. Start Date: January 1, 2027
- ii. In-Service Date: December 31, 2027 - 2031
- iii. Key factors that may affect timing: The timing of the metering services included in this program are highly dependent on material procurement and resource constraints.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	77	84	83	205	100	100	102	104	106	108
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	77	84	83	205	100	100	102	104	106	108

The overall program costs detailed above are inclusive of inflation, material, and labour charges.

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

This is not applicable.

Material Investment Narrative

Investment Category: System Access - Metering

5. COMPARATIVE HISTORICAL EXPENDITURE

Metering services are ongoing annual expenditures. Historical costs are reflected in the Table above. In the previous five historical years, E.L.K has purchased 1,802 meters to be used for new meter installs or meter replacements as part of this program. The following table shows the number of meters purchased each year from 2021-2025.

Meters are purchased into inventory and exact installation timing depends upon the needs of customers.

Table 2: Meters Purchased

Year	# of meters purchased
2021	245
2022	356
2023	419
2024	282
2025	500

The per unit cost for material and labour were derived from historical data on equivalent projects. This cost was then adjusted to account for changes in exchange rates, labour, and material increases.

6. INVESTMENT PRIORITY

This investment program is classed as a high priority / non-discretionary due to the obligation to the need to comply with mandated service obligations as defined by the DSC and Measurement Canada.

7. ALTERNATIVES ANALYSIS

This is a mandatory project and a regulatory requirement. Metering asset management is governed by Measurement Canada regulations and customer requirements for new and upgraded services.

No alternatives were considered since failure to perform the work to install, repair, replace and/or reseal meters would be in violation of the DSC and Measurement Canada Guidelines, and has the potential to negatively impact the reliable source of billing settlement data.

8. INNOVATIVE NATURE OF THE PROJECT

This is not applicable.

9. LEAVE TO CONSTRUCT APPROVAL

This is not applicable.

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 3: Investment Evaluation – Efficiency, Customer Value, Reliability & Safety

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	E.L.K uses standardized designs that have been engineered and approved in order to build efficiencies into the process. Customer connection requests are fulfilled consistent with E.L.K.'s Conditions of Service. Additionally, through addressing meters that are expiring, E.L.K will have reduced the number of meters that would be susceptible to unexpected failure and therefore reduce the cost for having to reactively replace these meters.
Customer Value	Benefits to the customer include timely service and supply of electricity coupled with Time of Use (TOU) pricing and data visibility. Additionally, by replacing or reverifying existing meters whose seals are expiring, this will ensure that customer meters continue functioning, capturing accurate electricity usage, maintaining compliance with Measurement Canada's metering requirements, and thereby enabling E.L.K to produce an accurate bill.
Reliability	Installing new meters that are up to current standards ensures that the reliability and accuracy of the meters themselves continue to be maintained, thus enabling a reliable source of billing settlement data.
Safety	New meters will meet all safety standards.

2. INVESTMENT NEED

This program directly complies with E.L.K.'s asset management objectives of meeting regulatory requirements and accommodating load growth.

- i. **Main Driver:** Mandated Service Obligations – The main driver for this program is E.L.K.'s obligation related to metering services as defined by the DSC and Measurement Canada. E.L.K is obligated to install and maintain meters at all customer connection points from both residential and commercial customers. By reverifying or replacing meters whose seals have expired, E.L.K. ensures that it complies with its obligations to provide, install, and maintain a meter installation for retail settlement and billing purposes for each customer connected to the distribution system.
- ii. **Secondary Drivers:** Failure Risk – By addressing expired meters, this reduces the risk of the meters failing and ensures the continued delivery of reliable and accurate bills.
- iii. **Information Used to Justify the Investment:** E.L.K. also collects and tracks data on its existing meters, and this information is used to determine when a meter requires testing, resealing, or



Material Investment Narrative

Investment Category: System Access - Metering

replacing. Costs for resealing meters whose seals are expired are included in the budgeted costs for the meter replacement program.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** E.L.K. plans and executes its metering program to comply with regulations. All new meters installed comply with the latest standards and regulations, and all metering services will be carried out in accordance with E.L.K.'s standards and practices. Meter changes due to customer concerns about meter inaccuracy, and for meter seal life, are driven through Measurement Canada.
- ii. **Benefit-Cost Analysis:** This is not applicable.
- iii. **Historical Investments & Outcomes Observed:** This historical costs and number of meters purchased during the historical period are detailed in the sections above. Through its metering program, E.L.K. will be able to comply with relevant regulatory requirements, and accurately and correctly measure and bill customers for the electricity that they use.
- iv. **Substantially Exceeding Materiality Threshold:** This is not applicable.

4. INNOVATION

This is not applicable.

5. ECONOMIC GROWTH

This is not applicable.

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

To address the degradation of overhead distribution poles, E.L.K. will continue its pole replacement and restoration program. This is an annually recurring activity. E.L.K. is targeting to restore 35 poles and replace an additional 45 degraded poles in poor and very poor health in the 2027 test year. The poles that fall under this program are in addition to poles that would be replaced in area rebuilds and as part of reactive replacements. The benefits of this program include increased system reliability and public and personnel safety.

Table 1 below depicts the proposed quantity of restored and replaced poles over the DSP period.

Table 1: Annual Pole Replacements and Restorations

Year	Replacements	Restorations
2027	45	35
2028	45	35
2029	45	35
2030	45	35
2031	45	35

2. TIMING

- i. **Start Date:** This is an annual investment initiative to manage end-of-life assets.
- ii. **In-Service Date:** 2027-2031
- iii. **Key factors that may affect timing:** E.L.K. considers several factors that could impact the project schedule, including:
 - Customer delays or restricted access to work sites;
 - Availability of budgets;
 - Resources to accommodate higher priority / non-discretionary projects;
 - Inclement weather, either in the form of extreme temperatures or due to restoration activities following major storms;
 - Delays to material shipment from vendors; and
 - General unforeseen delays such as striking rock when digging, tree conservation, municipal/regional consent forms.

E.L.K. has utilized coordination with third parties (municipalities/suppliers/customers) to mitigate some of the issues where possible.



Material Investment Narrative

Investment Category: System Renewal - Pole Replacement & Restoration

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 2: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Pole Replacement	197	196	395	252	350	450	459	468	478	487
Pole Restoration	-	25	72	-	40	40	41	42	43	44
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	197	221	467	252	390	490	500	510	520	531

The overall program costs detailed above are inclusive of inflation, material/labour charges, project management, and contingencies.

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

This is not applicable.

5. COMPARATIVE HISTORICAL EXPENDITURE

E.L.K. has historically conducted pole replacements throughout its distribution system. In the previous 5 years E.L.K. has completed over 100 pole replacements as part of its System Renewal capital investments. The average cost associated with these replacements is close to \$9,155 per pole. E.L.K. considered historical spend, inflation, and other supply chain and material cost factors to generate forecast costs under this program.

Table 3: Number of Poles Replaced and Restored Per Year

Year	# of Poles Replaced	# of Poles Restored
2022	16	0
2023	25	15
2024	14	54
2025	23	0
2026 (Forecast)	35	35

6. INVESTMENT PRIORITY

This is considered a medium investment priority overall. Proactively identifying and replacing poles minimizes the risk of a failure occurring, which reduces the risk of prolonged, uncontrolled power outages and safety risks.

The planned pole investments are needed to address the volume of deteriorated poles on E.L.K.'s distribution system and comply with external codes/standards. Proactively identifying and replacing poles that are decrepit (poor and very poor condition) and close to failure minimizes the risk of a failure occurring, which reduces the risk of prolonged, uncontrolled power outages. This aligns with the customer's need for the utility to maintain a similar level of reliability and minimize outages. The proactive replacement and refurbishment of poles in poor health or degraded condition, as identified

in the 2025 Asset Condition Assessment, is required to maintain reliable service to E.L.K.'s existing customers. Degraded poles are prioritized for replacement through E.L.K.'s capital prioritization process for System Renewal projects that is described in Section 5.3.1.3 of the DSP.

7. ALTERNATIVES ANALYSIS

According to the Kinectrics Report "Asset Amortization Study for the Ontario Energy Board", Typical Useful Life of wood poles is 45 years. Many of E.L.K.'s existing wood pole population have surpassed and are approaching this age threshold, with a population average age of 44 years. An increased failure rate is expected if these poles are not replaced in a timely manner. While age is a factor, E.L.K. utilizes the results of the ACA as well as pole testing data to ensure a detailed condition-based review is completed prior to selecting candidates for replacement and refurbishment, which considers factors beyond age. Each year E.L.K. conducts field inspections of poles and uses the inspection results to update the ACA and to prioritize and select suitable candidates for replacement. Some of the options that are considered when evaluating a pole replacement:

- i. **Do nothing and run to fail:** E.L.K. does consider reactive replacement for some pole replacements. While this can be employed for unplanned and unexpected failure of poles, it is not sustainable to carry out for all pole replacements. Customers would experience longer and increased unexpected outages. In addition, replacing poles reactively generally incurs a premium as they are unplanned and inevitably sometimes replaced outside normal hours and therefore resource costs increase. This ultimately would increase reactive renewal costs. Typically, these poles are addressed under a reactive program.
- ii. **Like for like replacement (proactive):** This is the standard approach when inspection and ACA data indicates that a pole needs replacing. The proposed proactive replacement of unsafe poles will ensure that the number of unplanned outages due to pole failure remains minimal, and safety risks are reduced.

8. INNOVATIVE NATURE OF THE PROJECT

This is not applicable.

9. LEAVE TO CONSTRUCT APPROVAL

This is not applicable.

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 4: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Planned replacement of poles instead of reactive replacement brings cost benefits to E.L.K. The cost per pole could be decreased as planned replacements can be scheduled and conducted during regular course of business, removing overtime or urgent repair costs. The pole refurbishment program supports

Primary Criteria for Evaluating Investments	Investment Alignment
	the renewal and extension of pole service life in a cost-effective manner, allowing E.L.K. to maintain system reliability while minimizing capital expenditures.
Customer Value	The risks associated with pole failure and safety implications cannot be understated and a proactive pole replacement and refurbishment program will help to minimize these risks to customers. Feedback from the customer survey completed for this DSP application showed that 68% of respondents want E.L.K. to prioritize system investments that would improve system reliability performance, such as a pole replacement capital program. Proactive replacements also allow E.L.K. to avoid unscheduled outages and extended impacts to customers that may result from reactive replacements.
Reliability	Operating poles to failure decreases system reliability when failure events happen and increase safety risk associated with downed power lines and service disruptions. By executing the pole replacement and refurbishment program, reliability and safety will be improved by minimizing the risk of pole failures.
Safety	Public safety is identified as a secondary driver of this program. The proactive replacement of highly degraded poles will reduce the risk of pole failure throughout E.L.K.'s system.

2. INVESTMENT NEED

- i. **Main Driver:** Power supply reliability is the main driver for this program. Proactively identifying, restoring and replacing poles that are deteriorated and close to failure minimizes the risk of a failure occurring, which reduces the risk of prolonged, unplanned power outages. The completion of the 2025 Asset Condition Assessment identified the need to prioritize pole replacements over the forecast period
- ii. **Secondary Drivers:** Public safety and risks to the environment are secondary drivers for this program. Proactively replacing identified poles mitigates the risk of poles failing in service and controls the hazards to a reasonable level.
- iii. **Information Used to Justify the Investment:** As referenced in Section 5.3.3.2 of E.L.K.'s DSP, a pole inspection information was used to inform this capital investment program and identify the targeted scope and capital dollar spend within the test year.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** E.L.K. complies with industry standards from Canadian Standards Association (CSA) in its overhead construction, namely CSA Standard C22.3 No. 1-10 [3]. Clause 8.3.1.3 of the Standard states: "When the strength of a wood pole structure has deteriorated to 60% of the required design capacity, the structure shall be reinforced or replaced". For certain poles with serious deterioration, refurbishment is a less likely option. Certain items such as down guys and stand-off brackets may be considered for reuse or a second lifecycle to minimize costs where possible.



Material Investment Narrative

Investment Category: System Renewal - Pole Replacement & Restoration

In addition, it is prudent and a good utility practice to assess any assets, specifically transformers, that are associated with the pole to determine if they require replacement at the same time or if they can be transferred to the new pole. E.L.K. utilizes a one visit approach when considering pole replacement projects to minimize the return visits to upgrade or replace pole attachments at a later date.

- ii. **Benefit-Cost Analysis:** The program benefits are reduced risk of failure of the poles that require immediate replacement or a mitigation plan. The benefits of continued inspection and targeted replacement of poles will lead to O&M savings in the long term and improved reliability and customer satisfaction. As E.L.K. has historically run some poles to failure, the need for a replacement program is greater now than it has been previously, particularly to ensure system performance for E.L.K.'s customers going forward. Running poles to failure is no longer a viable capital program for maintaining pole health.
- iii. **Historical Investments & Outcomes Observed:** Running the poles to failure is an option that is considered and has been implemented by E.L.K. in the past, however this has resulted in a backlog of poles that require replacement or treatment above E.L.K.'s execution capabilities. Although continuing to run poles to failure may reduce the level of targeted capital investment in replacement, the risks associated with this alternative are not worth the cost savings due to increased safety, reliability, and system performance risks. Since the previous DSP, E.L.K. has been proactively replacing and restoring poles on a like for like basis.
- iv. **Substantially Exceeding Materiality Threshold:** Like all other utilities, replacing and maintaining the condition of its poles is a continuing yearly program. Every year, E.L.K. assesses the number of poles that need replacement and balances this off against other priorities.

4. INNOVATION

This is not applicable.

5. ECONOMIC GROWTH

This is not applicable.

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K.'s Distribution Transformer Replacement Program is a key System Renewal initiative aimed at addressing aging assets, improving system reliability, and reducing safety risks. Asset Condition Assessment results indicate that a portion of both pole-mounted and pad-mounted (both 1-phase and 3-phase) distribution transformers are in poor or fair condition and are expected to further deteriorate over the DSP period. Proactive replacement is necessary to mitigate the safety and reliability risks associated with transformer failures and to avoid higher costs resulting from reactive replacements. Currently, approximately 4% (59) of transformers are in very poor condition, while approximately 13% (189) are in poor condition, indicating the need for targeted and timely replacement. Figure 1 below chart shows the percentage of transformers in each of the condition.

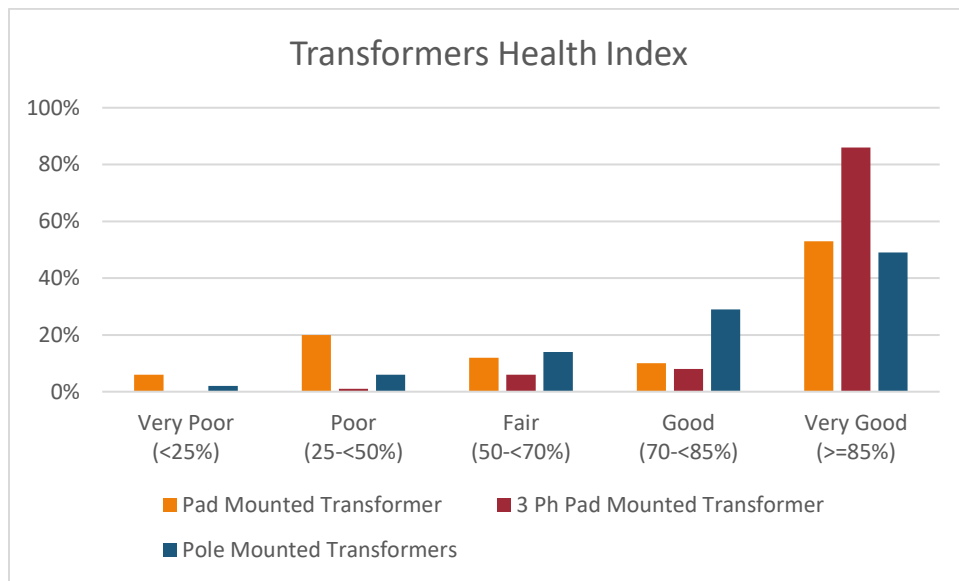


Figure 1: Transformers Health Index

As part of this program, E.L.K. plans to replace an average of approximately 35 distribution transformers per year, including both pole-mounted and pad-mounted units, to maintain reliability and stabilize the overall condition of the transformers while addressing a backlog of needed replacements. A key component of the underground transformer strategy is the ongoing replacement of obsolete live-front pad-mounted transformers with modern dead-front units. This initiative, which began in 2024 and targeted to be completed by 2028, addresses safety concerns, improves maintainability, reduces inventory complexity, and provides greater flexibility to accommodate future load growth.

Together, these initiatives support E.L.K.'s objectives of improving safety, maintaining reliability, and modernizing the distribution system in a cost-effective and proactive manner over the DSP period.

2. TIMING

- i. **Start Date:** January 1st, 2027



Material Investment Narrative

Investment Category: System Renewal – Transformer Replacement

- ii. **In-Service Date:** December 31st, 2027-2031
- iii. **Key factors that may affect timing:** The primary factor that may affect the timing of the project is potential delays in material procurement, particularly the availability and delivery lead times of distribution transformers.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Transformer Replacement Capital	264	252	179	129	258	258	263	395	395	461
Live-Front Transformer Replacement	-	-	230	204	-	235	202	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	264	252	409	334	258	493	466	395	395	461

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Not Applicable

5. COMPARATIVE HISTORICAL EXPENDITURE

Historically, for the transformer replacement program, E.L.K. has replaced approximately 15 to 20 distribution transformers per year, with an average replacement cost of approximately \$11,000 per transformer. For the Live Front Transformer Replacement Program, historical costs have been higher due to the expanded scope of work involved. The average cost to replace a live-front transformer has been approximately \$33,000 per unit, reflecting not only the transformer replacement itself but also associated work, including vault replacement, primary cable replacement, and the installation of new ducting.

Based on historical experience and expected inflationary impacts, E.L.K. estimates that the forecast cost for this program will remain generally consistent with historical levels on a real basis, with nominal costs adjusted for inflation over the DSP period.

6. INVESTMENT PRIORITY

The distribution transformer replacement program is considered a medium-priority System Renewal investment. This is due to the proactive replacement of transformers identified through asset inspections as having poor health and degraded condition. These assets present increased risks to reliability and safety, including units exhibiting advanced corrosion which can lead to unplanned outages, and higher reactive maintenance costs. Prioritizing the replacement of these transformers aligns with E.L.K.'s risk-based asset management approach and supports the timely mitigation of known asset vulnerabilities.

The Live Front Transformer Replacement Program is also assigned a medium priority due to the obsolescence and elevated safety risks associated with live-front equipment. If these transformers were to fail and require reactive replacement, the resulting outages would be longer in duration, more disruptive to customers, and significantly more costly to address. Proactively replacing live-front transformers avoids these outcomes, reduces safety exposure to workers and the public, and supports system standardization and operational efficiency.

7. ALTERNATIVES ANALYSIS

Three alternatives were considered for the transformer replacement program:

- i. **Do-Nothing (Reactive Replacement):** Under this approach, transformers would be replaced only upon failure. While this would reduce near-term capital expenditures, it was not considered a viable option due to higher long-term costs associated with emergency response, overtime labour, expedited material procurement, and extended outages. In addition, reactive failures increase safety and environmental risks and result in more significant customer impacts, particularly for live-front transformers. As a result, this option was discounted.
- ii. **Proposed Pacing (Recommended Approach):** The recommended approach is to proactively replace transformers identified as being in poor or very poor condition at a steady, planned pace over the DSP period. This approach balances cost and system needs by minimizing customer interruption, reducing safety risks, and avoiding high reactive replacement costs, while maintaining a manageable and predictable capital expenditure profile. This approach aligns with E.L.K.'s asset management objectives and provides the best overall value to customers.
- iii. **Increased Pacing (Accelerated Replacement Program)**
An accelerated replacement approach was also considered, where a higher number of transformers would be replaced over a shorter time period. While this would reduce asset condition risk more quickly, it would require significantly higher upfront capital investment and could constrain funding for other priority System Access and System Renewal programs. Due to these financial and resource constraints, this option was not considered practical.

Based on the above assessment, the proposed phased and steady pacing is the preferred alternative, providing a balanced, cost-effective approach that manages risk while maintaining affordability and supporting overall system reliability.

8. INNOVATIVE NATURE OF THE PROJECT

Not Applicable

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Proactive replacement of distribution transformers improves efficiency by reducing reactive maintenance, emergency repairs, and outage response costs. Planned replacements allow work to be scheduled, resources to be used more effectively, and materials to be procured in advance, resulting in lower overall lifecycle costs compared to reactive replacements.
Customer Value	The investment provides customer value by reducing the likelihood of unplanned outages, minimizing outage duration, and supporting future customer load requirements. Replacing aging and obsolete transformers improves service continuity and reduces customer disruption.
Reliability	Transformer replacement directly improves system reliability by addressing assets in poor and degraded condition that present a high risk of failure. Proactive renewal stabilizes the condition of the transformer fleet, reduces failure rates, and supports consistent reliability performance across the distribution system.
Safety	The replacement of degraded transformers, including units exhibiting corrosion and oil leaks, reduces safety risks to the public and utility workers. The Live Front Transformer Replacement further enhances safety by eliminating obsolete equipment with exposed energized components and replacing it with modern dead-front transformers that meet current safety standards.

2. INVESTMENT NEED

- i. **Main Driver:** The primary driver for the transformer replacement and live-front transformer replacement programs is asset condition and end-of-life risk. Asset inspections have identified a growing number of distribution transformers in poor or degraded condition, including units with corrosion and oil leaks, which pose increased safety and reliability risks. For live-front transformers, obsolescence and safety concerns further necessitate proactive replacement.
- ii. **Secondary Drivers:** Secondary drivers include improving system reliability and safety, reducing the risk and cost of reactive failures, and supporting system standardization. Proactive replacement minimizes the likelihood of extended outages, particularly for live-front transformers, which would be costly and disruptive to replace on a reactive basis.
- iii. **Information Used to Justify the Investment:** The investment is justified using information from E.L.K.'s asset management process, including Asset Condition Assessment results, third-party and internal inspection data, and asset age profiles. Inspection findings identify distribution transformers by condition and risk level, which are used to prioritize and pace replacements in alignment with ACA-based targets.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** Transformer replacements are critical to maintaining the reliability and safety of the overall distribution system. Transformers are sized in accordance with E.L.K.'s design standards to ensure they can accommodate both current demand and potential future requirements. In determining appropriate transformer sizing, E.L.K. considers a range of planning factors, including anticipated development, load growth, and increased demand associated with electrification initiatives such as residential electric vehicle charging.

Proactively replacing transformers identified as being in poor or very poor condition, or those approaching end of life, allows E.L.K. to mitigate reliability and safety risks before failures occur. Planned replacements can be completed during regular business hours, avoiding overtime premiums and reducing the overall cost per transformer compared to reactive replacements. All transformer replacements are completed in accordance with E.L.K.'s engineering standards and the requirements of Ontario Regulation 22/04, ensuring that work is performed safely and without introducing undue risk. Replacement units comply with E.L.K.'s current specifications for pole-mounted and pad-mounted transformers used across the distribution system.

- ii. **Benefit-Cost Analysis:** Alternative investment approaches were considered for these programs, most notably the option of continuing to operate transformers to failure and replacing them on a reactive basis. While this approach could reduce near-term capital expenditures, it was assessed as less favourable when the costs and benefits were considered. Reactive replacement is associated with higher overall costs due to emergency response, overtime labour, expedited material procurement, and extended outage durations. In addition, unplanned failures increase safety and environmental risks and result in greater disruption to customers.

The recommended proactive replacement approach was ranked higher due to its overall cost effectiveness and superior system outcomes. Proactive replacement allows work to be planned and executed during regular business hours, reduces lifecycle costs, minimizes customer outage impacts, and improves public and worker safety. For live-front transformers in particular, proactive replacement avoids the significantly higher costs and longer outages associated with reactive failures that typically require extensive ancillary work. When both costs and benefits are considered, the proactive investment strategy delivers greater long-term value and therefore represents the preferred option.

- iii. **Historical Investments & Outcomes Observed:** E.L.K. has historically invested in proactive distribution transformer replacement, typically replacing approximately 15 to 20 units per year. While the outcomes of these investments are not immediately observable, the primary benefit has been the reduction of risk associated with potential transformer failures, including avoided unplanned outages, emergency repairs, and safety or environmental incidents.

Similarly, historical investments in the Live Front Transformer Replacement Program have focused on mitigating the elevated safety and reliability risks associated with obsolete equipment. These proactive replacements reduce exposure to high-impact failure events and extended customer outages, improving overall system preparedness and supporting continued use of planned replacement strategies.

- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** The transformer replacement and live-front transformer replacement programs provide clear benefits to customers by improving system reliability, safety, and service quality. Proactive replacement of aging and degraded transformers reduces the likelihood of unplanned outages and minimizes outage duration, leading to a more reliable supply of electricity. Modern transformers are better suited to accommodate increasing residential demand and electrification needs, supporting efficient use of electricity and future load growth.

These investments also enhance customer service by reducing the frequency of emergency repairs, which can be disruptive and prolonged. By planning replacements in advance, E.L.K. can carry out work in a controlled manner, improving restoration performance and system resilience. Over the long term, proactive replacement contributes to cost efficiency by avoiding higher reactive repair costs, supporting rate stability, and delivering better overall value to customers, consistent with the OEB's mandate and policy objectives.

5. ECONOMIC GROWTH

Not Applicable

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K. has identified rear-lot open bus secondary circuits as a recurring reliability concern across multiple service territories. These uninsulated secondary conductors, typically located at the rear of properties, are highly susceptible to tree contact and conductor movement during high-wind conditions, resulting in an elevated frequency of outages and extended restoration times. Approximately 28 blocks in the Kingsville service area currently contain rear-lot open bus secondary circuits, making Kingsville the initial focus of this program. There are another approximately 20 blocks in Essex that require rear lot open bus conversion. Over the forecast period of 2027 to 2031, E.L.K. plans to invest approximately \$701,000 in this program.

The Open Bus Conversion Program is a System Renewal initiative aimed at proactively improving secondary system reliability by replacing open bus secondary with insulated triplex conductors in rear-yard secondary circuits. The use of triplex significantly reduces the risk of outages caused by vegetation contact and line-to-line faults. Depending on asset condition, the scope of work may also include the replacement of associated infrastructure such as poles.

As part of the program, E.L.K. also plans to relocate any overhead transformers currently located in rear yards to the edge of the public right-of-way. This relocation improves asset accessibility, enhances public and worker safety, and supports more efficient maintenance and restoration activities. The Open Bus Conversion Program will begin in Kingsville and is planned to expand to other service areas with similar rear-lot configurations.

2. TIMING

- i. **Start Date:** January 1st, 2027
- ii. **In-Service Date:** December 31st, 2027 – December 31st 2031.
- iii. **Key factors that may affect timing:** Access constraints within rear-yard locations, coordination with property owners, and the need to manage vegetation prior to construction may affect the project schedule. In addition, work prioritization may be impacted by weather conditions, resource availability, and the coordination of related activities such as transformer relocations and pole replacements.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	-	-	-	-	-	150	153	130	133	135
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	-	-	-	-	-	150	153	130	133	135

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Not Applicable

5. COMPARATIVE HISTORICAL EXPENDITURE

The Open Bus Conversion Program is a new initiative commencing in 2027, and as such, E.L.K. does not have historical expenditure data for equivalent projects or programs.

6. INVESTMENT PRIORITY

The Open Bus Conversion Program is considered a medium-priority System Renewal investment. This is due to its direct impact on system reliability and customer outage performance. Rear-lot open bus secondary circuits have been identified as a recurring source of outages, particularly during high-wind and adverse weather events, as they are highly susceptible to tree contact and conductor-to-conductor faults. The elevated outage risk associated with these assets places the program higher in priority relative to other discretionary renewal initiatives. By proactively replacing open bus secondary with insulated triplex conductors and relocating rear-yard transformers to the public right-of-way, E.L.K. improves safety, reduces flickering lights, momentary outages, outage frequency and reduces restoration time and improves restoration efficiency.

7. ALTERNATIVES ANALYSIS

Following alternatives were considered:

- i. **Do-Nothing (Reactive Maintenance of Open Bus):** Under this approach, E.L.K. would continue operating rear-lot open bus secondary circuits and address outages on a reactive basis through fault repairs, vegetation trimming, and equipment replacement as needed. While this would defer near-term capital expenditures, it would not address the underlying risks associated with uninsulated conductors, resulting in continued exposure to tree contact and weather-related outages. This option was therefore not considered viable.
- ii. **Increased Pacing (Accelerated Conversion):** An accelerated approach was also considered, where all open bus secondary circuits would be converted over a short period. While this would reduce reliability risks more quickly, it would require significant upfront capital investment and could impact E.L.K.'s ability to fund other priority programs. This option was not considered practical due to capital and resource constraints.
- iii. **Proposed Pacing (Recommended Approach):** The recommended approach is to proceed with a balanced and phased conversion program over the forecast period. This approach allows E.L.K. to address higher-risk areas first, reducing outage exposure while managing capital expenditures and coordinating resources effectively. When considering both costs and benefits, this approach provides the best balance between affordability and reliability improvements and is therefore the preferred option.

8. INNOVATIVE NATURE OF THE PROJECT

Not Applicable

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS**1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY**

Table 2: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Improves operational efficiency by reducing repeat outage response, reactive repairs, and ongoing vegetation-related maintenance on rear-lot secondary circuits.
Customer Value	Provides improved service quality by reducing the frequency and duration of outages affecting customers served by rear-lot secondary systems.
Reliability	Improves reliability by replacing uninsulated open bus secondary with insulated triplex, reducing susceptibility to tree contact and wind-related faults, thereby reducing both frequency and duration of outages.
Safety	Enhances public and worker safety by eliminating exposed secondary conductors and relocating rear-yard transformers to accessible public right-of-way locations.

2. INVESTMENT NEED

- i. **Main Driver:** The primary driver for the Open Bus Conversion Program is system reliability risk associated with rear-lot open bus secondary circuits. These uninsulated secondary conductors are highly susceptible to tree contact and conductor movement during high-wind and adverse weather events, resulting in a high frequency of outages and extended restoration times. The program is triggered by the need to proactively reduce this known and recurring reliability issue and improve service performance for affected customers.
- ii. **Secondary Drivers:** The secondary driver for the Open Bus Conversion Program is to improve asset accessibility. In many locations, rear-yard open bus secondary circuits and associated overhead transformers are difficult to access for maintenance and future system work. Where required, the program includes relocating rear-yard overhead transformers to the public right-of-way, improving physical access to these assets
- iii. **Information Used to Justify the Investment:** The Open Bus Conversion Program is supported by information derived from E.L.K.'s asset management process, asset location records, and field observations. Rear-lot open bus secondary circuits were identified as legacy infrastructure that is inconsistent with current secondary system design standards. Asset location and accessibility information highlighted limitations associated with maintaining secondary infrastructure and overhead transformers located in rear yards. This information is used to identify the areas for open-bus conversion program.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** The Open Bus Conversion Program reflects accepted utility practice by supporting reliability planning in accordance with Ontario Regulation 22/04, which requires distributors to safely maintain and operate their distribution systems. By replacing legacy rear-lot open bus secondary circuits with insulated triplex conductors, the program reduces risk to weather-related impacts and aligns the distribution system with current standards.
- ii. **Benefit-Cost Analysis:** Two alternatives were considered for addressing rear-lot open bus secondary infrastructure: continuing reactive maintenance of the existing open bus configuration or fully relocating all rear-lot secondary infrastructure to the front lot within the public right-of-way. While reactive maintenance would defer near-term capital costs, it would not address the ongoing reliability and operational challenges. Fully relocating all rear-lot infrastructure would improve standardization and accessibility but was determined to be significantly more costly. The recommended approach is converting rear-lot open bus secondary to insulated triplex conductors, with relocation of rear-yard transformers where needed.
- iii. **Historical Investments & Outcomes Observed:** Not Applicable.
- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** The Open Bus Conversion Program provides benefits to customers by improving service reliability and quality in areas served through rear-lot secondary circuits. Replacing open bus secondary with insulated triplex reduces outages caused by vegetation contact and wind-related conductor movement, resulting in fewer service interruptions. An additional customer benefit is the reduction in the number of times E.L.K. crews are required to access private properties to maintain rear-lot circuits.

5. ECONOMIC GROWTH

Not Applicable

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K. operates a distribution system with multiple legacy voltage levels, including some areas supplied at 8.32 kV and 4.16 kV, while most of the system operates at the standard 27.6 kV. These 8.32kV and 4.16kV voltage areas include some of the oldest assets in E.L.K.'s service territory and present challenges related to asset condition, reliability, operational efficiency, and inventory management. The renewal of these aging assets will include their replacement with a standard 27.6 kV system.

The program includes the multi-year conversion of the Comber distribution system from 8.32 kV to 27.6 kV, as well as the conversion of three embedded 4.16 kV areas within the Essex and Kingsville service territories. The first step in the Comber voltage conversion program is the installation of new 27.6 kV Primary Metering Equipment (PME). In addition, the conversion will require the replacement and upgrade of other distribution assets, including transformers, switches, protective fusing, and line insulators. The Comber service area also contains a high concentration of aging infrastructure, with a significant portion of assets approaching end of life; the average age of transformers in the area is approximately 47 years for pole-mounted transformers and 30 years for pad-mounted transformers, and the average age of distribution poles is approximately 48 years. The conversion of the Comber distribution system has been contemplated for a number of years and 30% of the pad-mounted transformers were purchased with provision for dual voltages (27.6 and 8.32kV).

The embedded 4.16 kV conversion requires the elimination of existing step-down transformers and the upgrade of associated distribution assets to 27.6 kV voltage. This includes the replacement of distribution transformers, underground primary cables, and cutout switches with equipment rated for 27.6 kV.

2. TIMING

- i. **Start Date:** January 1, 2027
- ii. **In-Service Date:** December 31, 2027-2031
- iii. **Key factors that may affect timing:** The timing of the voltage conversion project may be affected by the procurement lead times for the PME and the associated configuration and commissioning requirements with the Independent Electricity System Operator (IESO). In addition, coordination and scheduling alignment with Hydro One activities may influence project timing, particularly where upstream system modifications or approvals are required to support the voltage conversion.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	-	-	-	-	240	678	447	360	510	305
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	-	-	-	-	240	678	447	360	510	305

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Not Applicable

5. COMPARATIVE HISTORICAL EXPENDITURE

E.L.K. has considered recent historical cost information from similar voltage conversion activities. E.L.K. is beginning the voltage conversion work for the embedded 4.16kV areas in the Kingsville and Essex service territories in 2026. Based on this experience, the cost to complete voltage conversion for pad-mounted transformers is estimated to be approximately \$34,000 per transformer, including work required to upgrade associated equipment to 27.6 kV.

In addition, E.L.K. has recently procured Primary Metering Equipment (PME) for secondary feeder projects, with costs averaging approximately \$121,000 per PME. These historical costs have been used to inform the overall budget and cost assumptions for the Voltage Conversion Program, recognizing that actual costs may vary depending on project scope, equipment lead times, and coordination requirements.

6. INVESTMENT PRIORITY

The Voltage Conversion Program is considered a medium-priority System Renewal investment. This is due to the condition and age of the assets operating at different voltage levels and the operational challenges associated with maintaining inventory of mixed-voltage distribution system assets. Assets supplied at 8.32 kV and 4.16 kV include some of the oldest infrastructure in E.L.K.'s service territory and are approaching or have reached end of useful life. Continued operation at these voltages increases maintenance complexity and reliability risk.

E.L.K. prioritizes this investment based on asset condition, specifically assets that have reached end-of-life. The average age of transformers in the area is approximately 47 years for pole-mounted units and 30 years for pad-mounted units, while the average age of distribution poles is approximately 48 years. The program is paced as a multi-year initiative to distribute the cost over multiple years, equipment availability, coordination requirements with Hydro One and the IESO, and overall capital project execution workload capacity. By transitioning these areas to the standard 27.6 kV voltage, E.L.K. continues its efforts to improve reliability and the use of standardized equipment for inventory stocking.

7. ALTERNATIVES ANALYSIS

The following alternatives were considered for the Voltage Conversion program:

- i. **Do-Nothing (Reactive Replacement at Existing Voltage):** Under this approach, assets would be allowed to operate until failure and be replaced on a reactive basis at their existing voltage levels. While this would avoid near-term capital expenditures, it would expose the system to increased reliability risk, resulting in emergency replacements, longer customer outages, and higher restoration costs. This option was therefore not considered viable.
- ii. **Like-for-Like Replacement at Existing Voltage:** Another alternative considered was to replace end-of-life assets on a like-for-like basis at their current voltage levels. While this approach would address immediate asset condition concerns, it would maintain voltage inconsistencies across the system and require E.L.K. to continue stocking and maintaining equipment for multiple voltage levels. The overall cost of this option would be comparable to upgrading to 27.6 kV but without delivering the operational and inventory efficiencies associated with voltage standardization.
- iii. **Proposed Option – Voltage Conversion to 27.6 kV (Recommended):** The recommended approach is to replace aging assets while converting legacy voltage areas to the standard 27.6 kV system. This approach addresses end-of-life asset risks while improving system consistency, reducing operational complexity, and allowing E.L.K. to utilize standardized equipment. When considering both costs and benefits, this option provides the greatest long-term value by improving reliability, enhancing operational efficiency, and supporting a more sustainable and manageable distribution system.

8. INNOVATIVE NATURE OF THE PROJECT

Not Applicable.

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Improves operational efficiency by converting legacy voltage areas to a single 27.6 kV standard, allowing E.L.K. to streamline system operations and utilize standardized equipment for inventory stocking and maintenance. The voltage conversion can also help reduce system losses (which for E.L.K. are currently fairly high), contributing to more efficient overall system performance.

Customer Value	Provides long-term customer value through improved service quality, reduced system losses, and reduced outage risk associated with aging assets.
Reliability	Enhances system reliability by replacing aging 8.32 kV and 4.16kV infrastructure with 27.6 kV assets, reducing the risk of failures and improving overall system performance.
Safety	Operating at a single standard voltage simplifies training, reduces the risk of error during field activities, and makes switching operations more straightforward during emergency outages.

2. INVESTMENT NEED

- i. **Main Driver:** The primary driver for the Voltage Conversion Program is the need to replace aging distribution infrastructure that is approaching or has reached end of useful life. Existing assets in this program have deteriorated over time, increasing reliability and maintenance risks. Proactive renewal through voltage conversion allows E.L.K. to address these aging assets in a planned manner.
- ii. **Secondary Drivers:** A secondary driver for the Voltage Conversion Program is the transition to the standard 27.6 kV operating voltage across E.L.K.'s distribution system. Converting 8.32kV and 4.16kV voltage areas to 27.6 kV allows E.L.K. to standardize its equipment, reducing the variety of assets that must be stocked and maintained. This supports more efficient inventory management and simplifies operations and maintenance activities.
- iii. **Information Used to Justify the Investment:** The Voltage Conversion Program is justified using information from E.L.K.'s asset management process, including asset records and inspection data that identify aging infrastructure within the affected areas. The program is also justified based on system configuration and operational constraints, including the fact that the upstream Hydro One distribution station supplying Comber does not have remote operability, requiring Hydro One crews to be dispatched for operational switching and outage response. Converting these areas to 27.6 kV supports improved system operability and coordination. In addition, standardizing the distribution voltage allows E.L.K. to maintain a single voltage level across the system, supporting the use of single voltage equipment for inventory stocking and ongoing operations.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** The Voltage Conversion Program demonstrates accepted utility practice in reliability planning by proactively replacing aging and obsolete infrastructure to build a more resilient and adaptable distribution system, consistent with the requirements of Ontario Regulation 22/04. Converting legacy 8.32 kV and 4.16 kV assets to the standard 27.6 kV voltage addresses existing reliability performance concerns associated with deteriorated equipment and mixed-voltage operation. This program also allows E.L.K. to remove obsolete equipment that remains in service and align the system with current operating and safety standards. As part of the longer-term plan for Comber, voltage standardization will enable future investments such as the installation of reclosers to monitor the system and provide remote operability and sectionalization during emergency outages.

- ii. **Benefit-Cost Analysis:** Several alternatives were considered for addressing aging infrastructure operating at legacy voltage levels. One alternative was to replace assets on a like-for-like basis at existing voltages, which would address asset condition issues but would continue voltage inconsistency across the system and require E.L.K. to maintain inventory for multiple voltage classes. The overall cost of this option was assessed to be comparable to upgrading assets to 27.6 kV, without providing the long-term operational and standardization benefits. Another alternative was to defer renewal and replace assets reactively upon failure, which would avoid near-term capital expenditures but increase the likelihood of emergency replacements resulting in longer customer outages.

The recommended Voltage Conversion Program ranks higher than these alternatives when both costs and benefits are considered. Proactively converting legacy voltage areas to 27.6 kV allows E.L.K. to address aging assets in a planned manner, support the use of standardized equipment for inventory stocking, and position the system for future operational improvements such as automation and remote operability. This approach provides greater long-term value for the customers and E.L.K.'s operations.

- iii. **Historical Investments & Outcomes Observed:** E.L.K. has recently undertaken voltage conversion work for embedded 4.16 kV areas within the Kingsville and Essex service territories, which commenced in 2026 and are targeted to be completed by 2030. These projects provided relevant historical experience in converting legacy voltage areas to 27.6 kV, including the replacement of pad-mounted transformers and associated equipment. While the full benefits of these investments are realized over time, the primary outcome observed to date has been the mitigation of risk associated with aging infrastructure and mixed-voltage operation.
- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** This program supports innovation by making better use of existing technologies in a way that improves how the distribution system performs for customers. By standardizing system voltage and renewing older infrastructure, E.L.K. creates a foundation that supports future enhancements, such as system monitoring and remote operability, which can be introduced gradually and expanded as needed.

For customers, the most immediate benefit is improved reliability. Newer, standardized equipment is less prone to failure, which helps reduce outages and improves overall service consistency. Over time, the program also supports better customer service by enabling faster response during system events and outages as additional monitoring and control technologies are deployed.

The program also helps E.L.K. operate the system more efficiently, which benefits customers in the long run. Simplifying system design reduces maintenance complexity and emergency repair costs. These improvements deliver practical, long-term value to customers while supporting the OEB's objectives around innovation in the electricity sector.



Material Investment Narrative

Investment Category: System Renewal – Voltage Conversion

5. ECONOMIC GROWTH

Not Applicable

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K.'s Underground Primary Replacement Program is a System Renewal program that proactively replaces aging underground primary cable within E.L.K.'s service territory. E.L.K. owns and operates approximately 85 km of underground primary distribution circuits, including seven 27.6 kV feeders and one 8.32 kV feeder. Several areas within this system are supplied by some of the oldest underground primary cables on E.L.K.'s system, originally installed as direct-buried conductors. Over several decades of operation, these cables have experienced repeated faults in certain locations, requiring multiple splices and reactive repairs by field crews, and the frequency of failures is expected to increase as these assets continue to age, resulting in a higher number of sustained outages and extended power restoration times.

To address this reliability risk, E.L.K. plans to proactively replace 1.25 km of the affected underground primary circuits annually, beginning in 2030, with the pace of replacement expected to ramp up significantly from 2032 onwards. The replacement scope includes the installation of new primary cables housed within duct systems, which will enhance the mechanical protection and will make the cable replacement more efficient in the future. As part of this program, E.L.K. will also replace associated electrical infrastructure, including distribution transformers and transformer vaults, where required, to modernize the electrical infrastructure and ensure that renewed assets are compatible with current design standards. The program will be implemented on an area-by-area basis to renew the underground distribution system within selected locations. Note that some underground primary cable will also be replaced as part of other programs, including system renewal projects that involve voltage conversions and replacement of end-of-life live-front and other pad-mounted transformers. Over the 2027-2031 forecast period, E.L.K. is forecasting Underground Primary Replacement Program expenditures of \$625,000 (net), representing approximately 7% of total forecast System Renewal expenditures over the period.

2. TIMING

- i. **Start Date:** January 1, 2030
- ii. **In-Service Date:** December 31, 2030 - 2031
- iii. **Key factors that may affect timing:** The pacing of this program is informed by E.L.K.'s asset condition assessment ("ACA") results and the observed fault history of specific underground primary cable segments, with areas known to have experienced multiple cable faults prioritized for replacement. Funding availability within E.L.K.'s overall capital envelope, coordination with other System Renewal and voltage conversion programs that also involve underground cable replacement, and civil/construction scheduling for duct system installation can all affect the timing of individual area replacements.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	-	-	-	-	-	-	-	-	320	305
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	-	-	-	-	-	-	-	-	320	305

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Not applicable. The Underground Primary Replacement Program is an asset condition-driven System Renewal program rather than a system expansion project.

5. COMPARATIVE HISTORICAL EXPENDITURE

The Underground Primary Replacement Program is a new proactive program; underground primary cable has historically been replaced reactively in a piece-meal fashion with segments of direct buried cable in response to individual cable faults, rather than under a dedicated proactive capital program, and comparable historical proactive replacement costs are therefore not available.

6. INVESTMENT PRIORITY

The Underground Primary Replacement Program falls within E.L.K.'s System Renewal investment category, which is treated as a discretionary category of investment and ranked using E.L.K.'s project prioritization process based on customer impact, safety, service quality, reliability, and environmental considerations. E.L.K. prioritizes replacement of underground primary cable segments that are known anecdotally by staff to have experienced multiple cable faults as these segments pose an elevated risk of further faults due to the deteriorated condition of the cables. The proactive start of this program in 2030 reflects E.L.K.'s pacing of System Renewal investments within its overall capital expenditure, relative to other System Renewal priorities that are already underway earlier in the forecast period.

7. ALTERNATIVES ANALYSIS

- i. **Do-Nothing:** E.L.K. considered continuing to replace underground primary cable on a purely reactive basis (i.e., splicing and repairing cable faults as they occur), with no dedicated proactive replacement program. This alternative was not recommended, as the affected cable segments have already experienced repeated faults and the frequency of failures is expected to continue to increase as these assets age further, resulting in a growing risk of sustained outages, extended restoration times, and higher cumulative reactive repair costs over time.
- ii. **Increased Pace:** E.L.K. also considered a targeted approach of proactively replacing individual faulted cable sections in isolation as they are identified, without undertaking comprehensive area-wide renewal. While this alternative would address the highest-risk segments more quickly than a purely reactive approach, it would result in repeated mobilizations and civil work being carried out in the same areas over time, as adjacent aging cable and associated infrastructure would not be addressed concurrently.

Material Investment Narrative

Investment Category: System Renewal – Underground Primary Replacement Program

- iii. **Proposed:** E.L.K.'s recommended alternative is to proactively renew the underground distribution system comprehensively on an area-by-area basis. This approach allows E.L.K. to replace cable, ducts, and associated infrastructure together in a coordinated manner, reducing the need for repeated mobilizations and civil work in the same area and providing a more long-term solution than either continuing reactive-only repairs or replacing isolated faulted sections individually.

8. INNOVATIVE NATURE OF THE PROJECT

Not applicable.

9. LEAVE TO CONSTRUCT APPROVAL

Not applicable.

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Replacing aging, fault-prone underground primary cable with new cable installed within duct systems reduces the frequency of reactive splice repairs, lowering the ongoing operating and maintenance cost associated with responding to cable faults in the affected areas and the cost of property restoration after the cable repair.
Customer Value	Customers in the affected areas benefit from a reduced likelihood of sustained outages and shorter restoration times, as new cables inside ducts are less prone to failure. Where faults do occur, it is generally easier to locate and replace cables in duct than repairing aging direct-buried cable. Performing the replacements in a concentrated area also means that customers are not repeatedly subject to disturbances of their properties as repeated ad-hoc replacements of cables occur.
Reliability	This investment directly supports reliability by proactively addressing underground primary cable segments with a history of repeated faults, before they contribute to further sustained outages. This program will help with improving and maintaining the reliability within E.L.K.'s service area.
Safety	Replacing aging direct-buried cable reduces the safety risk associated with in-service cable failures, including risks to field crews responding to reactive faults, and ensures replaced infrastructure meets current design and construction standards, consistent with Ontario Regulation 22/04.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver of this program is reliability. Several areas within E.L.K.'s system are supplied by some of the oldest underground primary cables on its system, which have experienced repeated faults requiring multiple splices and reactive repairs. Continued reliance on reactive repair of these cable segments is expected to result in an increasing frequency of sustained outages and extended power restoration times as these assets continue to age, which could affect E.L.K.'s ability to maintain its SAIDI and SAIFI targets in the affected areas.
- ii. **Secondary Drivers:** A main secondary driver for this investment is to reduce the long-term cost of repeated repairs to faulted direct buried cables and the associated cost and inconvenience to customers of property restoration after the repair. By replacing the cable in duct, any future faults are more easily and quickly replaced with no surface disturbance requiring restoration of civil works. Another secondary driver is safety as repeated in-service cable faults increase the risk associated with responding to failures, including exposure of field crews carrying out reactive splice repairs and, in some cases, risk to the public in the vicinity of a fault. Proactively replacing these aging cable segments reduces the frequency of fault events and the associated safety risk over time.
- iii. **Information Used to Justify the Investment:** This investment is an outcome of E.L.K.'s asset management process. The need for and pacing of this program is informed by E.L.K.'s ACA health index results and the maintenance and inspection records/fault history for underground primary cable segments, with E.L.K. prioritizing replacement in areas where known faults have occurred.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** Proactively replacing aging underground cable assets that have shown a pattern of repeated faults, rather than continuing indefinitely with reactive splice repairs, is consistent with accepted utility asset management practice and is supported by E.L.K.'s ACA and risk-based approach to identifying and prioritizing assets in poor or very poor condition for renewal.
- ii. **Benefit-Cost Analysis:** E.L.K. considered a reactive-only approach versus proactive, area-based replacement. The proactive approach was recommended, as it is expected to reduce the frequency of sustained outages and cumulative reactive repair costs relative to continuing to repair individual faults in isolation as they occur. It is also known that as cables age and experience faults, those faults increase the stress on the cable and make it more prone to repeated faults until at some point, the cable is not able to be put back in service. At that time the cable will need to be reactively replaced which will be at a much higher cost and customers will need to incur lengthy (over 24 hours) outages while this happens.
- iii. **Historical Investments & Outcomes Observed:** E.L.K. has not historically operated a dedicated proactive Underground Primary Replacement Program; underground primary cable has instead historically been replaced reactively as faults occur.
- iv. **Substantially Exceeding Materiality Threshold:** Not applicable.



Material Investment Narrative

Investment Category: System Renewal – Underground Primary Replacement Program

4. INNOVATION

- i. **Assessment of Benefit for Customers:** While the Underground Primary Replacement Program does not involve a new technology or innovative business practice, it is expected to provide a meaningful benefit to customers through improved reliability. By proactively replacing aged underground primary cable segments, E.L.K. expects to reduce the frequency of sustained outages in the affected areas and avoid the extended power outages associated with locating and repairing faults on direct-buried cable. This supports E.L.K.'s ability to maintain its SAIDI and SAIFI targets and provides customers in the affected areas with a more reliable, resilient electricity supply over the long term.

5. ECONOMIC GROWTH

Not applicable.



Material Investment Narrative

Investment Category: System Service – Smart Grid

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K.'s Smart Grid Program focuses on enhancing system reliability, operational flexibility, and fault management through the deployment of automated switching and protection devices across the distribution system. The program is part of its continuation of E.L.K.'s Smart Grid Plan, first deployed in 2024. As part of this program, E.L.K. plans to install approximately 15 three-phase reclosers over the forecast period in selected areas to improve feeder sectionalization and enable effective isolation of faulted sections. These devices allow E.L.K. to restore power to unaffected customers more quickly through remote switching operations, thereby reducing outage duration and improving overall service reliability.

In addition, starting in 2028, E.L.K. plans to deploy 8 to 12 single-phase cutout-mounted reclosers per year at locations currently served by traditional fused cutouts. These devices provide a cost-effective solution for smaller and remote circuits by introducing reclosing capability and remote operability without requiring significant system modifications. E.L.K. is planning to spend approximately \$2 million on reclosers and single-phase cutout-mounted reclosers over the forecast period. These investments support improved outage response, reduce manual intervention and truck rolls, and enhance system performance.

2. TIMING

- i. **Start Date:** January 1, 2027
- ii. **In-Service Date:** December 31, 2027-2031
- iii. **Key factors that may affect timing:** The timing of the Smart Grid Recloser Deployment Program may be affected by equipment lead times, particularly for reclosers, which can vary due to supply chain constraints. In addition, some reclosers are planned to be installed in coordination with Hydro One, and therefore project timing is dependent on Hydro One's scheduling, approvals, and availability. Any changes to upstream timelines may impact the overall sequencing and completion of these installations.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical and Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	-	-	480	-	550	140	474	524	337	524
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	-	-	480	-	550	140	474	524	337	524



Material Investment Narrative

Investment Category: System Service – Smart Grid

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Not Applicable

5. COMPARATIVE HISTORICAL EXPENDITURE

E.L.K. has reviewed historical cost information from recent Smart Grid investments to inform forecast assumptions for the Recloser Deployment Program. In 2024, E.L.K. installed six reclosers in the Essex and Harrow service areas, with an average cost of approximately \$80,000 per recloser, inclusive of equipment procurement and installation.

At this time, E.L.K. does not have sufficient historical cost data for single-phase cutout-mounted reclosers, as these devices are being deployed in the forecast period. As a result, cost estimates for this component of the program are based on vendor pricing and anticipated installation requirements rather than established historical averages.

6. INVESTMENT PRIORITY

The Smart Grid Recloser Deployment Program is considered a medium-priority System Service investment relative to other capital programs. While it provides meaningful reliability and operational benefits, it is prioritized below mandatory System Access projects and critical System Renewal initiatives that address aging infrastructure and regulatory obligations.

E.L.K.'s approach to prioritization is based on balancing reliability improvements with asset condition risks and customer-driven requirements. Recloser deployment is targeted at feeders where automation can provide the greatest benefit; however, these investments are paced over the forecast period to align with available capital, equipment lead times, and coordination requirements.

7. ALTERNATIVES ANALYSIS

Following alternatives were considered:

- i. **Do-Nothing (No Additional Recloser Deployment):** Under this approach, E.L.K. would not proceed with additional recloser installations, avoiding near-term capital expenditures. However, this would limit the expansion of system automation and would not improve reliability performance, particularly during Loss of Supply (LOS) events. As a result, outage duration and customer impacts would remain higher, and this option was not considered viable.
- ii. **Increased Pacing (Accelerated Deployment):** An accelerated approach was also considered, where reclosers would be deployed over a shorter timeframe. While this would provide faster reliability improvements and earlier realization of customer benefits, it would require significantly higher upfront capital investment and could constrain E.L.K.'s ability to fund other priority System Access and System Renewal programs. This option was therefore not considered practical.
- iii. **Proposed Pacing (Recommended Approach):** The recommended approach is to proceed with a phased deployment of reclosers over the forecast period. This approach balances costs and system benefits by progressively enhancing automation, improving fault isolation, and reducing outage impacts on customers. It allows E.L.K. to manage capital expenditures while



Material Investment Narrative

Investment Category: System Service – Smart Grid

delivering meaningful reliability improvements, making it the preferred option when considering both costs and benefits.

8. INNOVATIVE NATURE OF THE PROJECT

The Smart Grid Recloser Deployment Program is considered an innovative investment as it enhances the use of existing distribution system technologies by introducing automation, remote monitoring, and remote-control capabilities into areas that were previously manually operated. While reclosers themselves are established utility devices, their deployment as part of a Smart Grid plan represents an innovative application that improves system performance without requiring significant system redesign.

The program is innovative in its ability to enable real-time operational decision-making and automated response to fault conditions, allowing for faster isolation of faulted sections and restoration of service to unaffected customers. This real-time operational decision-making will need to be implemented in conjunction with Hydro One and represents a new operational approach for embedded utilities supplied by Hydro One. This approach reduces reliance on manual field intervention and supports a more responsive and efficient grid.

The use of single-phase cutout-mounted reclosers represents a cost-effective solution for extending automation to heavily treed branch circuits. In addition to being a cost-effective solution, these cut-out mounted reclosers isolate momentary interruptions to only the branch line experiencing a momentary fault rather than “blinking” the whole town. This will be a noticeable improvement in the level of service experienced by E.L.K. customers. These investments support ongoing grid modernization, improved reliability and sets the stage for future reliability improvements through advanced monitoring and control systems that are part of a future operation of the E.L.K. distribution system through a 24/7 Control Room.

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation Criteria

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Improves efficiency by enabling remote operation, reducing manual switching and truck rolls, and optimizing resource use during outage response. This results in more efficient use of field crews and reduced operational costs over time.
Customer Value	Enhances customer service by reducing outage duration and limiting the number of customers impacted during fault events. This leads to improved service continuity and overall customer experience.



Material Investment Narrative

Investment Category: System Service – Smart Grid

Reliability	Improves reliability through better feeder sectionalization and faster fault isolation, particularly during Loss of Supply events. This reduces outage exposure and supports improved reliability performance metrics.
Safety	Improves safety by reducing the need for crews to perform manual switching in the field, especially during emergency conditions. This lowers risk to field staff working in hazardous or time-sensitive situations.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver for the Smart Grid Recloser Deployment Program is to improve system reliability, particularly during Loss of Supply events. These events can result in widespread outages if switching capabilities are limited. The deployment of reclosers enables faster fault isolation and restoration by allowing remote switching between feeders. Another key driver is to improve feeder sectionalization, which helps limit the number of customers affected during outage events. By isolating smaller sections of the circuit, E.L.K. can reduce outage impacts and improve overall service continuity.
- ii. **Secondary Drivers:** Secondary drivers for the Smart Grid Recloser Deployment Program include improving operational efficiency and reducing the need for manual switching during outage events. The deployment of reclosers allows for remote monitoring and control, which reduces truck rolls and improves overall crew productivity. The program supports future system operability and flexibility by enabling better control of feeder configurations and facilitating coordination with upstream supply.
- iii. **Information Used to Justify the Investment:** The Smart Grid Recloser Deployment Program is justified using information from system performance metrics such as SAIDI, with consideration of Loss of Supply events. Analysis of reliability data, including LOS impacts, identified feeders with higher exposure to widespread outages and limited switching capability. This information, combined with system configuration reviews, supports a targeted approach to deploying reclosers in areas where automation and sectionalization can provide the greatest reliability benefit.

Figure 1 below illustrates in the SAIDI performance over the historical period, with a notable spike in 2023 largely influenced by LOS and MED events. While SAIDI improves in 2024 and stabilizes thereafter, this improvement aligns with the initial deployment of Smart Grid technologies, including reclosers, which enhanced E.L.K.'s ability to manage feeder outages more effectively. These early results show the need for continued investment in automation, as further recloser deployment will build on these gains, reduce outage duration and customer exposure during LOS events.

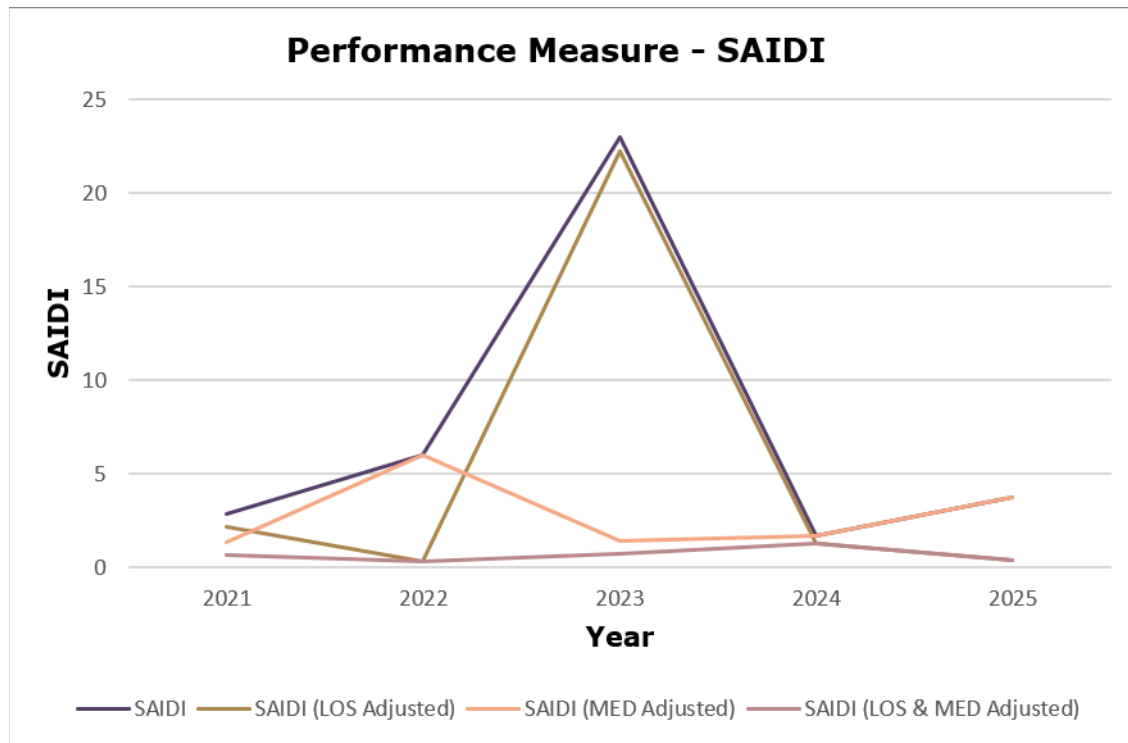


Figure 1: SAIDI Performance over Historical Period

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** The Smart Grid Recloser Deployment Program demonstrates accepted utility practice in reliability planning by enhancing system through improved automation and control capabilities. By installing reclosers on selected feeders, E.L.K. is addressing reliability performance concerns related to limited sectionalization and the impact of Loss of Supply events, enabling faster fault isolation and restoration. The program also supports a more adaptable distribution system by introducing remote monitoring and switching capabilities, allowing the system to respond more effectively to changing operating conditions and emerging challenges. These enhancements align with evolving industry practices that leverage automation to improve system performance and ensure the distribution network can meet future operational demands while maintaining safe and reliable service.
- ii. **Benefit-Cost Analysis:** Several alternatives were considered for the Smart Grid Recloser Deployment Program. The first option was a “do-nothing” approach, which would avoid capital investment but would not improve system automation or reliability, particularly during Loss of Supply events. A second option was to slow the pace of deployment, which would reduce near-term costs but delay the realization of customer benefits, including improved outage response and reduced interruption impacts. Another alternative considered was to accelerate the program and complete deployment within one to two years; however, this option would require significantly higher upfront capital spending and would place constraints on E.L.K.’s ability to fund other priority System Access and System Renewal programs.



Material Investment Narrative

Investment Category: System Service – Smart Grid

The recommended approach is a phased deployment of reclosers over the forecast period. This approach balances costs and benefits by targeting installations where the greatest reliability improvements can be achieved while spreading expenditures over time. It allows E.L.K. to improve system reliability and operational flexibility in a cost-effective manner without adversely impacting other critical capital programs.

- iii. **Historical Investments & Outcomes Observed:** E.L.K. has previously completed similar recloser deployment projects, with historical costs averaging approximately \$80,000 per recloser, including installation. These investments, such as those implemented in the Essex and Harrow service areas, have provided operational benefits by enabling E.L.K. to locally operate switches, improving system flexibility during outage conditions.

While these reclosers are not yet integrated with a SCADA system, requiring crews to be dispatched to operate the switches, the installations have demonstrated improved control over feeder operations and the ability to manage outages more effectively. These observed outcomes support continued investment in recloser deployment, with additional benefits expected as the system evolves to incorporate SCADA.

- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** The Smart Grid Recloser Deployment Program provides direct customer benefits by improving system reliability and reducing the duration and extent of outages. By enabling faster fault isolation and feeder sectionalization, fewer customers are impacted during outage events, and power can be restored more quickly to unaffected areas. This is particularly beneficial during Loss of Supply events, where switching capability plays a critical role in minimizing customer interruptions.

The program enhances overall customer service by improving system responsiveness and reducing the need for prolonged outages associated with manual switching. The deployment of reclosers also supports more efficient system operation over time, which helps manage operating costs. These improvements align with the OEB's objectives of maintaining reliable service, improving customer experience, and ensuring cost-effective system operation.

5. ECONOMIC GROWTH

Not Applicable.

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

E.L.K. implemented the ESRI GIS Utility Network (UN) platform during the previous Cost of Service / DSP period to modernize its geospatial and asset information capabilities. The ESRI GIS UN project was initiated in 2022 and completed in 2025. While the core platform is in place, the effectiveness of the Utility Network model is highly dependent on the accuracy, completeness, and structure of the underlying data. As a result, there is an ongoing need to systematically address legacy data gaps, inconsistencies, and incomplete asset attributes to fully realize the benefits of the GIS investment.

The scope of this program includes the correction of legacy AutoCAD data issues, population of missing asset attributes, validation of connectivity modeling, and continuous improvement of asset records across the distribution system. These activities support more informed asset management, inspection planning, and maintenance scheduling by ensuring staff have access to reliable and up-to-date system information. The GIS data cleanup and enhancement program is foundational and is required to be able to enable the full use of the new GIS, which will support E.L.K.'s outage mapping capabilities and provides a critical data foundation for future integration with other key operational, analytical, and engineering tools used across multiple capital and O&M programs. E.L.K. is planning to invest approximately \$100,000 in 2027 for GIS data cleanup as part of the ESRI GIS Utility Network implementation program. Upon completion, the GIS dataset will be brought to a state where it can be maintained through routine updates.

2. TIMING

- i. Start Date: January 01, 2027
- ii. In-Service Date: December 31, 2027
- iii. Key factors that may affect timing: The key factor that may affect the timing of the program is the availability and allocation of resources. E.L.K. may complete the work either by engaging a third-party contractor or by hiring a temporary internal resource. The project schedule is therefore dependent on the availability and capacity of external vendors, as well as E.L.K.'s ability to identify, recruit, and onboard suitable temporary resources within the required timeframe.

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	-	20	105	50	100	100	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	-	20	105	50	100	100	-	-	-	-

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

Not Applicable

5. COMPARATIVE HISTORICAL EXPENDITURE

Not Applicable

6. INVESTMENT PRIORITY

The GIS Data Cleanup is considered a medium-priority investment ranking - accurate and complete system data is essential to effective utility operations and planning. High-quality GIS data underpins E.L.K.'s asset management process by enabling better identification and prioritization of assets for maintenance, renewal and replacement. It also supports the effectiveness of other key operational tools, including outage mapping, system planning and analysis platforms. The program is paced to align with available resources while maintaining steady progress, recognizing that data quality improvements deliver system-wide benefits across multiple investment categories and allow the previous GIS investments to be fully utilized.

7. ALTERNATIVES ANALYSIS

- i. **Do-Nothing (Maintain Existing Data State):** Under this approach, E.L.K. would continue operating with existing GIS data in its current state, requiring no upfront capital investment. However, incomplete and inaccurate data would necessitate frequent field verification to support capital planning, maintenance, and operational decision-making. This would increase reliance on manual workarounds, consume staff resources, and limit the effectiveness of other operational tools. As a result, this option was determined to be cost inefficient over the long term and was discounted.
- ii. **Slower Pacing (Extended Multi-Year Cleanup):** An alternative approach considered was to spread the data cleanup over a longer period. While this would reduce near-term resource requirements, it would extend the timeline required to achieve usable and reliable data. This would delay the benefits of improved data quality and postpone integration with other operational tools, limiting the effectiveness of the GIS platform for ongoing planning and operational needs.
- iii. **Proposed Pacing (Recommended Approach):** The recommended approach is to complete GIS data cleanup over the DSP period in a structured and targeted manner. This approach provides a balance between achieving usable, reliable data within a reasonable timeframe while managing resource availability and costs. By improving data accuracy, it reduces the need for repeated field validation and enables more efficient asset management and planning processes. It also supports timely integration with outage mapping and implementation of other operational tools.

When considering both costs and benefits, the proposed paced approach is the preferred option, as it delivers improved data quality in a timely and cost-effective manner while avoiding unnecessary delays in realizing operational benefits.

8. INNOVATIVE NATURE OF THE PROJECT

Not Applicable

9. LEAVE TO CONSTRUCT APPROVAL

Not Applicable

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 2: Investment Evaluation – Efficiency, Customer Value, Reliability & Safety

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Improves efficiency by reducing the need for repeated field verification and enabling more accurate and timely planning and maintenance activities.
Customer Value	Supports improved customer service by enhancing outage map accuracy and enabling better information for customers during system events.
Reliability	Improves reliability indirectly by providing accurate data to support better asset management, planning, and prioritization of system improvements.
Safety	Enhances safety by providing accurate asset information to field crews, reducing risks associated with incomplete or inaccurate system data.

2. INVESTMENT NEED

- i. **Main Driver:** The main driver for the GIS Data Cleanup Program is the need to improve data accuracy and completeness within E.L.K.'s GIS system. Existing data gaps and inconsistencies limit the effectiveness of asset management, planning, and operational tools. Addressing these data deficiencies is critical to establishing a reliable system record that can support informed decision-making across capital programs, O&M activities, and future integration with key operational systems.
- ii. **Secondary Drivers:** Not Applicable.
- iii. **Information Used to Justify the Investment:** The GIS Data Cleanup Program is justified using information from E.L.K.'s asset management process, including GIS data quality assessments and feedback from field crews and operational staff. These sources have identified gaps, inconsistencies, and incomplete asset records within the existing GIS system. In addition, system records and planning requirements have highlighted the need for accurate and complete data to support asset management and inspection and maintenance activities.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** The GIS Data Cleanup Program demonstrates good utility practice by supporting a reliable distribution system through improved data quality, consistent with Ontario Regulation 22/04, which requires distributors to maintain accurate records and ensure safe, reliable system operation. Accurate and complete GIS data enables E.L.K. to better plan, maintain, troubleshoot and operate the distribution system by ensuring that system information reflects actual field conditions. Accurate mapping enables faster troubleshooting of the distribution system which leads to shorter outage times for customers. The program supports improved system planning and responsiveness to evolving operational challenges. Reliable GIS data also enables effective use of outage mapping and supports future integration with other systems.
- ii. **Benefit-Cost Analysis:** An alternative considered was a “do-nothing” approach, which would avoid near-term capital investment but leave existing GIS data gaps and inaccuracies unresolved, requiring ongoing field verification to support planning and operations. This would result in increased staff effort, reduced efficiency, and limited effectiveness of critical tools such as outage mapping. The recommended data cleanup approach, while requiring upfront investment, provides greater long-term value by improving data accuracy, reducing reliance on field validation, and enabling more efficient asset management and operational decision-making across the system.
- iii. **Historical Investments & Outcomes Observed:** E.L.K. has made historical investments over the 2023 – 2025 period related to the initial installation of the GIS system and has used that to approximate the level of cost and effort required to complete data validation and enhance usability.
- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable.

4. INNOVATION

- i. **Assessment of Benefit for Customers:** The GIS Data Cleanup Program provides indirect but important benefits to customers by supporting improved service quality and system performance. Accurate and complete GIS data enhances E.L.K.’s ability to plan and prioritize maintenance and capital investments, which contributes to improved reliability over time. In addition, improved data quality enables more accurate outage mapping, allowing customers to receive better information during outage events. By reducing inefficiencies associated with incomplete data and minimizing the need for repeated field verification, the program also supports more efficient use of resources, which contributes to cost control and helps maintain stable rates.

5. ECONOMIC GROWTH

Not Applicable



Material Investment Narrative

Investment Category: General Plant - Fleet

A. GENERAL INFORMATION ON THE PROJECT/PROGRAM

1. OVERVIEW

The Fleet Renewal Program is a General Plant initiative aimed at replacing aging service vehicles that are critical to E.L.K.'s daily operations. The need for this program is driven by the age, mileage, and declining reliability of existing vehicles, which have accumulated significant use and are experiencing increased maintenance requirements. The table below shows the existing fleet population at E.L.K.

Table 1: Fleet Population

Fleet ID	Description	Year
10121	Pickup	2021
10216	Pickup	2016
10519	Explorer	2019
20121	Freightliner Posi Plus Double bucket	2021
20224	Freightliner Single Bucket 42'	2023
20324	Freightliner Single Bucket 46'	2023
30320	RBD Digger Truck	2020
40121	Dump Truck	2021
10322	Escape	2022
10623	Pickup	2023
10723	Pickup	2023
40615	Underground Truck	2015

Fleet vehicles must be maintained at an optimal level to ensure public and employee safety, comply with applicable laws and regulations, minimize repair costs, and support the functional and performance requirements associated with executing maintenance and capital investment plans.

Over the 2027–2031 forecast period, E.L.K. plans to replace two fleet vehicles that will have reached the end of their useful life and are due for replacement:

1. # 10216 – Light Duty Service Vehicle
2. # 40615 – Underground Service Truck

E.L.K. is planning to replace one light duty vehicle in 2028 and an underground service truck during the 2029 year. Procurement and delivery of the light duty vehicle and underground truck are expected within their respected years. In the 2027 to 2031 Cost of Service period, the investments in the General Plant category have been stable except for one spike in 2029. This spike is due to replacement of an underground service truck. As a result, this business case focuses primarily on the replacement of the Underground truck planned for 2029.

Replacement Vehicle Details

Specific details regarding the underground truck and light duty vehicle are outlined below.

Underground Truck

- Manufacturer: Ford F450
- Configuration: Equipped with flatbed



Material Investment Narrative

Investment Category: General Plant - Fleet

- Build Status: Unit constructed as a stock demonstration vehicle
- Capital Cost: \$250,000

Light Duty #1

- Manufacturer: Ford F150
- Configuration: Standard with crew cabin
- Build Status: Unit constructed as a stock demonstration vehicle
- Capital Cost: \$85,000

2. TIMING

- Start Date: January 1st, 2028
- In-Service Date: December 31st, 2028 - 2029
- Key factors that may affect timing: The timing of vehicle replacements in this program is dependent on procurement lead times

3. HISTORICAL AND FUTURE CAPITAL EXPENDITURES

Table 2: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)					Future Costs (\$ '000)				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital (Gross)	-	516	395	-	-	-	85	250	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Capital (Net)	-	516	395	-	-	-	85	250	-	-

No capital contributions with respect to a Connection and Cost Recovery Agreement are forecast to be made by E.L.K to a transmitter as part of this program.

4. ECONOMIC EVALUATION (EXPANSION PROJECTS)

This is not applicable.

5. COMPARATIVE HISTORICAL EXPENDITURE

When comparing the historical and future costs of E.L.K's Fleet capital expenditures, E.L.K is expecting a 63.2% decrease in spend. This decrease is primary driven by the fleet requirements in the previous Cost of Service period. The two heavy duty trucks purchased in the previous COS period were \$777,211 and were a part of the approved ICM application EB-2023-0013.

6. INVESTMENT PRIORITY

The replacement of these two service vehicles is considered a medium-priority due to their essential role in daily operations and the increased risk of service disruption associated with their declining condition. One vehicle is assigned to the metering department and is used daily, while the second

serves as an underground service truck supporting field operations, making reliable performance critical to maintaining service levels.

The existing vehicles, manufactured in 2015 and 2016, have accumulated approximately 330,000 km to 350,000 km to date (which will be even higher by the time of their scheduled replacements in 2028 and 2029) and are experiencing increased maintenance requirements, reflecting reduced reliability and operational efficiency. Replacing these units will mitigate the risk of unplanned downtime, improve crew safety, and reduce ongoing maintenance costs. This investment will ensure that field staff have dependable vehicles that are well-suited to the demands of metering and underground service activities.

7. ALTERNATIVES ANALYSIS

Cost-Benefit Analysis: With every vehicle replacement, department needs are reviewed to determine the best option. The following alternatives were considered for the replacement of the underground truck and light duty vehicle.

- **Option 1 – Do not replace:** Not replacing the vehicles will require E.L.K. to spend more money on maintenance and repairs to the extent that the money spent will exceed the price of a new truck. It will also add risk to the operational efficiency of construction, restoration, and customer access to power and increase the risk of catastrophic failure which may threaten the safety of employees and the public. This alternative is not considered feasible since it will lead to an unexpected equipment failure, increased maintenance costs and health and safety risk to line workers and the public.
- **Option 2 (Selected Option) - Replacement like for like:** Under this option, E.L.K. will undertake like-for-life replacement of the underground truck and LDV. By utilizing this approach, E.L.K. will ensure that it will have safe and reliable vehicles required for the ongoing maintenance of E.L.K.'s distribution system.
- **Option 3 - Leasing the vehicle:** E.L.K. considered a leasing model as well, however the leasing finance rates were deemed too expensive. At a cost of approximately \$950 and \$2,500 per month to lease a Ford F150 and F450 respectively, leasing costs would exceed the price of a new truck quickly. As a result, this option was discarded.

8. LEAVE TO CONSTRUCT APPROVAL

This is not applicable.

B. EVALUATION CRITERIA AND INFORMATION REQUIREMENTS

1. EFFICIENCY, CUSTOMER VALUE, RELIABILITY & SAFETY

Table 3: Investment Evaluation – Efficiency, Customer Value, Reliability & Safety

Primary Criteria for Evaluating Investments	Investment Alignment
Efficiency	Consistent replacement and proactive maintenance of E.L.K.'s fleet ensures that lifecycle costs are managed effectively, and the risk of catastrophic equipment failure is minimized. Planned replacement enables crews to utilize the most efficient and reliable equipment available, supporting safe and productive field operations. In contrast, aging and unreliable vehicles can negatively affect utility performance, including service reliability and employee productivity, while incurring higher operating expenses as maintenance demands increase due to more frequent reactive repairs.
Customer Value	Replacing end-of-life fleet vehicles enables E.L.K. to maintain a safe, reliable, and efficient electricity distribution system for its customers. A dependable fleet reduces operating and maintenance costs while minimizing the risk of work disruptions and delays in responding to customer service requests or unplanned outages, such as trouble calls and storm events, resulting from vehicle breakdowns. Planned replacement of aging and unreliable vehicles also mitigates the risk of catastrophic failures that could compromise the safety of employees and the public.
Reliability	Replacing end-of-life fleet vehicles supports the continued efficiency of E.L.K.'s day-to-day operations and helps maintain a high level of service reliability. Reliable vehicles are essential to the timely response and restoration of electrical services, ensuring that outages are not unnecessarily prolonged due to vehicle breakdowns during distribution equipment replacement or repair activities.
Safety	The new underground truck and light duty vehicle will replace end-of-life assets, facilitating safer O&M procedures for the distribution system and mitigating any catastrophic failure which may threaten the safety of employees and the public.

2. INVESTMENT NEED

- i. **Main Driver:** The primary driver for fleet replacement is the end of useful service life, typically identified through high mileage, declining reliability, and increasing maintenance requirements. As vehicles age, the likelihood of mechanical failure and unplanned downtime increases, negatively impacting operational efficiency and service continuity. Replacing vehicles at the appropriate lifecycle stage is critical to maintaining a reliable and dependable fleet.
- ii. **Secondary Drivers:** Secondary drivers for fleet replacement include rising maintenance frequency and repair costs associated with aging equipment. Older vehicles often require more extensive servicing, resulting in higher lifecycle costs and increased strain on maintenance

resources. Proactive replacement helps control long-term operating expenses, reduce downtime risk, and improve overall fleet performance and efficiency.

- iii. **Information Used to Justify the Investment:** Age of the Vehicle: E.L.K. follows the Typical Useful Life (TUL) values outlined in the Table below for its fleet assets. These values are based on an Asset Depreciation Study completed for the Ontario Energy Board by Kinectrics Inc. and are consistent with industry standards and the MIFRS methodology. As a vehicle approaches its expected service life, a case-by-case assessment is conducted to determine whether replacement should occur earlier or later than the standard life expectancy, based on operating condition and performance.

Table 4: Typical Useful Life – Fleet Vehicles

Vehicle Type	Typical Useful Life (Years)
Bucket Truck	15
RBD	15
Midsized Truck	10
Light Vehicles	8
Trailers & Misc. Equipment	15

- Odometer reading: Generally, when a vehicle reaches 100,000 km, a vehicle's residual value drops significantly, and maintenance costs will begin to increase.
- Maintenance/Repair Costs: As vehicles age, they incur higher operating expenses due to increasing levels of reactive repairs. E.L.K. tracks repairs on fleet vehicles to determine if repair costs are escalating as fleet vehicles progress in age.
- Regulations: Changes to provincial vehicle regulations can impact residual values through changes in planned or existing use limitations for large fleet vehicles. Changing emissions, weight, and road safety regulations can also obsolete some existing units.
- Technology Advancements: The practicality of existing vehicles and the consideration of new and improved technology may impact replacement decisions.

3. INVESTMENT JUSTIFICATION

- i. **Demonstrating Accepted Utility Practice:** In order to maintain the distribution system, it is imperative that E.L.K.'s fleet vehicles are reliable. Reliable fleet vehicles help E.L.K. achieve reliability targets by enabling crews to respond to outages in a timely manner. In addition, reliable fleets help E.L.K. efficiently construct new lines and deploy technologies that are more resilient against climate change.
- ii. **Benefit-Cost Analysis:** E.L.K.'s proposed fleet replacement investments were evaluated based on lifecycle cost, operational reliability, safety, and long-term customer benefits. Continuing to operate aging fleet vehicles would result in increasing maintenance and repair costs, higher risk of equipment failure, and reduced operational efficiency. The selected replacement approach provides the most cost-effective balance between reliability and long-term cost management by reducing reactive maintenance, minimizing downtime, improving employee and public safety, and supporting timely outage response and customer service. Alternatives,



Material Investment Narrative

Investment Category: General Plant - Fleet

including continued maintenance of existing vehicles and leasing arrangements, were assessed separately as part of the project evaluation process.

- iii. **Historical Investments & Outcomes Observed:** During the previous DSP period, E.L.K. invested approximately \$911,000 in the replacement of aging fleet equipment to maintain operational reliability and support distribution system activities. These investments resulted in improved fleet reliability, reduced reactive maintenance requirements, lower risk of operational disruptions, and enhanced support for outage response and customer service activities. Future planned fleet replacement expenditures are projected at approximately \$335,000, representing a decrease of approximately 63% compared to the previous DSP period, reflecting the benefits of prior replacement investments and a more balanced fleet replacement cycle.
- iv. **Substantially Exceeding Materiality Threshold:** Not Applicable

4. INNOVATION

- i. **Assessment of Benefit for Customers:** Not Applicable.

5. ECONOMIC GROWTH

Not Applicable.

Appendix B

Asset Condition Assessment



E. L. K. Energy Inc 2025 ASSET CONDITION ASSESSMENT

Kinectrics Report: K-814557-RA-0001-R01

Prepared for

E. L. K. Energy Inc
Services Agreement No. 20250505

Prepared by  Fan Wang 2025.10.29 15:45:35 -04'00' Signature & Date Fan Wang P. Eng. Ph. D. Senior Engineer Distribution and Asset Management	Reviewed by  Yury Tsimberg 2025.10.29 15:45:35 -04'00' Signature & Date Yury Tsimberg P. Eng. M. Eng Kinectrics Associate	Approved by  Digitally signed by CHENG Kenneth Date: 2025.10.29 21:51:49 -04'00' Signature & Date Kenneth Cheng P. Eng. M. Eng. MBA Service Line Lead Distribution and Asset Management
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Revision History

Rev 00	Description Draft			
	Issue Date 2025-07-25	Prepared by F. Wang	Reviewed by Y. Timberg	Approved by
Rev 01	Description Revised Draft			
	Issue Date 2025-09-19	Prepared by F. Wang	Reviewed by Y. Tsimberg	Approved by
Rev 01	Description Final			
	Issue Date 2025-10-29	Prepared by F. Wang	Reviewed by Y. Tsimberg	Approved by K. Cheng

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E. L. K. Energy Inc
2025 Asset Condition Assessment

To: E. L. K. Energy Inc
172 Forest Avenue
Essex, ON N8M 3E4

EXECUTIVE SUMMARY

In 2025 E. L. K. Energy Inc (ELK) determined a need to perform a condition assessment of its key distribution assets. ELK selected and engaged Kinectrics Inc. (Kinectrics) to assist with this work. This report presents the results of the 2025 Asset Condition Assessment (ACA) study and is based on the available condition data as of the end of June 2025.

Asset Categories Considered

The asset categories included in the 2025 ACA are as follows, including 6 categories that were further subdivided into 9 sub-categories:

- Pole Mounted Transformers
- Pad Mounted Transformers (1-ph, 3-ph)
- Overhead Switches
- Pad Mounted Switchgear
- Underground Cables
- Poles (Wood, Concrete, Steel)

For each asset category, available data were assessed, Health Index distribution was determined, and condition-based 10-year Flagged for Action plan was developed.

Overall Health Index Distribution

In general, Pad Mounted Transformers (3-ph), Overhead Switches, Underground Cables and Poles (Steel) had over 80% of their units classified as “good” or “very good”, and these 4 sub-categories had an average Health Index score of 80% or greater.

With respect to the asset categories of concern, Pad Mounted Transformers (1-ph) had over 25% of its units classified as “very poor”, with an average Health Index of 74%.

Given the low sample rate, the Health Index results for Overhead Switches, Pad Mounted Switchgear and Poles (Concrete) should be used for reference only.

Flagged for Action Plans

The study shows that all categories/sub-categories either had no unit flagged for action, or had their flagged for action plans showing little variations throughout the next 10 years.

In the short term, it was determined that Pad Mounted Transformers (1-ph) and Poles (wood) had the highest percentage of units flagged for action in first year, representing 3.4% and 3.3% of the population respectively.

Furthermore, within the next 10 years, over 30% of Pole Mounted Transformers, Pad Mounted Transformers (1-ph) and Poles (Wood, Steel) are expected to require some action to be taken to address their condition.

The actual replacement plans might be only a subset of the Flagged for Action plans after ELK's review based on ELK's maintenance and replacement strategies.

Data Availability

Pad Mounted Transformers and Poles (all types) had age and inspection/test data available.

All the other asset groups in this study had age information only.

Recommendations

To improve ACA study in the future, it is recommended that ELK enhance data collection in the following areas:

- Collection of inspection and maintenance data for all the asset groups.
- Acquisition of loading data for all the transformers.
- Historic records of asset removal and removal causes for all the asset groups to allow for development of ELK specific asset degradation curves.

The results presented in this study are based solely on asset conditions as determined by available data. Note that there are numerous other considerations that may influence ELK's planning process, such as obsolescence, system growth, corporate priorities, technological advancements, etc.

DEFINITIONS

Terminology	Acronym	Definition
Age Limiter	AL	The final HI assigned to an individual asset may also be limited by the asset's age. The AL is generally equal to the cumulative survival probability at a given age of an asset group. If the calculated HI is less than or equal to the AL, the final HI assigned is the calculated HI. Otherwise, the final HI assigned is equal to the AL.
Asset Condition Assessment	ACA	Process of using asset information to determine the condition of assets. Condition data can include nameplate information, test results, asset inspection records, corrective maintenance records, operational experience, etc.
Condition Parameter Score	CPS	Score of an asset for a particular condition parameter. In this study, the scoring system used ranges from 0 through 4 (0 = worst; 4 = best).
Condition Parameters	CP	Asset characteristics or properties that are used to derive the HI.
Criticality Index	CI	Index used to determine asset Criticality. CI ranges from 0% to 100%, with 100% representing the unit with the highest possible consequence of failure.
Cumulative Distribution Function	CDF	Cumulative distribution function. Assumed in this methodology as the Weibull function representing the cumulative likelihood of removals.
Data Availability Indicator	DAI	A measure of the amount of condition parameter data that an asset has, as measured against the full data sets that are practically available and included in the HI formula. It is determined by the weighted ratio of the condition parameters availability of an individual unit, over the maximum condition parameters availability of an asset group.

Terminology	Acronym	Definition
Data Gap		A data gap is the case where none of the units in an asset group has data for a particular item as requested by “ideal” data sets. A data gap means the data is either unavailable or not in a useable format.
De-rating Multiplier	DR	Multipliers used to adjust a condition or sub-condition parameter score or calculated Health Index so as to reflect certain conditions.
Flagged for Action Plan	FFA Plan	Number of units that are expected to require attention annually.
Flagged for Action Year	FFA Year	The year that a particular unit is flagged for action.
Health Index	HI	Health Indexing quantifies equipment condition based on numerous condition parameters that are related to the factors that cumulatively lead to an asset’s end of life. HI is given in terms of a percentage range of 0%-100%, with 100% representing as new condition.
Probability Density Function	PDF	Probability density function. Assumed in this methodology as the Weibull function representing the likelihood that an asset will be removed from service when its age is within a particular range.
Removal Rate		Weibull hazard function. Assumed in this methodology as the rate of removal (removals per year for given age, including failures, proactively replaced, removal for non-condition reasons).
Sample Size		Subset of an asset population with enough data (i.e. age or condition data) to calculate the HI.
Sub-Condition Parameter Score	SCPS	Score of an asset for a particular sub condition parameter. In this study, the scoring system used ranges from 0 through 4 (0 = worst; 4 = best).
Sub-Condition Parameters	CP	Asset characteristics or properties that are used to derive the HI. Each condition parameter can be comprised of multiple sub-condition parameters.
Weibull Distribution		Continuous function used, in this methodology to model, the removal rates of assets.

Terminology	Acronym	Definition
Weight of Condition Parameter	WCP	In the HI formula, condition parameters are assigned a weight that is based on the degree of contribution or relevance to asset degradation.
Weight of Sub-Condition Parameter	WSCP	In the HI formula, condition parameters are assigned a weight that is based on the degree of contribution or relevance to asset degradation.

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I INTRODUCTION

E. L. K. Energy Inc (ELK) engaged Kinectrics Inc (Kinectrics) in 2025 to perform an Asset Condition Assessment (ACA) on selected distribution assets. The ACA produces a quantifiable evaluation of assets condition, and aids in prioritizing and allocating sustainment investments. This was the second time that Kinectrics conducted ACA study for ELK's selected distribution, after the initial analysis in 2020. This assessment covered ELK's asset population as of June 2025. This report presents results based on the available data. In the flagged for action plans, year 0 shown in all figures is for 2025, year 1 for 2026, year 2 for 2027 etc.

I.1 Objective and Scope of Work

The categories and sub-categories of assets considered in this study are as follows:

- Pole Mounted Transformers
- Pad Mounted Transformers
- Overhead Switches
- Pad Mounted Switchgear
- Underground Cables
- Poles (Wood, Concrete, Steel)

I.2 Deliverables

The deliverable in this study is a Report that includes the following information:

- Description of the Asset Condition Assessment methodology
- For each asset category the following information was included:
 - Health Index formulation
 - Age distribution
 - Health Index distribution
 - Condition-based Flagged For Action Plan
 - Assessment of data availability and a Data Gap analysis

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II ASSET CONDITION ASSESSMENT METHODOLOGY

The Asset Condition Assessment (ACA) Methodology involves the process of determining asset Health Index, as well as developing a condition-based Flagged for Action Plan for each asset group. The methods used are described in the subsequent sections.

II.1 Health Index

Health Indexing quantifies equipment condition based on numerous condition parameters that are related to the degradation factors that lead to an asset's end of service life. The Health Index is an indicator of the asset's overall health and is typically given in terms of percentage, with 100% representing an asset in brand new condition. Health Indexing provides a measure of long-term degradation and thus differs from defect management, whose objective is finding defects and deficiencies that need correction or remediation in order to keep an asset operating prior to reaching its end of life.

Condition parameters are the asset characteristics or properties that are used to derive the Health Index. A condition parameter may be comprised of several sub-condition parameters. For example, a parameter called "Oil Quality" may be a composite of parameters such as "Moisture", "Acid", "Interfacial Tension", "Dielectric Strength" and "Colour".

In formulating a Health Index, condition parameters are ranked, through the assignment of *weights*, based on their contribution to asset degradation. The *condition parameter score* for a particular parameter is a numeric evaluation of an asset with respect to that parameter.

Health Index (HI), which is a function of scores and weightings, is therefore given by:

$$HI = \frac{\sum_{m=1}^{\forall m} \alpha_m (CPS_m \times WCP_m)}{\sum_{m=1}^{\forall m} \alpha_m (CPS_{m.\max} \times WCP_m)} \times DR$$

Equation 0-1

where

$$CPS = \frac{\sum_{n=1}^{\forall n} \beta_n (CPF_n \times WSCP_n)}{\sum_{n=1}^{\forall n} \beta_n (WSCP_n)}$$

Equation 0-2

CPS	Condition Parameter Score
WCP	Weight of Condition Parameter
α_m	Data availability coefficient (1 if available; 0 if not available)
CPF	Sub-Condition Parameter Score
WSCP	Weight of Sub-Condition Parameter
β_n	Data availability coefficient for sub-condition parameter (1 if available; 0 if not available)
DR	De-Rating Multiplier

The scale that is used to determine an asset's score for a particular parameter is called the *condition criteria*. For this project, a condition criteria scoring system of 0 through 4 is used. A score of 0 represents the worst score while 4 represents the best score. I.e. $CPF_{max} = 4$. De-Rating multipliers are applied to the calculated HI. These may be used to represent the impact of non-condition issues such as design or operating environment.

II.1.1 Health Index Results

As stated previously, an asset's Health Index is given as a percentage, with 100% representing "as new" condition. The Health Index is calculated only if there is sufficient condition data. The subset of the population with sufficient data is called the *sample size*. Results are generally presented in terms of number of units and as a percentage of the sample size. If the sample size is sufficiently large and the units within the sample size are sufficiently random, the results may be extrapolated for the entire population.

The Health Index distribution given for each asset group illustrates the overall condition of the asset group. Further, the results are aggregated into five categories and the categorized distribution for each asset group is given. The Health Index categories are as follows:

Very Poor	Health Index < 25%
Poor	$25 \leq \text{Health Index} < 50\%$
Fair	$50 \leq \text{Health Index} < 70\%$
Good	$70 \leq \text{Health Index} < 85\%$
Very Good	Health Index $\geq 85\%$

Note that for critical asset groups, such as Power Transformers, the Health Index of each individual unit is given.

II.2 Condition Based Flagged for Action Plan

The condition based Flagged for Action Plan outlines the number of units that are expected to require attention in the next 10 years. The numbers of units are estimated using either a *proactive* or *reactive* approach. In the proactive approach, units are considered for action prior to failure, whereas the reactive approach is based on expected failures per year.

Both approaches consider asset removal rate and probability of failure. The removal rate is estimated using the method described in the subsequent section.

II.2.1 Removal Rate and Probability of Removal

Where removal rate data is not available, a frequency of removal that grows exponentially with age provides a good model.

Depending on its application, there have been various forms derived from the original equation. Based on Kinectrics' experience in removal rate studies of multiple power system asset groups, Kinectrics has selected the Weibull equation to model the removal curves. The Weibull function has no specific characteristic shape and, as such, can model the exponentially increasing removal rate using appropriate parameters.

The Weibull removal density function is defined as:

$$f(t) = \frac{\beta t^{\beta-1}}{\alpha^\beta} e^{-\left(\frac{t}{\alpha}\right)^\beta}$$

Equation 0-3

f = removal rate per unit time
 t = time
 α, β = constant that control the scale and shape of the curve

Depending on its application, there have been various forms derived from the original equation. Based on Kinectrics' experience in removal rate studies of multiple power system asset groups, the following variation of the removal rate formula has been adopted:

The corresponding cumulative removal distribution is therefore:

$$Q(t) = 1 - R(t) = 1 - e^{-\left(\frac{t}{\alpha}\right)^\beta}$$

Equation 0-4

$Q(t)$ = cumulative failure distribution
 $R(t)$ = survival function

Finally, the removal rate function (i.e. hazard function) is then:

$$\lambda(t) = \frac{f(t)}{1 - Q(t)} = \frac{\beta t^{\beta-1}}{\alpha^\beta}$$

Equation 0-5

$\lambda(t)$ = hazard function (removals per year)

Different asset groups experience different removal rates and therefore different removal distributions. The parameters α and β are determine the shapes of these curves. For each asset group, the values of these constant parameters were selected to reflect typical useful lives for these assets.

Consider, for example, an asset class where at the ages of 40 and 75 the asset has cumulative probabilities of removal of 20% and 95% respectively. It follows that when using Equation 5, α and β are calculated as 57.503 and 4.132 respectively. The removal rate and probability of removal graphs for these parameters are as follows:

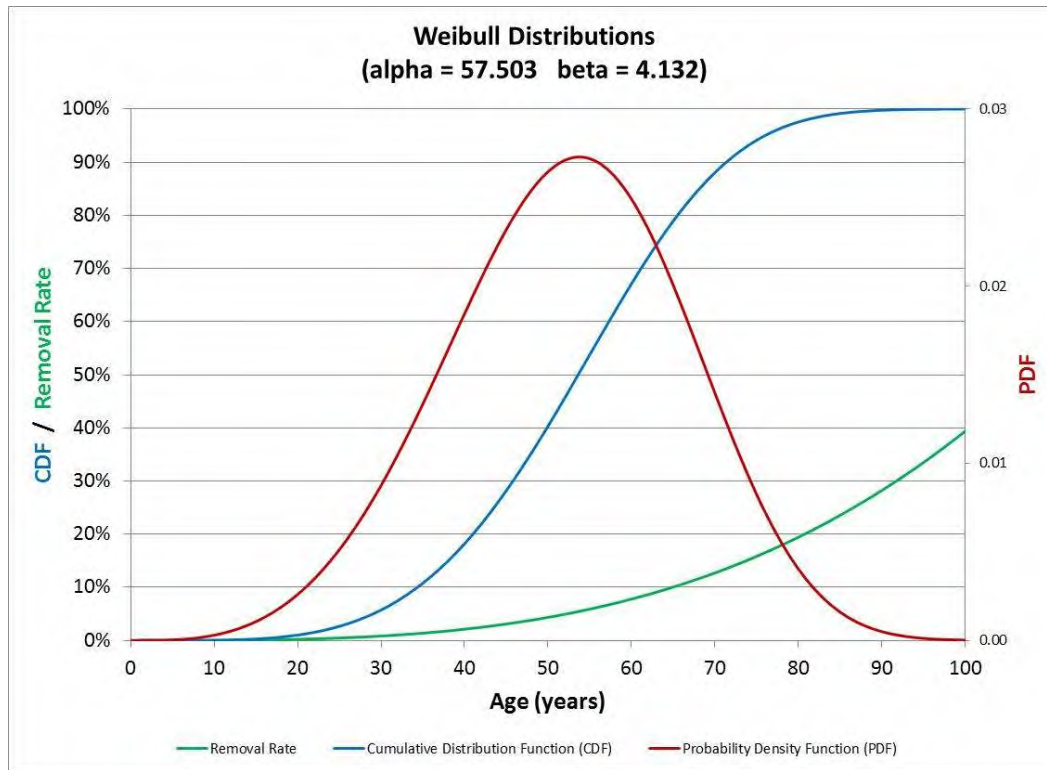


Figure 1 Removal rate vs. Age

II.2.2 Projected Flagged for Action Plan Using a Probabilistic Approach

For assets that have low consequences of failure or that are run to failure, a probabilistic approach is taken to estimate the number of units that are flagged for action in a given year.

For such asset types, the number of units expected to be replaced in a given year are determined based on the asset's removal rates. The number of failures per year is given by Equation 0-5.

An example of such a Flagged for Action Plan is as follows: Consider an asset distribution of 100 - 5 year old units, 20 - 10 year old units, and 50 - 20 year old units. Assume that the removal rates for 5, 10, and 20 year old units for this asset class are $\lambda_5 = 0.02$, $\lambda_{10} = 0.05$, $\lambda_{20} = 0.1$ failures / year respectively. In the current year, the total number of replacements is $100(.02) + 20(0.05) + 50(0.1) = 2 + 1 + 5 = 8$.

In the following year, the expected asset distribution is, as a result, as follows: 8 - 1 year old units, 98 - 6 year old units, 19 - 11 year old units, and 45 - 21 year old units. The number of replacements in year 2 is therefore $8(\lambda_1) + 19(\lambda_6) + 45(\lambda_{11}) + 45(\lambda_{21})$.

Note that in this study the "age" used is in fact "effective age", or condition-based age if available, as opposed to the chronological age of the asset.

For all the asset categories in this study, the probabilistic approach is used to estimate the FFA Plan. It is also important to note that the FFA gives the estimated number of assets per year that need to be addressed; the year that a specific unit needs to be addressed is not calculated.

II.3 Data Assessment

The condition data used in ACA study included the following:

- Test results (for some poles only) Inspection Records
- Age

There are two components that assess the availability and quality of data used in this study: data availability indicator (DAI) and data gaps.

II.3.1 Data Availability Indicator (DAI)

The Data Availability Indicator (DAI) is a measure of the amount of condition parameter data that an asset has, as measured against the full data sets that are practically available and included in the HI formula. It is determined by the weighted ratio of the condition parameters availability of an individual unit, over the maximum condition parameters availability of an asset group. The formula is given by:

$$DAI = \frac{\sum_{m=1}^{\forall m} (DAI_{CPSm} \times WCP_m)}{\sum_{m=1}^{\forall m} (WCP_m)}$$

Equation 6

where

$$DAI_{CPSm} = \frac{\sum_{n=1}^{\forall n} \beta_n \times WCF_n}{\sum_{n=1}^{\forall n} (WCPF_n)}$$

Equation 7

DAI_{CPSm}	Data Availability Indicator for Condition Parameter m with n Condition Parameter Factors (CPF)
β_n	Data availability coefficient for sub-condition parameter (=1 when data available, =0 when data unavailable)
$WSCP_n$	Weight of Condition Parameter Factor n
DAI	Overall Data Availability Indicator for the m Condition Parameters
WCP_m	Weight of Condition Parameter m

For example, consider an asset with the following condition parameters and sub-condition parameters:

Condition Parameter		Condition Parameter Weight (WCP)	Sub-Condition Parameter		Sub-Condition Parameter Weight (WCF)	Data Available? ($\beta = 1$ if available; 0 if not)
m	Name		n	Name		
1	A	1	1	A_1	1	1
2	B	2	1	B_1	2	1
			2	B_2	4	1
			3	B_3	5	0
3	C	3	1	C_1	1	0

The Data Availability Indicator is calculated as follows:

$$DAI_{CP1} = (1 \cdot 1) / (1) = 1$$

$$DAI_{CP2} = (1 \cdot 2 + 1 \cdot 4 + 0 \cdot 5) / (2 + 4 + 5) = 0.545$$

$$DAI_{CP3} = (0 \cdot 1) / (1) = 0$$

$$\begin{aligned} DAI &= (DAI_{CP1} \cdot WCP_1 + DAI_{CP2} \cdot WCP_2 + DAI_{CP3} \cdot WCP_3) / (WCP_1 + WCP_2 + WCP_3) \\ &= (1 \cdot 1 + 0.545 \cdot 2 + 0 \cdot 3) / (1 + 2 + 3) \\ &= 35\% \end{aligned}$$

An asset with all available condition parameter data represented will, by definition, have a DAI value of 100%. In this case, an asset will have a DAI of 100% regardless of its Health Index score. Bear in mind that a DAI of 100% does not mean there is no data gap (to be discussed in the following section). What it really indicates is that, at the time of study, an asset has information on all the condition parameters that a utility is able to provide information for.

Provided that the condition parameters used in the Health Index formula are of good quality and there are little data gaps, there will be a high degree of confidence that the Health Index score accurately reflects the asset's condition.

II.3.2 Data Gap

The Health Index formulations developed and used in this study are based only on ELK's available data. There are additional parameters or tests that ELK are not currently collecting that are important indicators of the deterioration and degradation of assets. While these will not be included in the HI formula, they are referred to as data gaps. I.e. a data gap is the case where none of the units in an asset group have data for a particular item as requested by "ideal" data sets. The situation where data is provided for only a sub-set of the population is not considered as a data gap and is addressed in calculating DAI.

As part of this study, the data gaps of each asset category are identified. In addition, the data items are ranked in terms of importance. There are three priority levels, the highest being most indicative of asset degradation.

Priority	Description	Symbol
High	Impactive data; most useful as an indicator of asset degradation	★ ★ ★
Medium	Important data; can indicate the need for corrective maintenance or increased monitoring	★ ★
Low	Helpful data; least indicative of asset deterioration	★

When filling up data gaps, it is generally recommended that data collection be initiated for the items marked with higher priority, because such information will result in higher quality Health Index formulas.

The more impactive and important are data included in the Health Index formula of a certain asset group, and the higher the Data Availability Indicator of a particular unit in that group, the higher the confidence in the Health Index calculated for the particular unit.

If an asset group has significant data gaps and lacks good quality condition, there is less confidence that the Health Index score of a particular unit accurately reflects its condition, regardless of the value of its DAI.

To facilitate the incorporation of data gap items into improved Health Index formulas for future assessments, the data gaps items are presented in this report as sub-condition parameters. For each item, the parent condition parameter is identified. Also given are the object or component addressed by the parameter, a description of what to assess for each component or object, and the possible source of data.

The following is an example for “Tank Corrosion” on a Pad-Mounted Transformer:

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Tank Corrosion	Physical Condition	★ ★	Oil Tank	Tank surface rust or deterioration due to environmental factors	Visual Inspection

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III RESULTS

This section summarizes the findings of this study.

III.1 Health Index Results

A summary of the Health Index evaluation results is shown in Table 1. For each asset category the population, sample size (number of assets with age or condition data available), average age, age availability and average DAI are given. The average Health Index and distribution are also shown. A summary of the Health Index distribution for all asset categories are also graphically shown in Figure 2. Note that the Health Index distribution percentages are extrapolated from the asset group's sample size.

Of all the 9 sub-categories, 4 of them (Pad Mounted Switchgear 3-ph, Overhead Switches, Underground Cables, Poles-Steel) had over 80% of their units classified as "good" or "very good", with all of them having an average Health Index score of 80% or higher. For Overhead Switches, the sample size is only 10% of the entire asset population, therefore the Health Index results were extrapolated based on the sample size and should be taken for reference only. Similar approach was applied to Pad Mounted Switchgear and Poles-Concrete, which had a sample size of 11% and 4%, respectively.

It can be seen from the results that among all the asset categories, percentage-wise Pad Mounted Transformers (1-ph) were the one of concern. Over one fourth of the units in this asset sub-category were classified as "poor" or "very poor", with an average Health Index score of 74%.

Table 1 Health Index Results Summary

Asset Category		Population	Sample Size	Average Health Index	Health Index Distribution (Sample Size)					Average Age	Average DAI	Age Availability
					Very Poor (< 25%)	Poor (25 - <50%)	Fair (50 - <70%)	Good (70 - <85%)	Very Good (>= 85%)			
Pole Mounted Transformers		877	647	79%	16	38	93	185	315	37	Age Only	74%
Pad Mounted Transformers	1 Ph	772	756	74%	43	150	93	73	397	28	82%	98%
	3 Ph	93	90	93%	0	1	5	7	77	19	75%	97%
Overhead Switches		113	11	95%	0	0	0	2	9	34	Age Only	10%
Pad Mounted Switchgear		38	4	81%	1	0	0	0	3	14	Age Only	11%
Underground Cables (km)		134.6	123.3	99%	0.0	0.8	0.7	0.2	121.7	22	Age Only	92%
Poles	Wood	2257	1609	79%	81	205	254	114	955	44	49%	71%
	Concrete	54	3	76%	0	0	1	0	2	34	4%	6%
	Steel	144	140	80%	1	0	26	68	45	19	44%	97%

0%  100%

Age Only

No information other than age

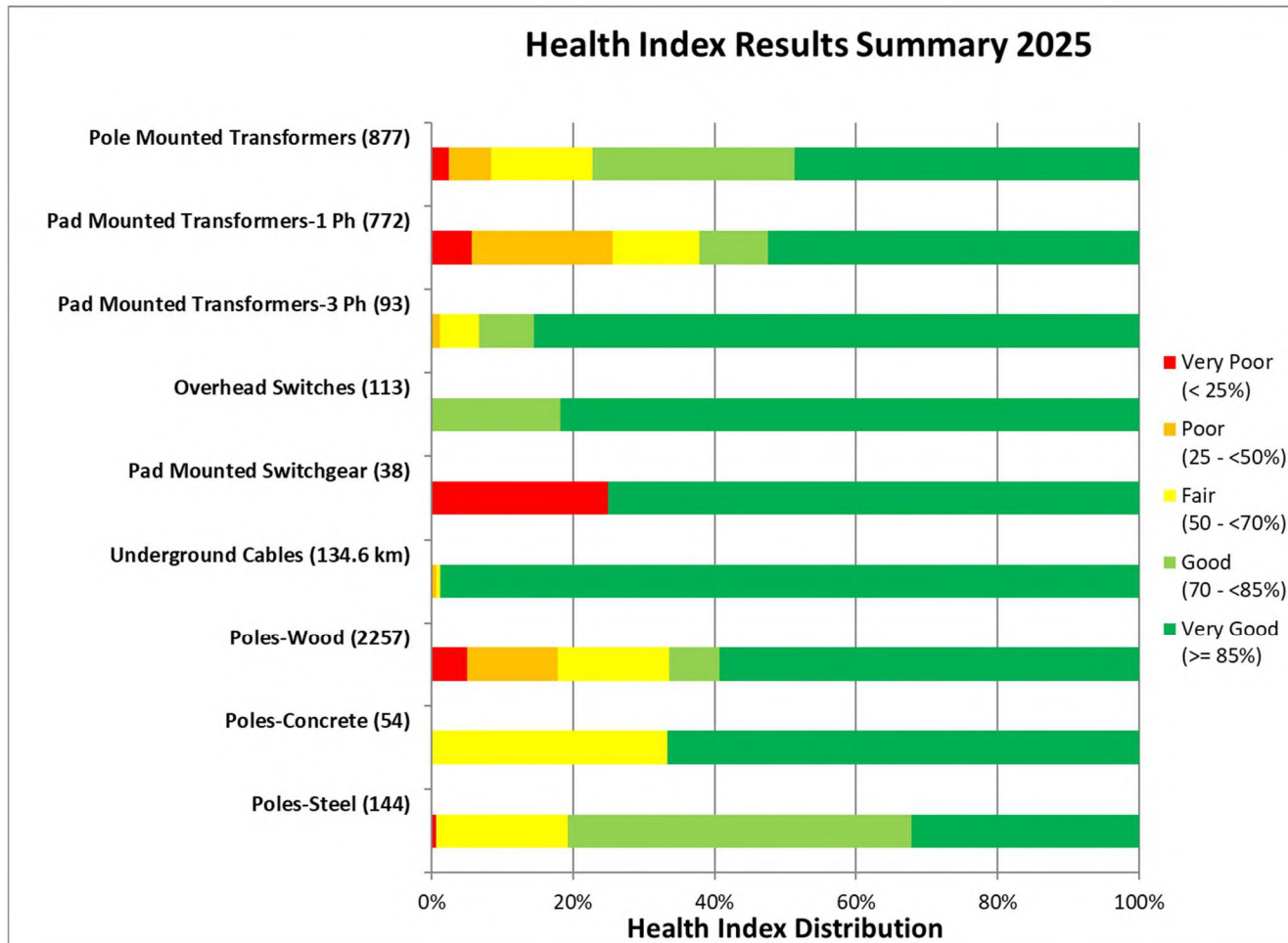


Figure 2 Health Index Results Summary

In the above diagram, the percentages are based on sample size Health Index distribution and extrapolated to the entire population.

III.2 Condition-Based Flagged for Action Plan

The Flagged for Action Plan estimates the number of units expected to require attention each year.

Table 2 shows the Year 0 (year 2025) and 10 Year cumulative Flagged for Action Plan. Table 3 shows the 10 Year Flagged for Action Plan annually. All the flagged for action plans presented are extrapolated to the entire population.

Table 2 Summary of Flagged for Action

Asset Category		1st Year Action		10 Year Action in Total		Replacement Strategy
		Quantity	Percentage	Quantity	Percentage	
Pole Mounted Transformers		25	2.9%	273	31.1%	Reactive
Pad Mounted Transformers	1 Ph	26	3.4%	233	30.2%	Proactive/Reactive
	3 Ph	0	0.0%	6	6.5%	Proactive/Reactive
Overhead Switches		1	0.9%	21	18.6%	Reactive
Pad Mounted Switchgear		1	2.6%	5	13.2%	Reactive
Underground Cables (km) (km)		0.2	0.1%	8.3	6.2%	Reactive
Poles	Wood	75	3.3%	690	30.6%	Proactive/Reactive
	Concrete	0	0.0%	2	3.7%	Proactive/Reactive
	Steel	4	2.8%	48	33.3%	Proactive/Reactive

100%  0%

In the above table, Pad Mounted Switchgear had no data other than age, which did not support a proactive replacement strategy. It is recommended that ELK collect condition based data for such an asset group to apply proactive replacement strategy.

Table 3 Ten Year Flagged for Action Plan

Asset Category		Flagged for Action Plan by Year **										
		0	1	2	3	4	5	6	7	8	9	10
Pole Mounted Transformers		25	26	27	27	27	28	28	27	29	29	28
Pad Mounted Transformers	1 Ph	26	25	25	24	23	23	23	22	21	21	20
	3 Ph	0	0	1	0	0	1	1	1	1	1	1
Overhead Switches		1	2	2	2	2	2	2	3	3	2	3
Pad Mounted Switchgear		1	1	1	1	1	0	0	0	0	0	0
Underground Cables (km) (km)		0.2	0.3	0.3	0.5	0.6	1	0.9	1.3	1.4	1.8	1.8
Poles	Wood	75	74	73	72	70	69	67	65	63	62	60
	Concrete	0	0	0	0	0	0	0	2	0	0	0
	Steel	4	4	5	5	5	5	5	5	5	5	5

** Year 0 = 2025, Year 1 = 2026, Year 2 = 2027 ... etc

It is evident from Table 3 that in general, all the asset groups had fairly leveled flagged for action plans, indicating small variations in terms of yearly flagged for action numbers.

It is important to note that the Flagged for Action plan suggested in this study is based solely on asset conditions. It uses a probabilistic, non-deterministic approach and as such can only show expected failures or a probable number of units that are expected to be candidates for replacement or other action. While this condition-based Flagged for Action Plan can be used as a guide or input to ELK's distribution system plan, it is not expected that it be followed directly or as the final deciding factor in making sustainment capital decisions. There are numerous other factors and considerations that will influence ELK's Asset Management decisions, such as obsolescence, system expansion, regulatory requirements, municipal demand and customer preferences etc.

III.3 Data Assessment Results

Data assessment determines the data availability for each asset group, as well as identifying the data gaps for each asset group. Data availability is a measure of the amount of data that an individual unit has in comparison with the set of data currently available for its respective asset categories.

Data gaps are items that are indicators of asset degradation but are currently not collected or available for any asset in an asset category. The fewer the data gaps, the higher the quality of available condition data and Health Index formulas.

In this study, Pad Mounted Transformers and Poles had age and inspection/test data.

All the other asset groups had age information only. Consequently, data availability index (DAI) was not applicable for these asset groups.

Data gap recommendation was made for each of the asset groups in this study, under the section of Data Gaps of each asset group in Appendix A.

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IV CONCLUSIONS

An Asset Condition Assessment was conducted for 8 of ELK's distribution asset sub-categories (6 asset categories). For each asset category, the Health Index distribution was determined, and a condition-based Flagged for Action plan was developed.

The following conclusions were drawn based on the ACA findings of this study.

- 1) In general, 4 out of 9 ELK's asset sub-categories had over 80% of their asset units in good condition ("good" or "very good"), with all these categories having an average Health Index score of 80% or higher.
- 2) With respect to the asset groups that were of concern, Pad Mounted Transformers (1-ph) was found to be in inferior condition as compared to other categories, with an average Health Index of 74%.
- 3) Overhead Switches, Pad Mounted Switchgear and Poles (Concrete) had very low sample size comparing with their asset population sizes. Therefore, their Health Index results should be used for reference only.
- 4) In terms of flagged-for-action plans, Pad Mounted Transformers (1-ph) and Poles (Wood) had high number of units to be addressed immediately, each corresponding to over 3% of population.
- 5) For 10-year long term flagged-for-action plans, Pole Mounted Transformers, Pad Mounted Transformers (1-ph), and Poles (Wood, Steel) had over 30% of the population to be addressed.
- 6) It is important to note that the Flagged for Action plan presented in this study is based solely on asset condition and that there are numerous other considerations that may influence ELK's Asset Management Plan, such as obsolescence, system growth, regulatory requirements, municipal initiatives, etc.

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V RECOMMENDATIONS

The following recommendations were made based on the study results:

- a) Historic records of asset removal need to be collected for all the asset groups, so as to improve the accuracy of asset degradation curves.
- b) Inspection records at component level need to be collected for all the asset groups, to improve credibility of ACA results.
- c) Loading data need to be collected for both Pole Mounted Transformers and Pad Mounted Transformers.

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VI APPENDIX A: RESULTS FOR EACH ASSET CATEGORY

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1 POLE MOUNTED TRANSFORMERS

1.1 Health Index Formula

As there was insufficient condition data available, the HI assessment for this asset category was based simply on age and the cumulative likelihood of survival at a given age.

In ideal situation where both age and condition status information is available, age is used as a limiting factor to reflect the degradation of asset unit as time passed by. The calculated overall HI result (after considering all the possible de-rating multipliers) is then compared with an age limiting factor.

$$Final\ overall\ HI = \begin{cases} HI_{calculated} & \text{if } HI_{calculated} \leq Age_Limiter \\ Age_limiter & \text{if } HI_{calculated} > Age_Limiter \end{cases}$$

The age limiting is the Weibull survival function (1 – cumulative distribution function), assuming it could be modeled by the Weibull distribution.

$$Age_Derating = S_f = e^{-\left(\frac{x}{\alpha}\right)^\beta}$$

Equation 6

- S_f = survivor function
- x = age in years
- α = constant that controls scale of function
- β = constant that controls shape of function

As in this case, there was no calculated HI based on condition input data, the final HI would be equal to age limiting factor value.

In this project, the parameters for Pole Mounted Transformers age limiting curve are shown in the following table and they are based on ELK expert feedback.

Table 1-1 Age Limiting Curve Parameters - Pole Mounted Transformers

Asset Type	α	β
Pole Mounted Transformers	54.8043	4.7634

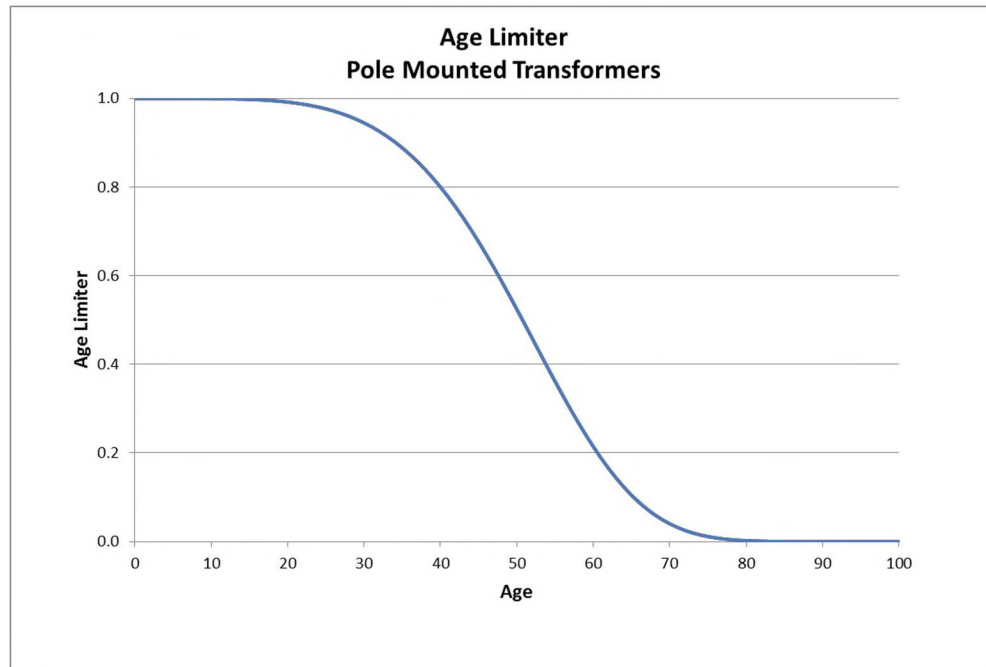


Figure 1-1 Age Limiting Factor Criteria - - Pole Mounted Transformers

1.2 Age Distribution

The average age of the units was 37 years.

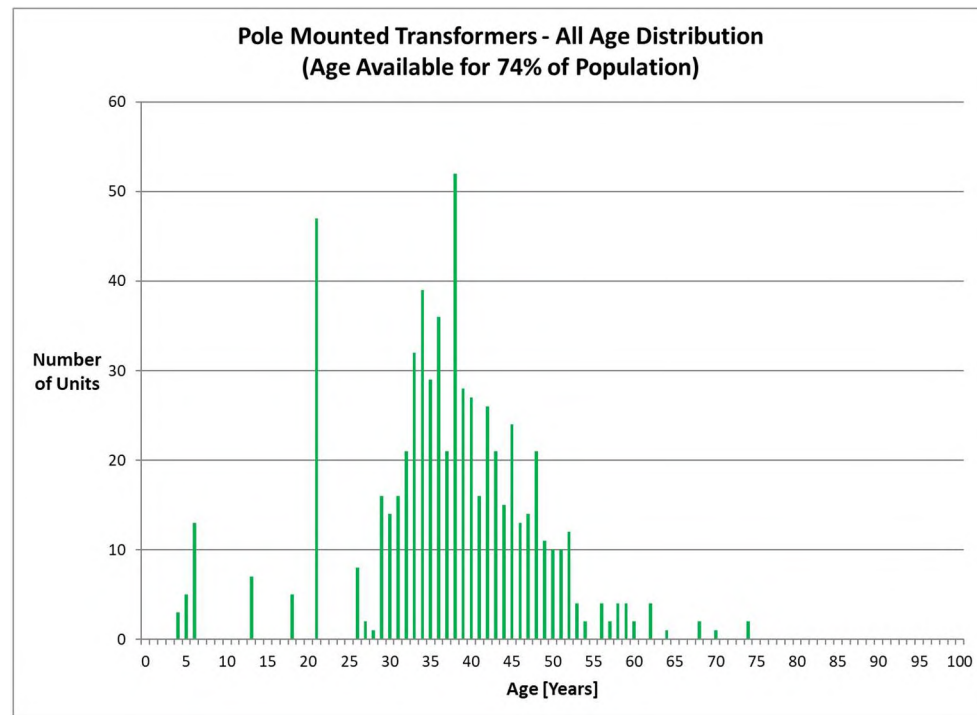


Figure 1-2 Age Distribution - Pole Mounted Transformers

1.3 Health Index Results

There is a total of 877 units of Pole Mounted Transformers with 647 units having aged data used for Health Indexing.

The average Health Index score was 79%.

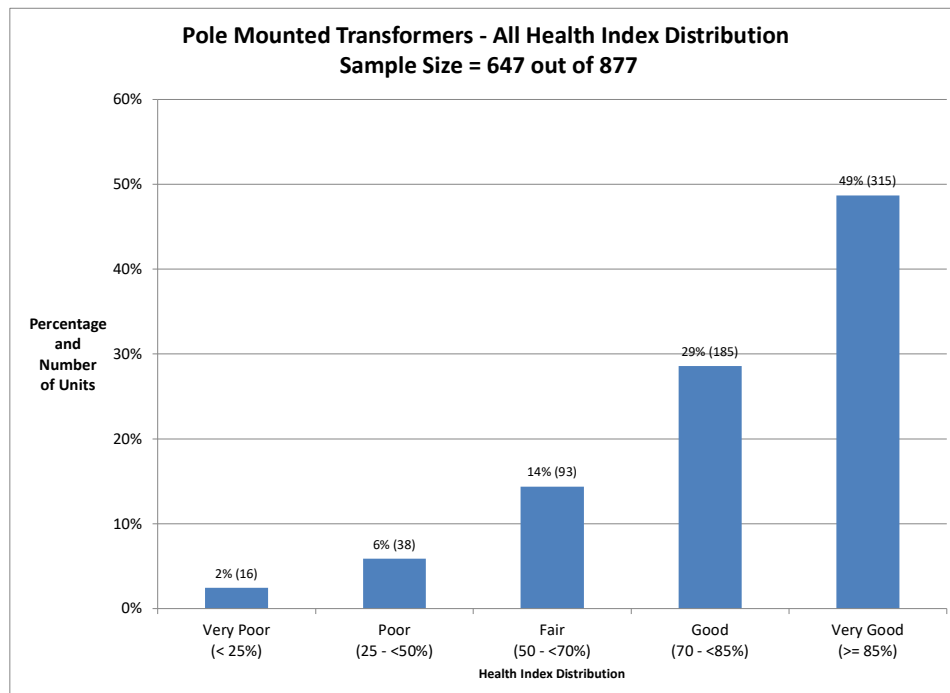


Figure 1-3 Health Index Distribution - Pole Mounted Transformers

1.4 Flagged for Action Plan

The flagged for action plan of Pole Mounted Transformers was based on the asset removal rate.

The flagged for action plan for Pole Mounted Transformers was based on the sample data and extrapolated to the entire population. The following diagram shows the flagged for action plan:

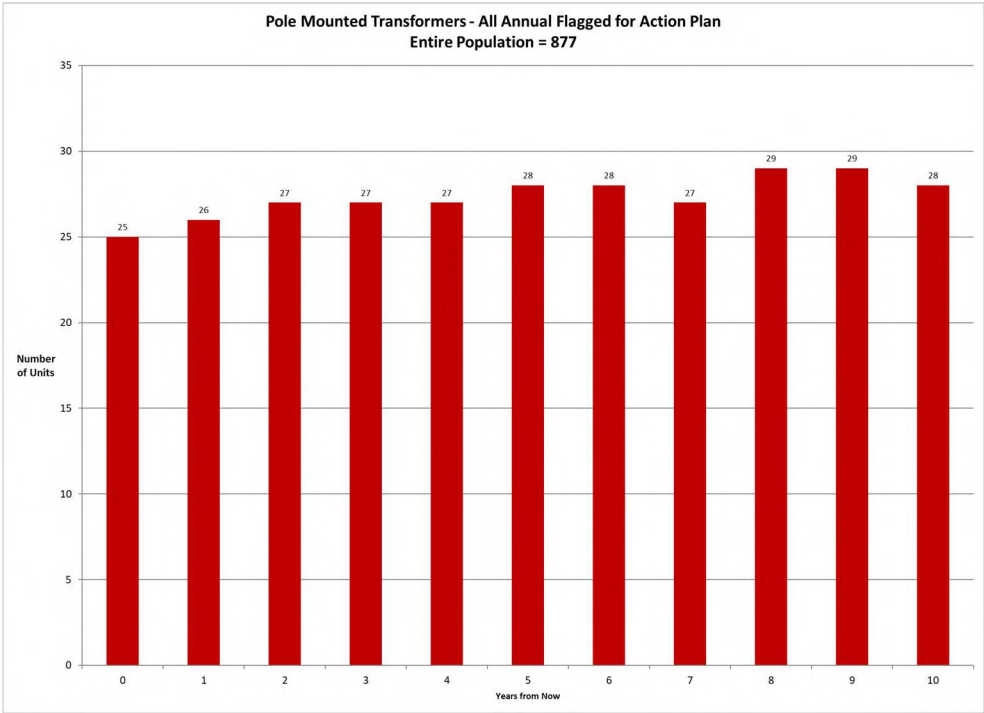


Figure 1-4 Flagged for Action Plan - Pole Mounted Transformers

1.5 Data Gaps

The data used for Pole Mounted Transformers assessment included age only.

The data gaps are as follows.

Table 1-2 Data Gap for Pole Mounted Transformers

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Tank Corrosion	Physical Condition	★	External status	Physically worn- out	On-site visual inspection
Oil Leak	Connection and Insulation Condition	★ ★ ★	Transformer Oil	Leakage	On-site visual inspection
Elbow		★ ★	Coonection	Loose connection	
Grounding		★	Connection	Loose connection	
Loading	Service Record	★	Transformer load	Monthly 15 min peak load throughout years	Operation Record
Historic Removal Record		★ ★ ★	Age at removal and cause of removal		Inventory Database

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2 PAD MOUNTED TRANSFORMERS

2.1 Health Index Formula

Parameter scoring ranged from 0 to 4 with 0 and 4 representing the “worst” and “best” scores, respectively. Thus, the maximum score for any condition or sub-condition parameter (maximum CPS and CPF) is “4”.

2.1.1 Condition and Sub-Condition Parameters

Table 2-1 Condition Parameter and Weights - Pad Mounted Transformers

m	Condition parameter	WCP _m	Sub-Condition Parameters
1	Physical	3	Table 2-2
2	Connection	5	Table 2-3
3	Service Record	5	Table 2-4
	Age Limiting Factor		Figure 2-1

Table 2-2 Physical Sub-Condition Parameters and Weights (m=1) - Pad Mounted Transformers

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Corrosion	3	Table 2-5
2	Rust	1	Table 2-5
3	Base	2	Table 2-5

Table 2-3 Connection Sub-Condition Parameters and Weights (m=2) - Pad Mounted Transformers

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Oil Leak	1	Table 2-5

Table 2-4 Service Record Sub-Condition Parameters and Weights (m=3) - Pad Mounted Transformers

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Overall	1	Table 2-5

2.1.2 Condition Criteria

Inspection

The score based on individual inspection in the past years is calculated as:

$$Average\ Score = \frac{\sum W_i Score_i}{\sum W_i}$$

Equation 2-1

Table 2-5 Inspection Result Criteria - Pad Mounted Transformers

Score	Condition	
	Corrosion, Base, Leak, Noticable Defect	Rust
4	No	No
3		Minor
2		Moderate
1		Severe
0	Yes	

Where

Year (i)	Weight (W _i)
2025	1
2024	0.9
2023	0.8
2022	0.7
2021	0.6

Age

Age was used as a limiting factor to reflect the degradation of assets over time. Refer to section 1.1 for the description.

In this project, the parameters for Pad Mounted Transformers age limiting curve are shown in the following table and they are based on ELK removal data and industry practice, for 1-ph and 3-ph types respectively.

Table 2-6 Age Limiting Curve Parameters - Pad Mounted Transformers

Asset Type	α	β
1-ph	47.02	3.68
3-ph	57.62	3.12



Figure 2-1 Age Limiting Factor Criteria - - Pad Mounted Transformers

2.2 Age Distribution

The average age of the units was 28 and 19 years, for 1-ph and 3-ph Pad Mounted Transformers.

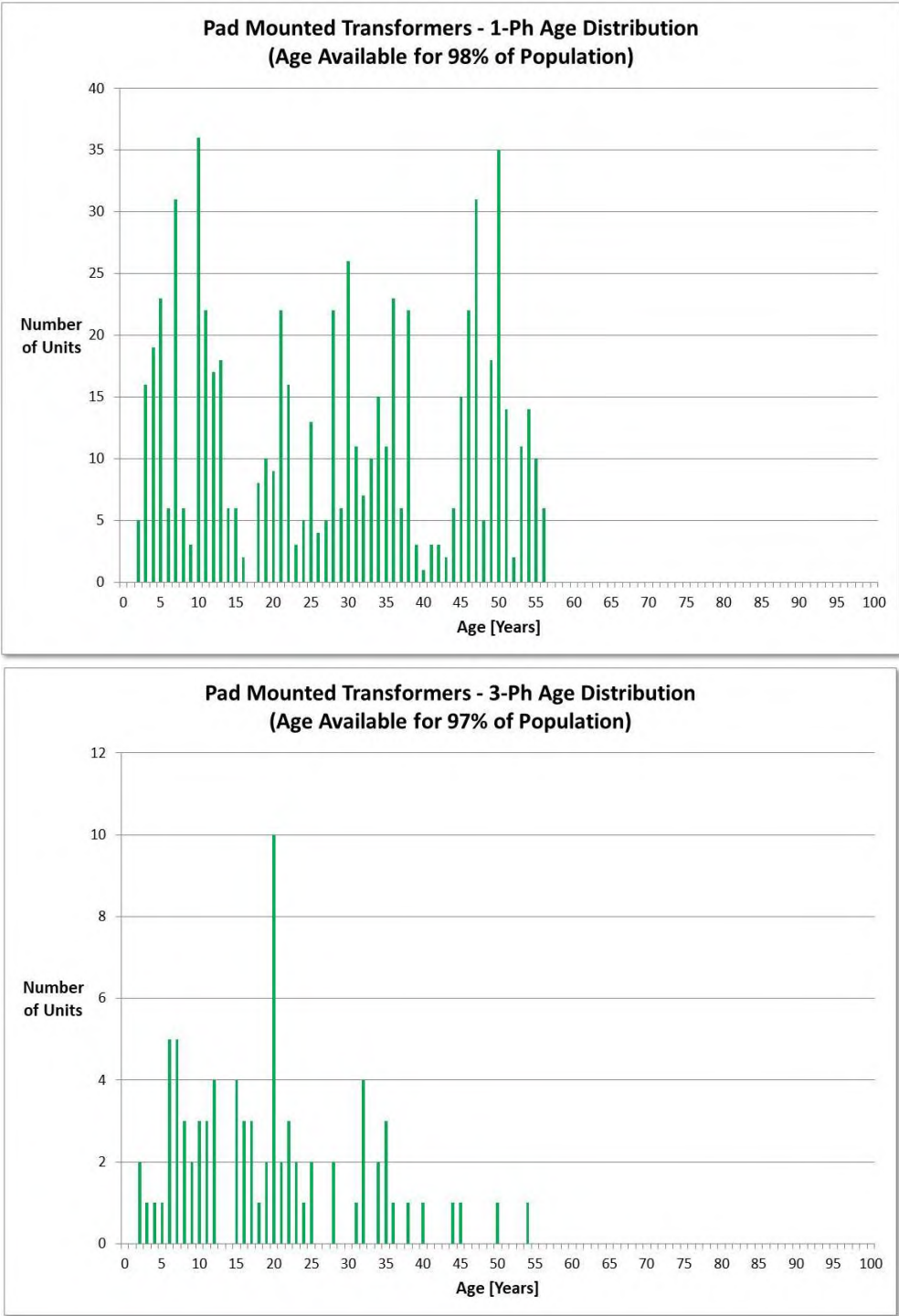


Figure 2-2 Age Distribution - Pad Mounted Transformers

2.3 Health Index Results

There is a total of 772 units of 1-ph Pad Mounted Transformers, with 756 units having sufficient data for Health Indexing.

There is a total of 93 units of 3-ph Pad Mounted Transformers, with 90 units having sufficient data for Health Indexing.

The average Health Index score for this asset group was 74% and 93%, for 1-ph and 3-ph Pad Mounted Transformers respectively.

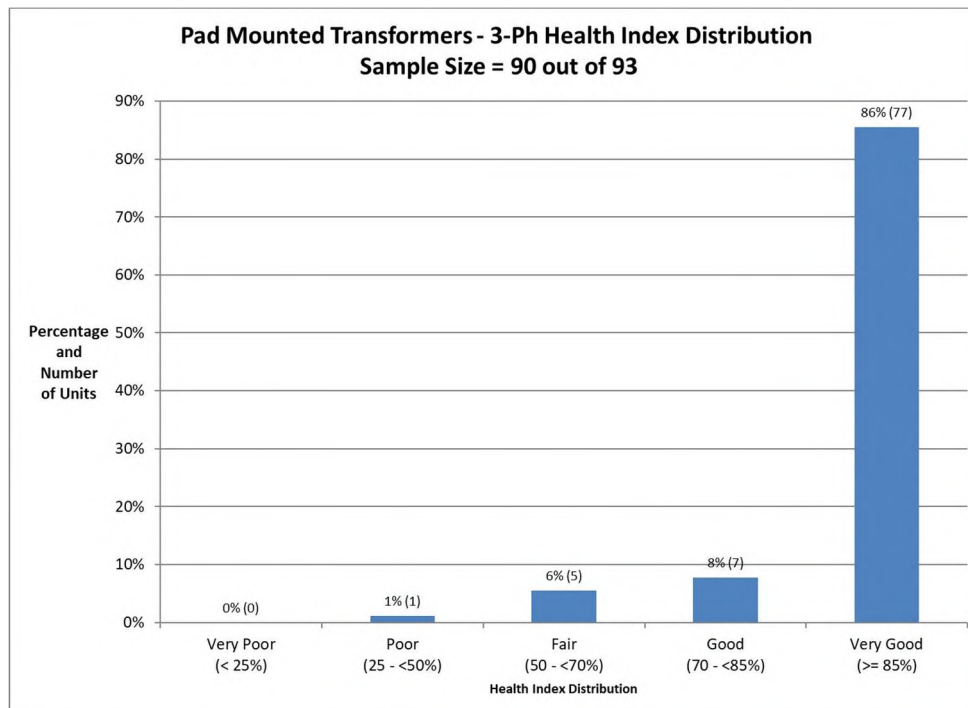
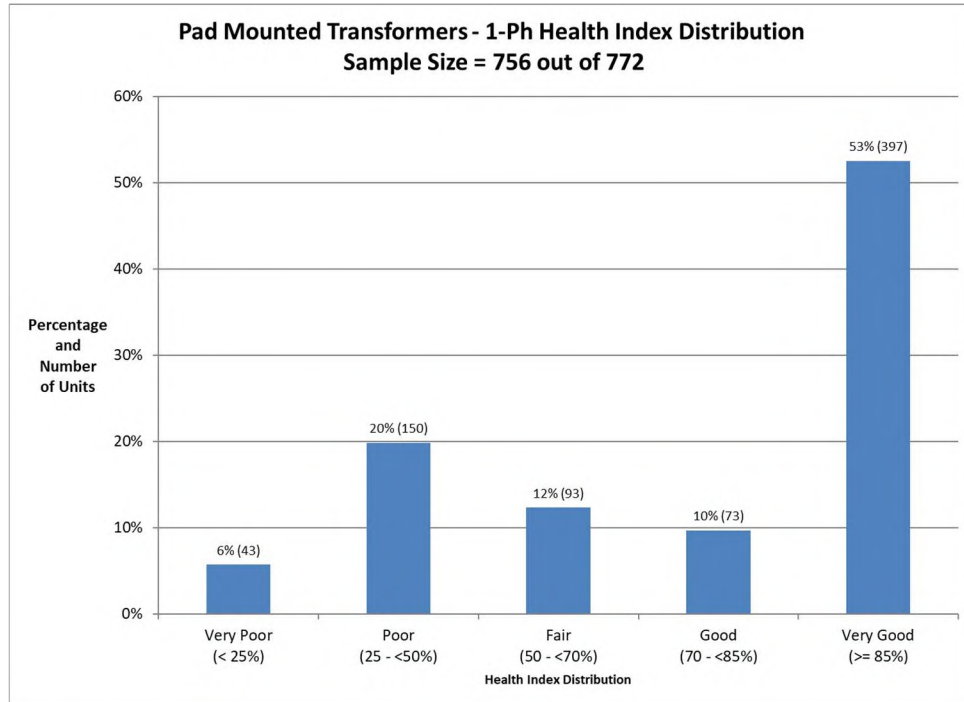


Figure 2-3 Health Index Distribution - Pad Mounted Transformers

2.4 Flagged for Action Plan

The flagged for action plan for Pad Mounted Transformers was based on the asset removal rate.

The flagged for action plan for Pad Mounted Transformers was based on the data for the sample and extrapolated to the entire population. The following diagram shows the flagged for action plan. To avoid the spike in the current year, a leveled flagged for action plan was also developed..

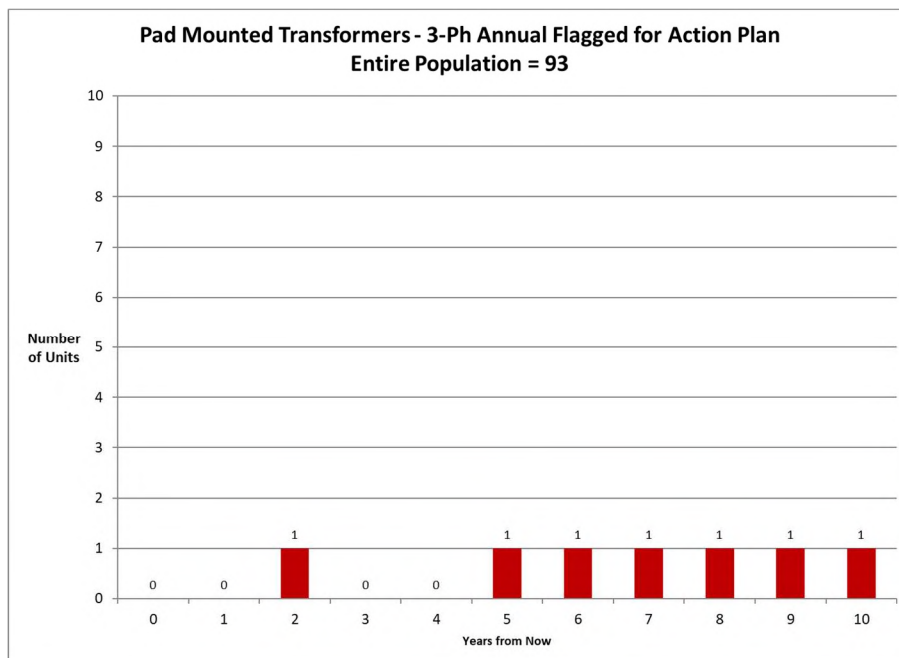
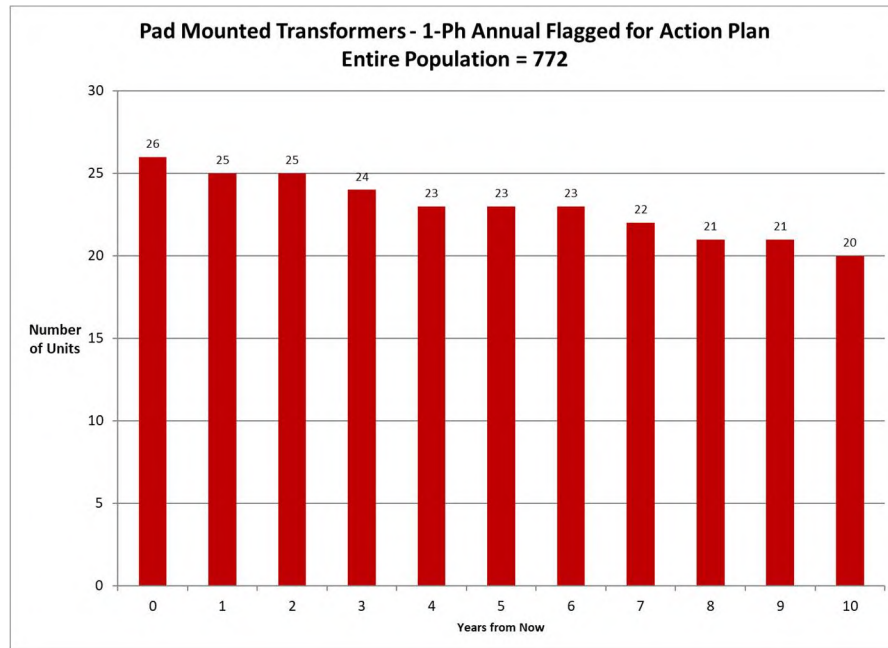


Figure 2-4 Flagged for Action Plan - Pad Mounted Transformers

2.5 Data Gaps

The data used for Pad Mounted Transformers assessment included age and some inspection records.

The data gaps are as follows.

Table 2-7 Data Gap for Pad Mounted Transformers

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Access	Physical Condition	★	Entrance	Physically locked	On-site visual inspection
Elbow	Connection and Insulation Condition	★★	Coonection	Loose connection	On-site visual inspection
Grounding		★	Connection	Loose connection	On-site visual inspection
Insulator		★★	Insulation	Insulation Defect	Test
Gasket	Connection	★	Gasket	Sealing issue	On-site visual inspection
Loading	Service Record	★	Transformer load	Monthly 15 min peak load throughout years	Operation Record
Historic Removal Record		★★★	Age at removal and cause of removal		Inventory Database

3 OVERHEAD LINE SWITCHES

3.1 Health Index Formula

The HI assessment for this asset category was based on age only and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of assets over time. Refer to section 1.1 for description.

The parameters for Overhead Line Switches age limiting curve are shown in the following table and are based on the industry information.

Table 3-1 Age Limiting Curve Parameters - Overhead Line Switches

Asset Type	α	β
Overhead Line Switches	58.1804	9.8989

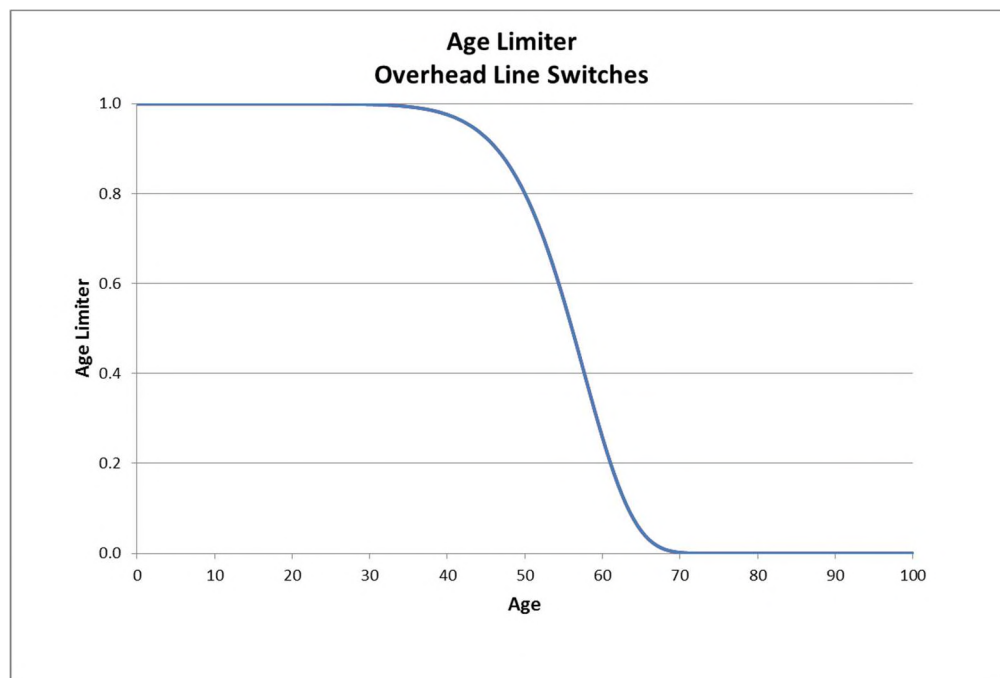


Figure 3-1 Age Limiting Factor Criteria - - Overhead Line Switches

3.2 Age Distribution

The average age of the units was 34 years..

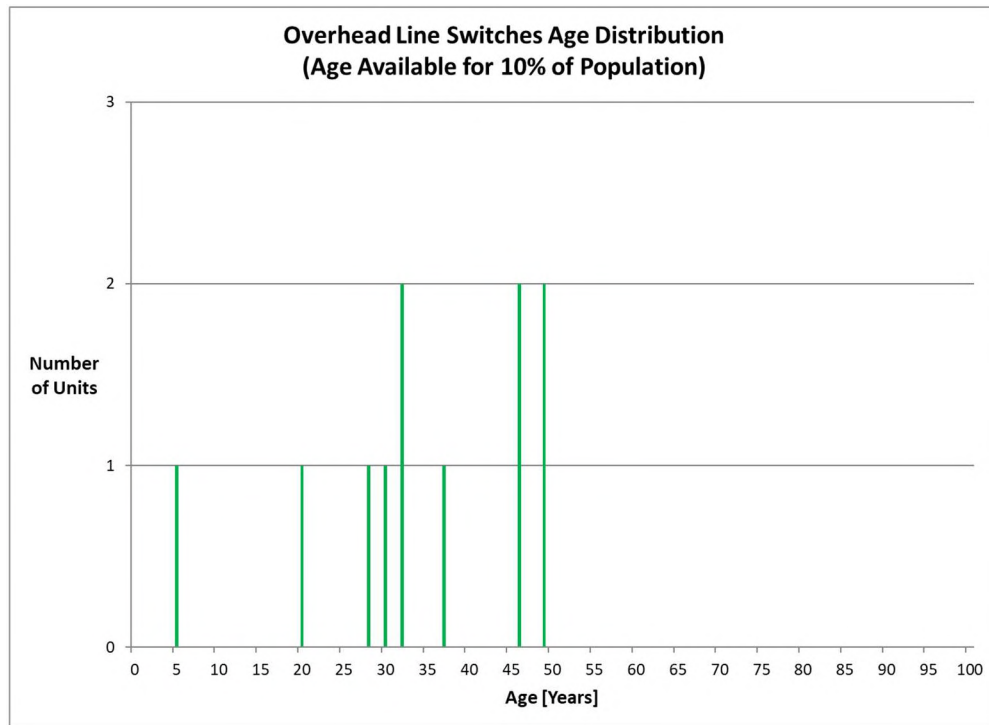


Figure 3-2 Age Distribution - Overhead Line Switches

3.3 Health Index Results

There were a total of 113 units of Overhead Line Switches and only 11 units had age .data used for Health Indexing.

The average Health Index score for this asset group was 95%..

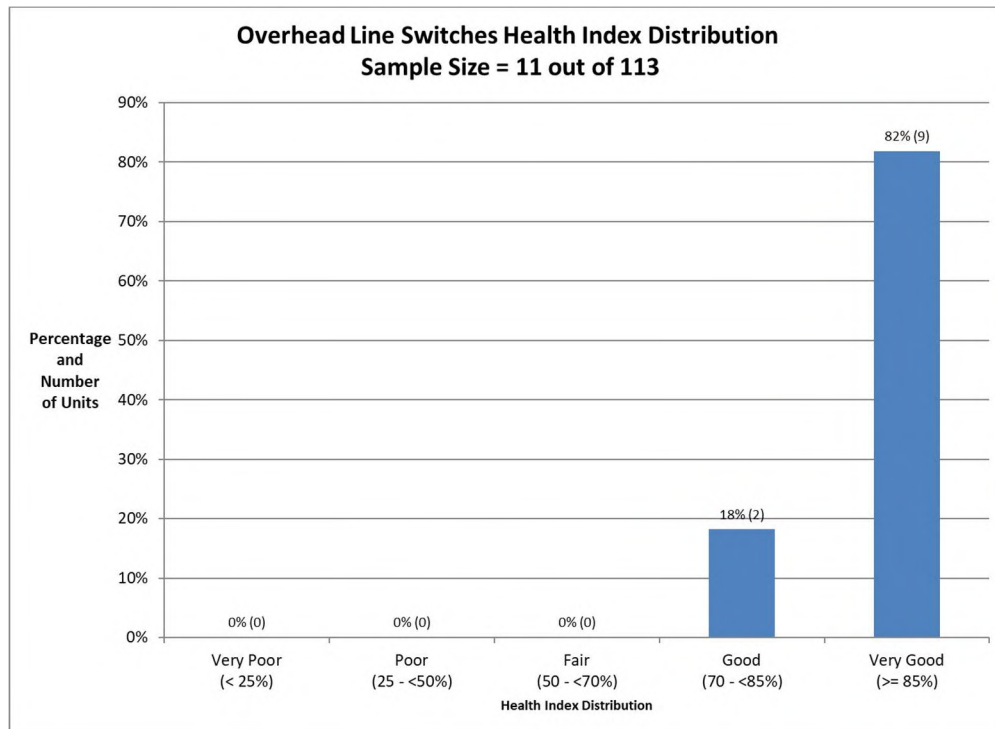


Figure 3-3 Health Index Distribution - Overhead Line Switches

3.4 Flagged for Action Plan

The flagged for action plan of Overhead Line Switches was based on the asset removal rate.

The flagged for action plans for Overhead Line Switches were based on the data from the sample and extrapolated to the entire population.

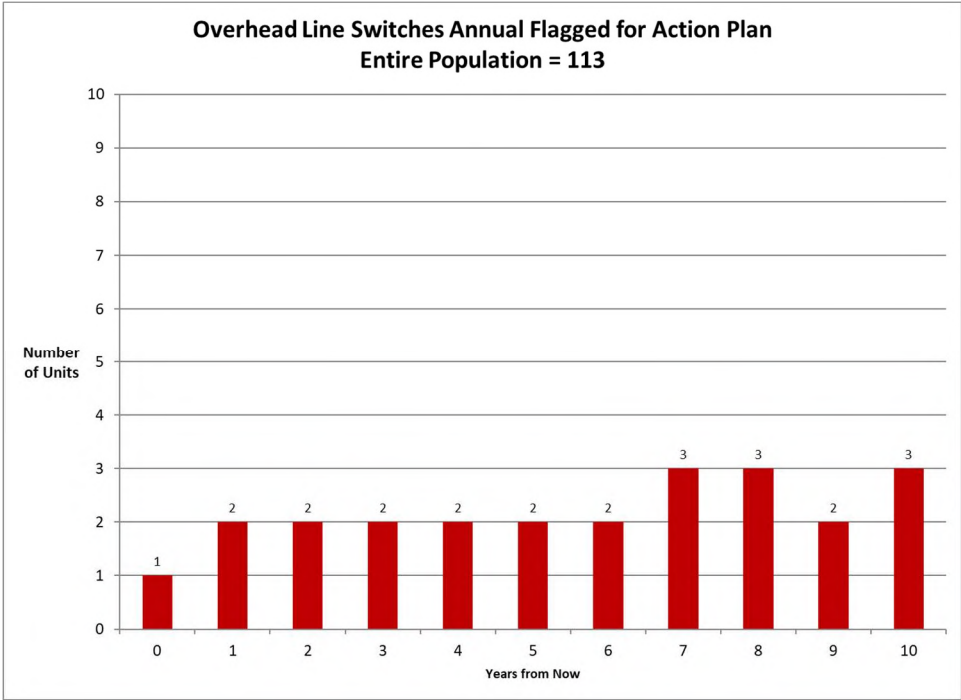


Figure 3-4 Flagged for Action Plan - Overhead Line Switches

3.5 Data Gaps

The data used for Overhead Line Switches assessment included age only.

The data gaps are as follows.

Table 3-2 Data Gap for Overhead Line Switches

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Description	Source of Data
Motor Mechanism	Operation Mechanism	☆☆☆	Mechanical part and linkage issue	Inspection/ Maintenance Records
Load Break handle		☆☆	Mechanical part and linkage issue	
Switch Mounting		☆	Loose installation	
Arc Interrupter	Arc Extinction	☆☆☆	Arc extinction part surface worn-out	
Insulator	Insulation	☆	Crack	
Historic Removal Record		☆☆☆	Age at removal and cause of removal	Inventory Database

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4 PAD MOUNTED SWITCHGEAR

4.1 Health Index Formula

The HI assessment for this asset category was based on age only and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of assets over time.. Refer to section 1.1 for the description.

In this project, the parameters for Pad Mounted Switchgear age limiting curve are shown in the following table and are based on ELK expert feedback and industry information.

Table 4-1 Age Limiting Curve Parameters - Pad Mounted Switchgear

Asset Type	α	β
Pad Mounted Switchgear	32.80	5.53

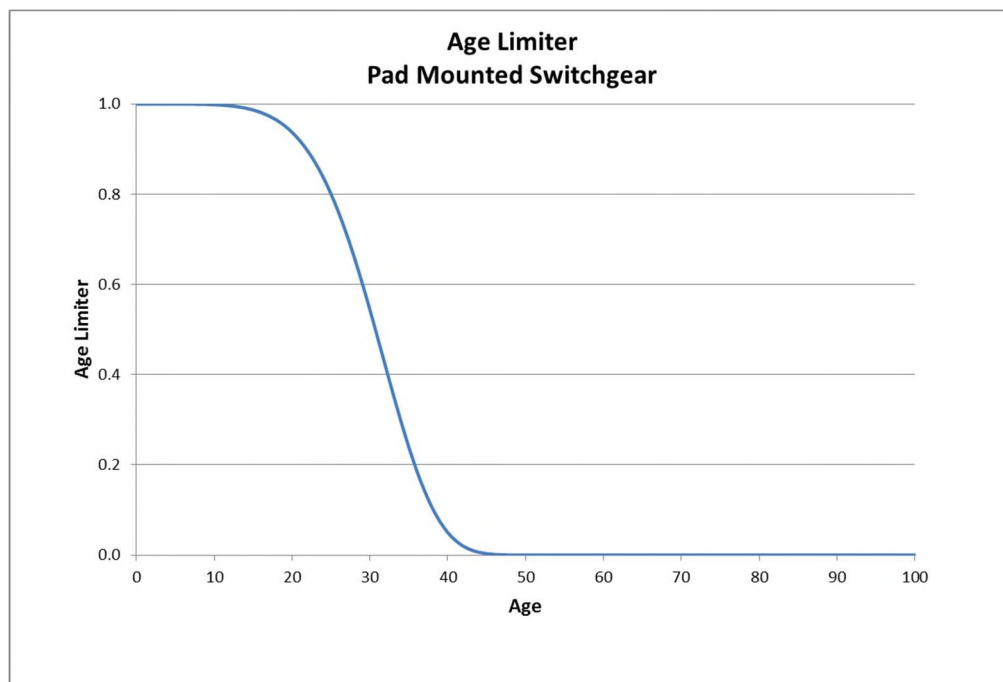


Figure 4-1 Age Limiting Factor Criteria - - Pad Mounted Switchgear

4.2 Age Distribution

The average age of the units was 14 years.

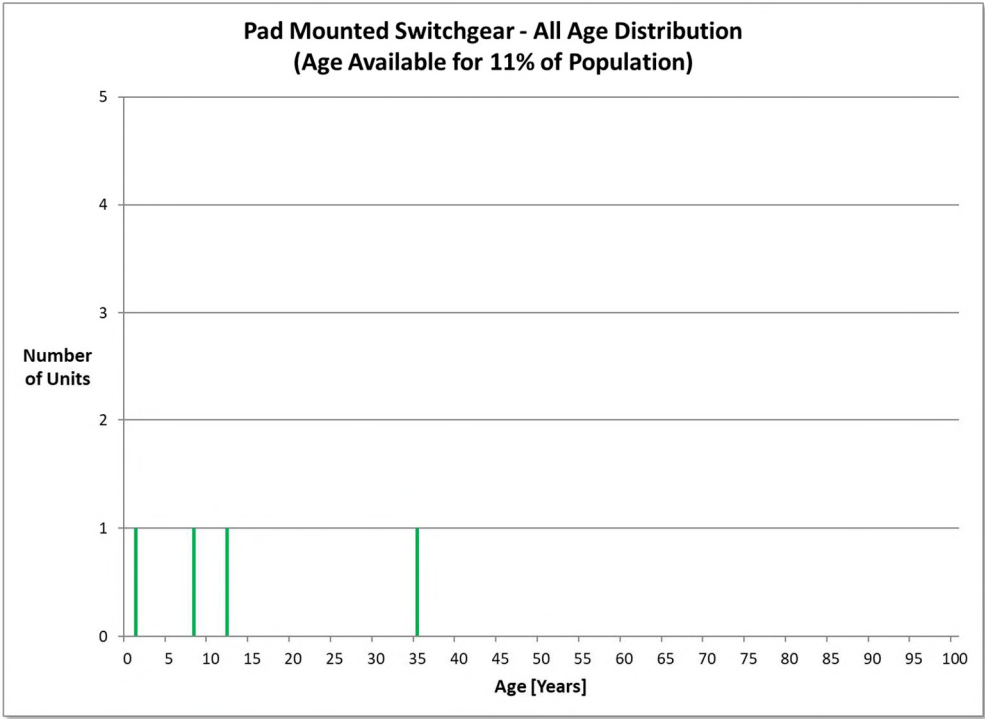


Figure 4-2 Age Distribution - Pad Mounted Switchgear

4.3 Health Index Results

There was a total of 38 units of Pad Mounted Switchgear. Among them, 4 units had sufficient data for Health Indexing.

The average Health Index score for this asset group was 81% ..

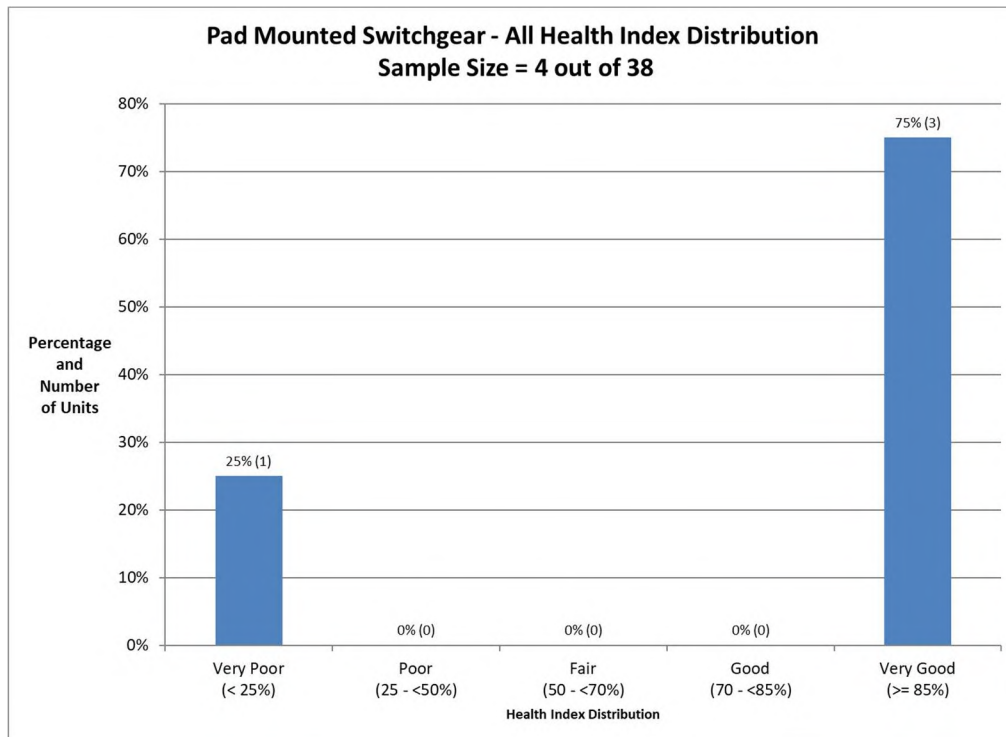


Figure 4-3 Health Index Distribution - Pad Mounted Switchgear

4.4 Flagged for Action Plan

The flagged for action plan of Pad Mounted Switchgear was based on the asset removal rate.

The flagged for action plans for Pad Mounted Switchgear were based on the data from the sample and extrapolated to the entire population.

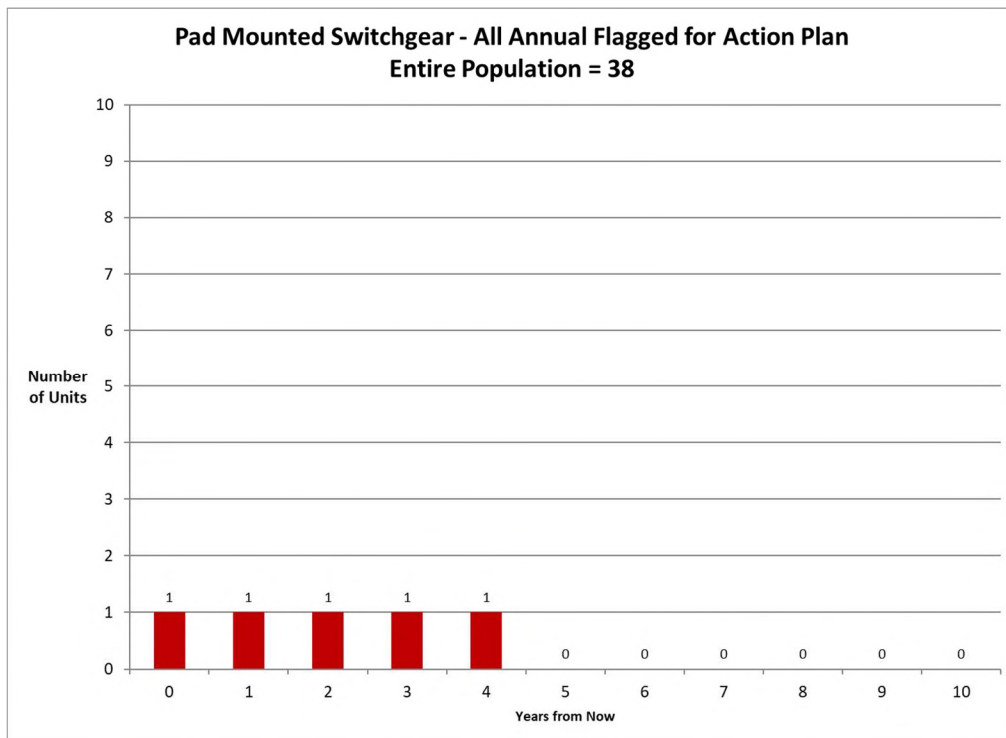


Figure 4-4 Flagged for Action Plan - Pad Mounted Switchgear

4.5 Data Gaps

The data used for Pad Mounted Switchgear assessment included age only.

The data gaps are as follows.

Table 4-2 Data Gap for Pad Mounted Switchgear

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Concrete Pad	Physical Condition	★	Foundation	Physically worn-out	On-site visual inspection
Corrosion		★★ ★	External status	Physically worn-out	On-site visual inspection
Excess Moisture		★	Environment	Humid operating condition	On-site visual inspection
Fuse Holder	Switch/Fuse Condition	★★ ★	Fuse	Abnormal breaking performance	On-site visual inspection
Grounding		★	Grounding	Grounding connection	On-site visual inspection
Insulators	Insulation Condition	★★ ★	Insulation	Insulation defect	On-site visual inspection
Barriers		★★ ★			On-site visual inspection
Cable Terminations		★★ ★	Cabling	Loose connection or overheating	On-site visual inspection
Connections		★★ ★	Connection		On-site visual inspection
Historic Removal Record		★★ ★	Age at removal and cause of removal		Inventory Database

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5 UNDERGROUND CABLES

5.1 Health Index Formula

The HI assessment for this asset category was based only on age and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of asset unit as time passed by. Refer to section 1.1 for description.

In this project, the parameters for Underground Cables age limiting curve are shown in the following table, based on ELK expert feedback and industry information.

Table 5-1 Age Limiting Curve Parameters - Underground Cables

Asset Type	α	β
Non TR Direct Buried	46.0252	10.6901
TR In Duct	70.6002	18.1489

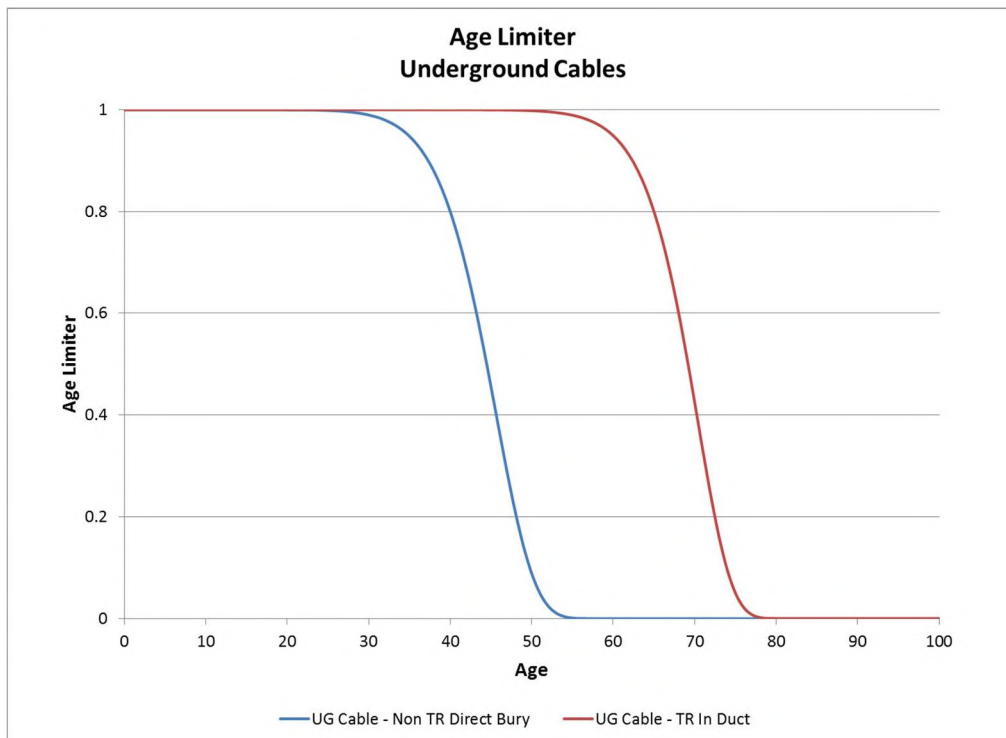


Figure 5-1 Age Limiting Factor Criteria - - Underground Cables

5.2 Age Distribution

The average age of the units was 22 years.

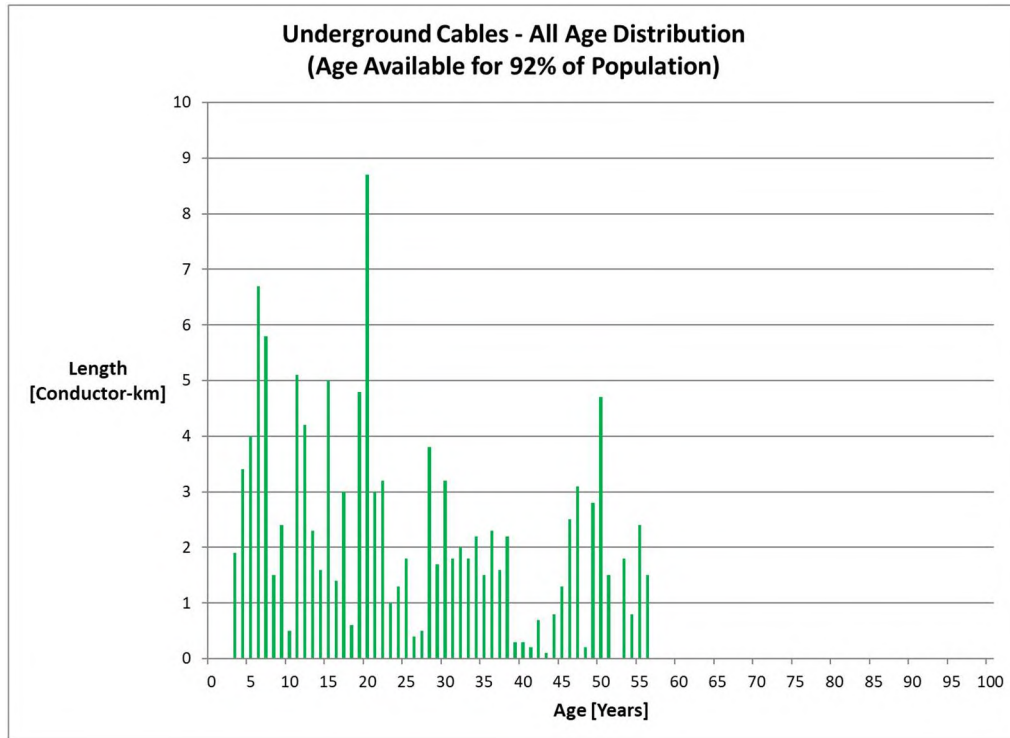


Figure 5-2 Age Distribution - Underground Cables

5.3 Health Index Results

There was a total of 134.6 conductor-km of Underground Cables with 123.3 conductor-km having age data for Health Indexing.

The average Health Index score for this asset group was 99%..

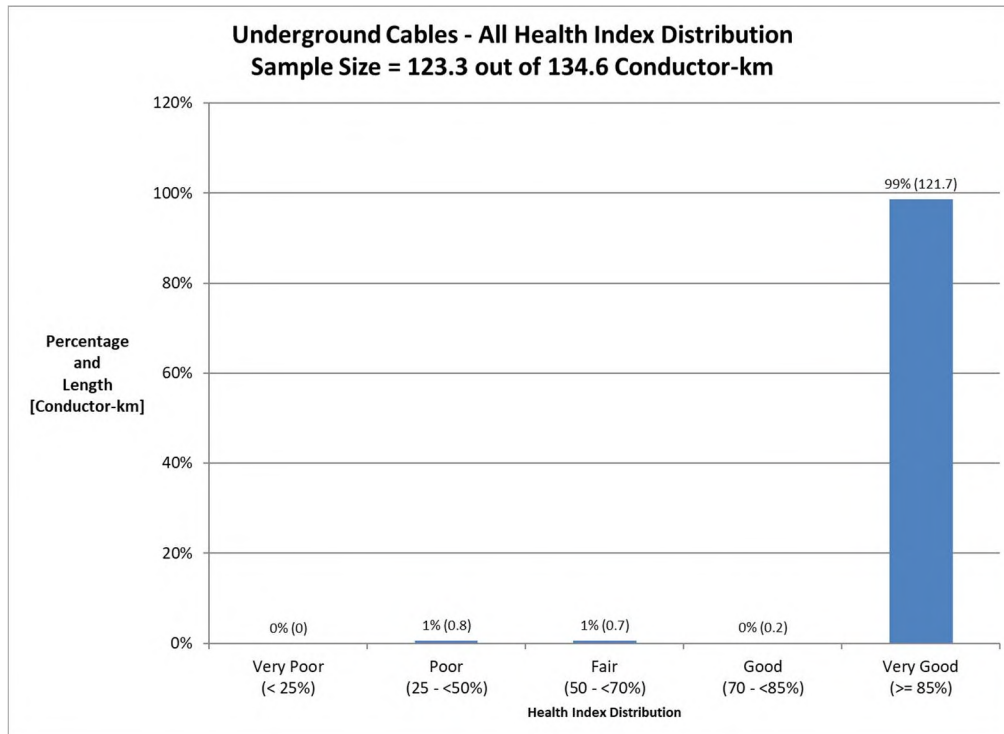


Figure 5-3 Health Index Distribution - Underground Cables

5.4 Flagged for Action Plan

The flagged for action plan of Underground Cables was based on the asset removal rate.

The flagged for action plans for Underground Cables were based on the data from the sample and extrapolated to the entire population. The following diagram shows the flagged for action plan:

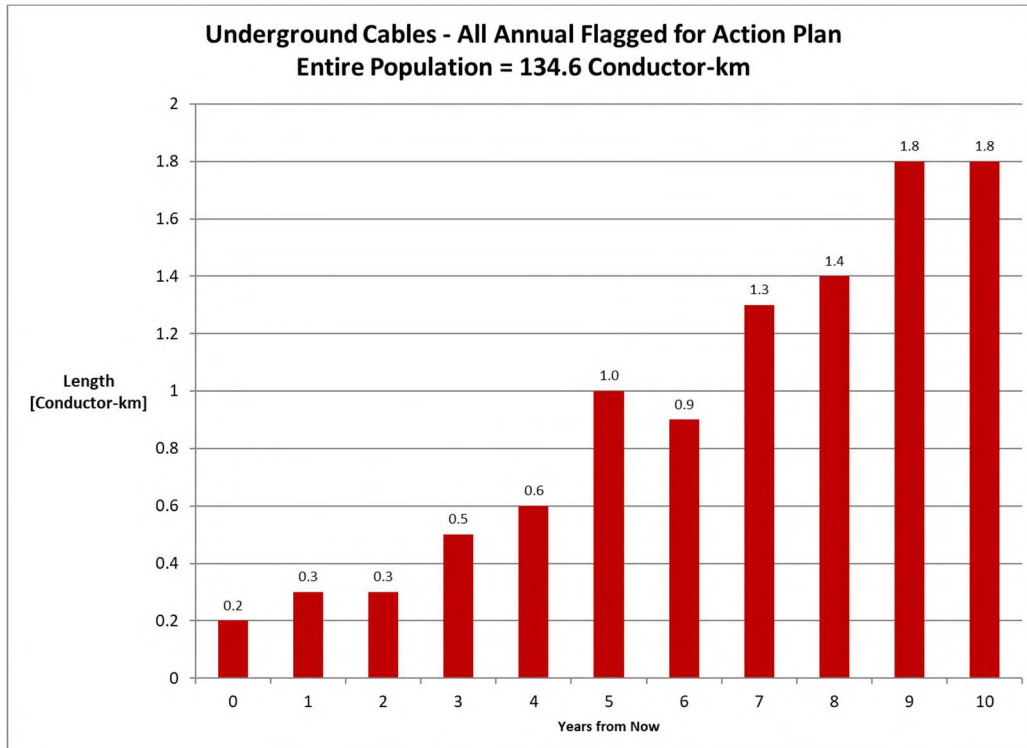


Figure 5-4 Flagged for Action Plan - Underground Cables

5.5 Data Gaps

The data used for Underground Cables assessment included age only.

The data gaps are as follows.

Table 5-2 Data Gap for Underground Cables

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Dielectric Loss	Insulation	☆☆☆	Cable	Insulation defect	On-site test
Splices	Accessories	☆☆	Cable Connection	Connection defect	On-site test
Terminations		☆☆			
Neutral Corrosion		☆	Other Component	Neutral defect	
Fault rate at Segment Level	Service Record	☆☆☆	Cable	Failure records	Historic records
Historic Removal Record		☆☆☆	Age	Age at Removal and cause of removal	Inventory Database

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6 POLES

6.1 Health Index Formula

Parameter scoring range from 0 to 4, with 0 and 4 representing the “worst” and “best” scores respectively. Thus, the maximum score for any condition or sub-condition parameter (maximum CPS and CPF) is “4”.

6.1.1 Condition and Sub-Condition Parameters

Table 6-1 Condition Parameter and Weights - Poles

m	Condition parameter	WCP _m	Sub-Condition Parameters
1	Pole Strength*	7	Table 6-2
2	Pole Physical Condition	5	Table 6-3
3	Accessory Condition	3	Table 6-4
4	Service Record	6	Table 6-5
	Age Limiting Factor		Figure 6-1

* Applicable to wood and concrete poles only

Table 6-2 Pole Strength Sub-Condition Parameters and Weights (m=1) - Poles

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Pole Strength	2	Table 6-6

Table 6-3 Physical Condition Sub-Condition Parameters and Weights (m=2) - Poles

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Pocket	2	Table 6-7
2	Rot	2	Table 6-7
3	Woodpecker	2	Table 6-7
4	Damage	1	Table 6-7

Table 6-4 Accessories Sub-Condition Parameters and Weights (m=3) - Poles

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Crossarm	3	Table 6-7
2	Guy Wire (Lean)	4	Table 6-7

Table 6-5 Service Record Sub-Condition Parameters and Weights (m=4) - Poles

n	Sub-Condition Parameter	WSCP _n	Condition Criteria Table
1	Overall	1	Table 6-7

6.1.2 Condition Criteria

Pole Strength

The condition score based on strength test values (within the range of 0 to 100%).

Table 6-6 Strength Criteria - Poles

Score	Description
Score = 4 * Strength_value	

Inspection

The score based on individual inspection in the past years is calculated as:

$$Average\ Score = \frac{\sum W_i Score_i}{\sum W_i}$$

Equation 6-1

Table 6-7 Inspection Result Criteria - Poles

Score	Condition	
	Pocket, Rot, Damage, Lean, Crossarm, Woodpecker	Reject Status
4	No	Non Reject
3		Restorable Reject
2		Non Restorable Reject
1		Priority Restorable Reject
0	Yes	Priority Non Restorable Reject

Where

Year (i)	Weight (W _i)
2025	1
2024	0.9
2023	0.8
2022	0.7
2021	0.6

Age Limiting Factor

In this project, age was used as a limiting factor to reflect the degradation of asset unit as time passed by. Refer to section 1.1 for description.

In this project, the parameters of Poles age limiting curve are shown in the following table, based on industry experience.

Table 6-8 Age Limiting Curve Parameters - Poles

Asset Type	α	β
Wood Poles	68.53	6.91
Concrete Poles	55.3547	2.9066
Steel Poles	35.3357	2.7284



Figure 6-1 Age Limiting Factor Criteria - - Poles

6.2 Age Distribution

The average age of all units was 44, 34 and 19 years, for wood, concrete, and steel Poles, respectively.

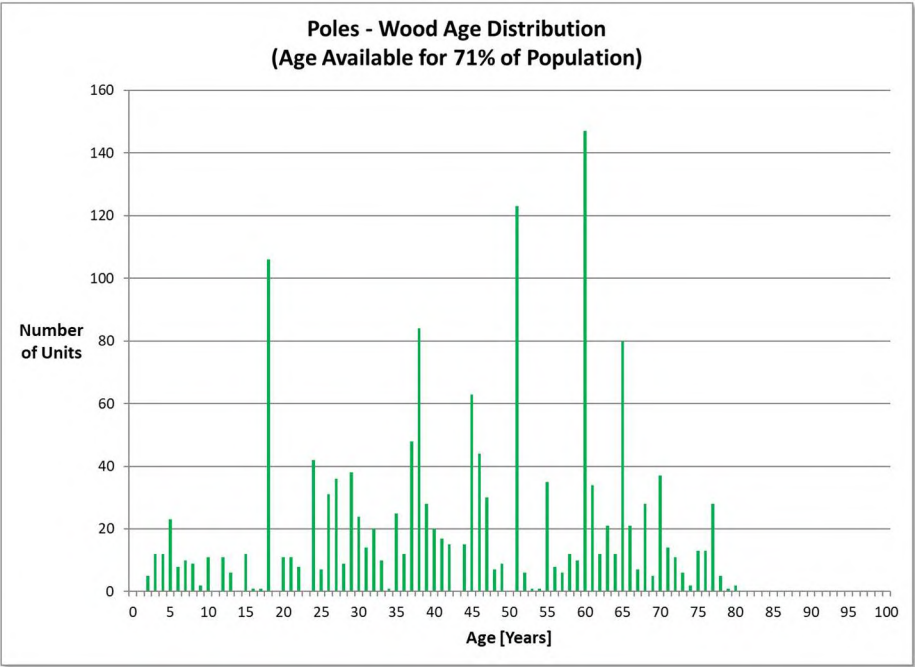


Figure 6-2 Age Distribution – Poles (Wood)

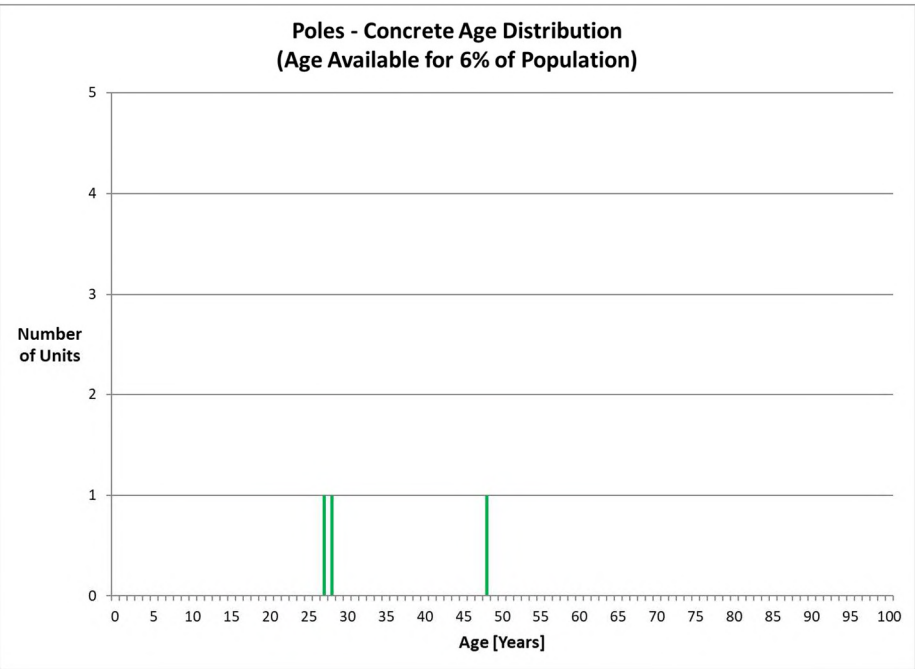


Figure 6-3 Age Distribution – Poles (Concrete)

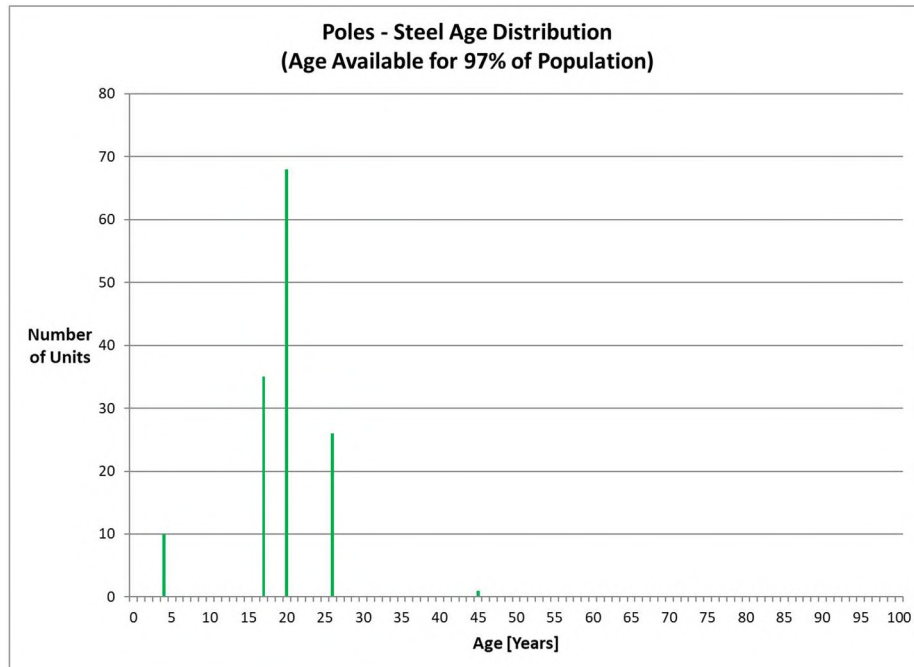


Figure 6-4 Age Distribution – Poles (Steel)

6.3 Health Index Results

There were 2257 wood Poles with 1609 units having sufficient data for Health Indexing.

There were 54 concrete Poles with 3 units having sufficient data for Health Indexing.

There were 144 steel Poles with 140 units having sufficient data for Health Indexing.

The average Health Indices were 79%, 76% and 80%, for wood, concrete, and steel Poles, respectively.

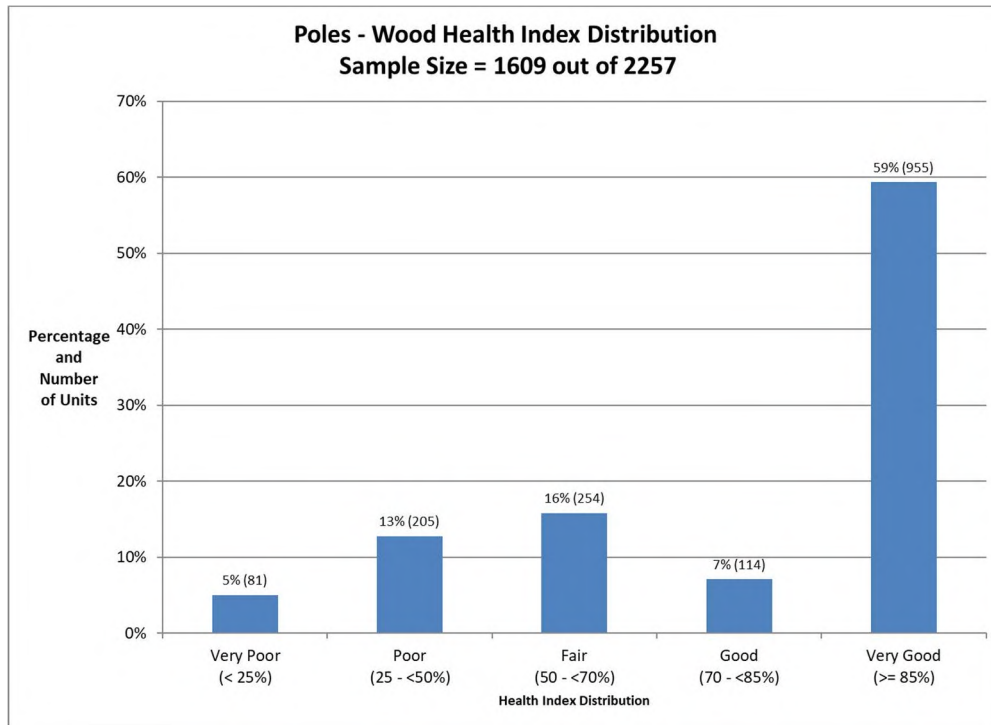


Figure 6-5 Health Index Distribution - Poles (Wood)

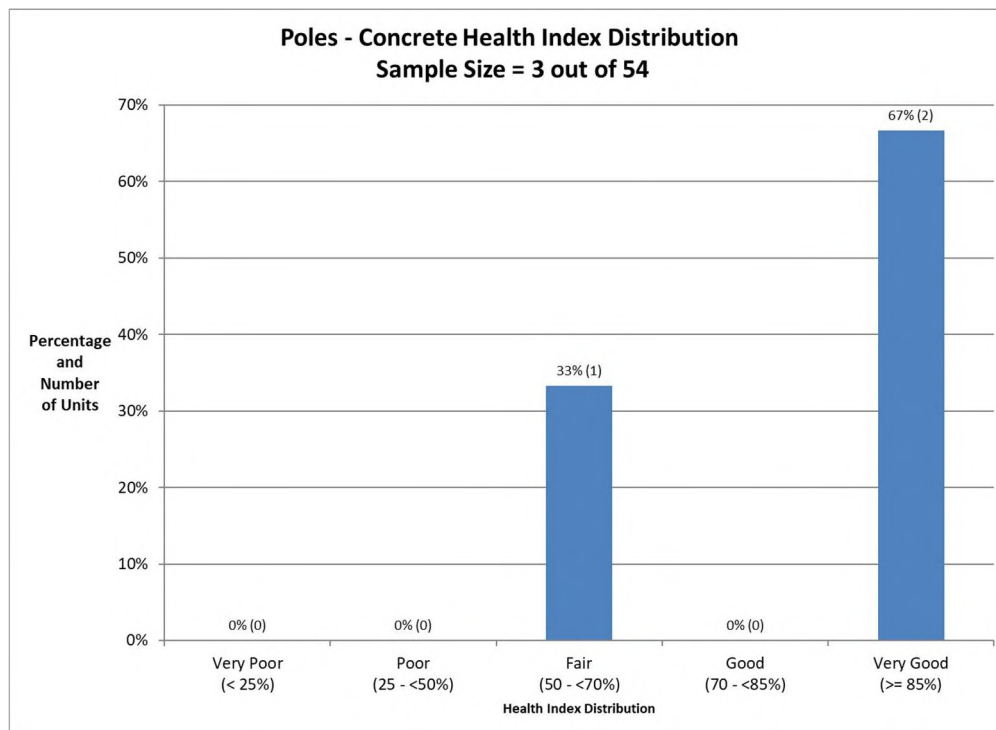


Figure 6-6 Health Index Distribution - Poles (Concrete)

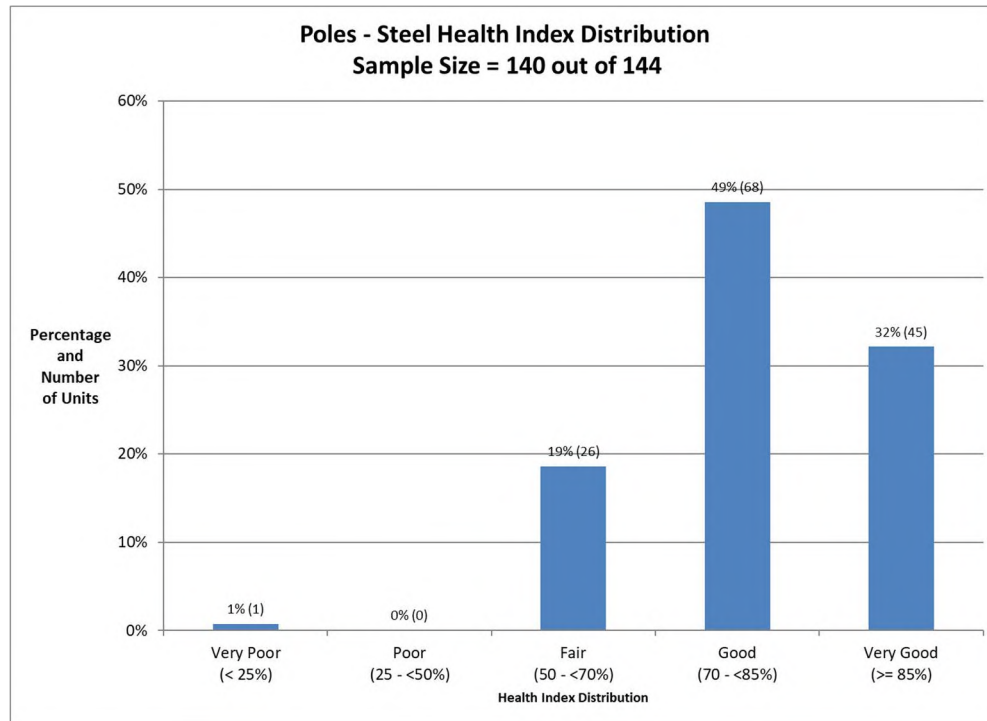


Figure 6-7 Health Index Distribution - Poles (Steel)

6.4 Flagged for Action Plan

The flagged for action plan for Poles was based on the asset removal rate.

The flagged for action plans for Poles were based on the data from the samples and extrapolated to the entire populations. The following diagrams show the flagged for action plans.

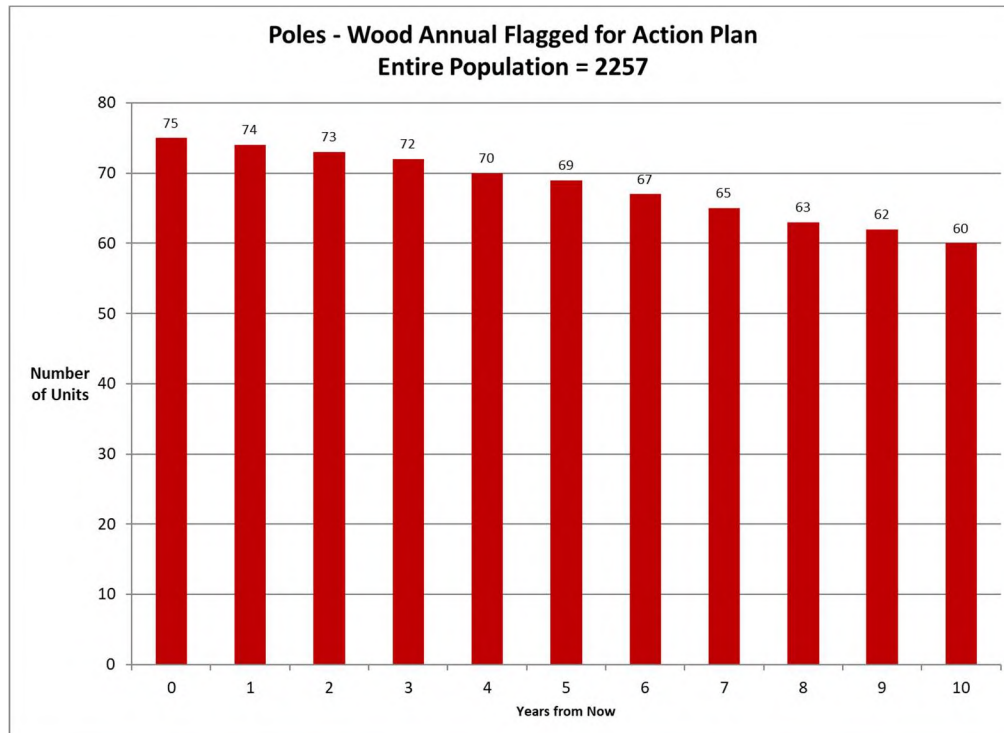


Figure 6-8 Flagged for Action Plan - Poles (Wood)

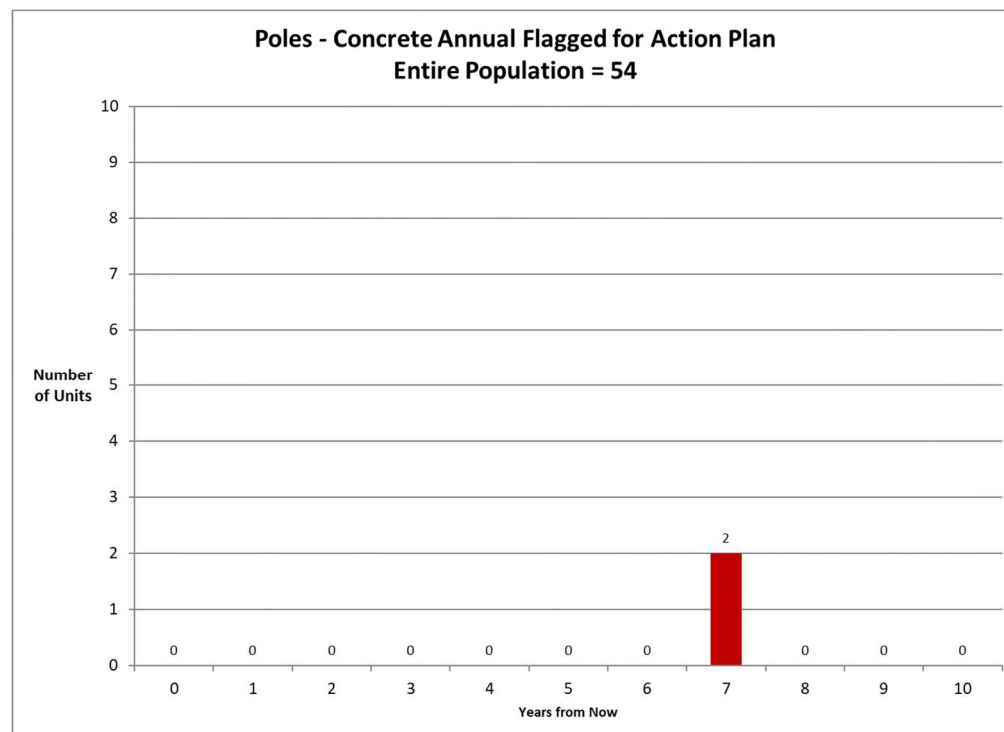


Figure 6-9 Flagged for Action Plan - Poles (Concrete)

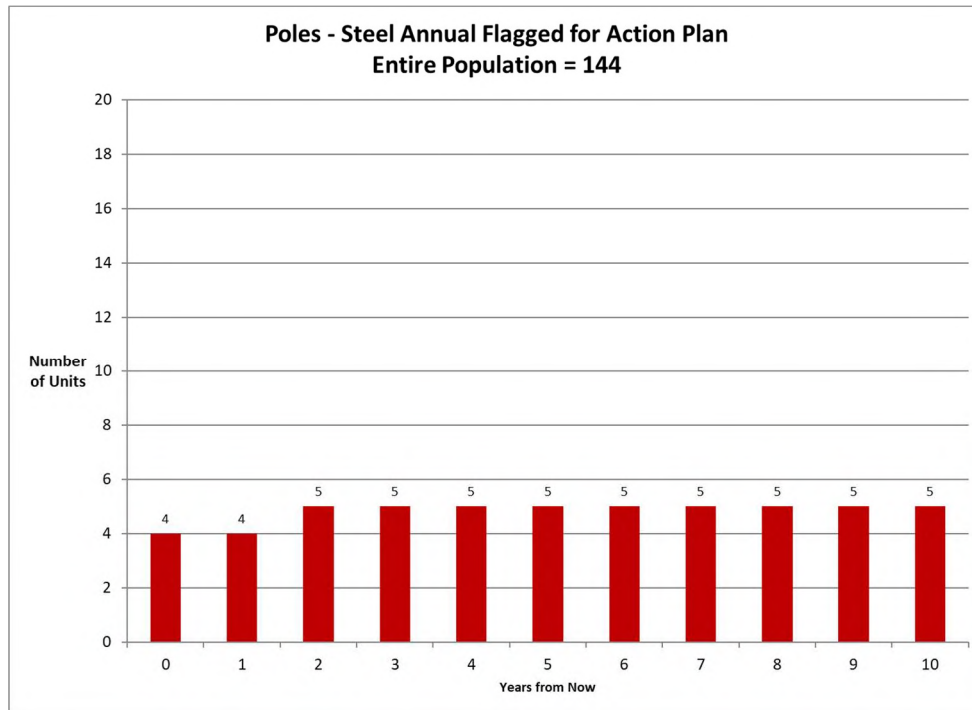


Figure 6-10 Flagged for Action Plan - Poles (Steel)

6.5 Data Gaps

The data used for Poles assessment included age, pole strength, and inspection records.

The data gaps are as follows.

Table 6-9 Data Gap for Poles

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Historic Removal Record		☆☆☆	Age	Age at Removal and cause of removal	Inventory Database

Exhibit 2
Attachment 2-B
E.L.K. Capitalization Policy



CAPITALIZATION POLICY

CAPITALIZATION POLICY OVERVIEW

Items of property, plant and equipment (“**PP&E**”) used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

IFRS requires that borrowing costs related to the construction of the qualifying assets be capitalized. The corporation has applied IAS 23 to all qualifying assets that were in progress or commenced since January 1, 2014.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution and metering equipment	10 - 60
Other assets	5 - 15

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "**cash-generating unit**" or "**CGU**"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Capitalization by Component

When parts or components of an item of property, plant and equipment have different useful lives, they are accounted for as individual items (major components) of property, plant and equipment. Component costs must be significant in relation to the total cost of the item and depreciated separately over the component's useful life. Components are those which: a) are significant in relation to the total cost of the item and b) have different depreciation methods or useful life.

Components with similar useful lives and depreciation methods are grouped in determining the depreciation charge. Parts of the item that are not individually significant (remainder of the items) are combined and categorized as a single component best suited for the sum of the parts.

Depreciation

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated.

E.L.K. has used the Typical Useful Life provided in the Kinetrics Report as its basis for assigning the estimated service life to assets. Depreciation of an asset begins in the year when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended. For rate setting purposes, in the first year of service, depreciation is calculated using the $\frac{1}{2}$ year rule. Depreciation of an asset ceases when the asset is retired from active use, sold or is fully depreciated.

Overhead Policy

E.L.K.'s overhead policy has been reviewed by its external auditors and has been deemed IFRS compliant.

E.L.K. does not capitalize general administrative costs related to Administration, HR or Finance.

Payroll burden consists of the following benefits paid to employees: health benefits, prescription drugs, dental vision, long-term disability, bereavement time, OMERS, Workplace Safety and Insurance Board, Employment insurance, CPP, EHT and E.L.K. employees' protection equipment (safety shoes/ clothing/expendable tools). IAS 16 specifically allows for benefits as defined in IAS 19 to be included as a directly attributable cost. The payroll allocation is allocated to capital based upon labour dollars charged to capital. Benefits are accumulated in the general ledger for all employees and allocated based upon where the employees charge their time (capital jobs/maintenance).

CAPITALIZATION OF OVERHEAD

OVERVIEW

E.L.K., along with its consultant KPMG, performed an analysis of all costs that were being capitalized under CGAAP in order to determine whether these costs were eligible for capitalization under IFRS. As discussed above in the "Capitalization Policy Overview" section, it was determined that no changes were required to the capitalization of overhead as a result of the transition to IFRS and that the policy as explained above is compliant with IFRS requirements.

General and administrative overhead

IFRS does not provide a definition of general and administrative overhead (G&A). The specific facts and circumstances surrounding the nature of the costs and the activity associated with it must be considered to determine if it is directly attributable to an item of PP&E.

G&A costs typically benefit the organization as a whole or areas of the organization more broadly rather than contributing directly to bringing a physical asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The more the nature of a particular cost strays from being directly attributable to an item of PP&E, then the more likely it is that the cost will be determined to be in the nature of G&A.

Day-to-day servicing costs

Day-to-day servicing costs are defined as costs of labour and consumables and may include the cost of small parts. The purpose of these expenditures is often described as for the “repairs and maintenance” of the item of PP&E.

Whether to capitalize repairs and maintenance (R&M) is dependent on the interpretation of paragraph IAS 16.12.

Interpretations:

Interpret wording in paragraph 12 to mean “that under no circumstances do R&M get capitalized”. Example – Capitalizing the cost of a repair to the value of the vehicle, this is *not* permitted under IFRS

Interpret wording in paragraph 12 to mean that R&M costs do not get capitalized to the cost of the item of PP&E that has been repaired but the repair cost becomes part of the operating cost of an item of PP&E that is used to construct another item of PP&E. The operating costs are then capitalized to the constructed item of PP&E. This is permitted under IFRS since the cost is directly attributable to bringing a physical asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Feasibility studies and pre-construction activities

Normally, feasibility studies are not capitalized under IFRS as these costs do not always result in asset construction, and therefore may not meet the criteria of providing a future economic benefit. Additionally, the associated costs must be directly attributable to an item of PP&E. Pre-construction activities (such as design work) prior to a decision to go ahead with a capital project do not qualify for capitalization.

Considerations:

Canadian GAAP allowed for capitalization of general and administrative overhead, training costs, etc. while IFRS does not.

The Ontario Energy Board (OEB) requires electricity distributors to be in full compliance with IFRS requirements as applicable to non-regulated enterprises and only where the Board authorizes specific alternative treatment for regulatory purposes is alternative treatment acceptable.

E.L.K. performed a complete review of its costs included in overheads.

The analysis that follows is based upon the overheads that have historically been included for capitalization.

Payroll burden

Payroll burden consists of the following benefits paid to employees: health benefits, prescription drugs, dental vision, long-term disability, bereavement time, OMERS, Workplace Safety and Insurance Board, Employment insurance, CPP, EHT and E.L.K. employees' protection equipment (safety shoes/ clothing/expendable tools). IAS 16 specifically allows for benefits as defined in IAS 19 to be included as a directly attributable cost. The payroll allocation is allocated to capital based upon labour dollars charged to capital. Benefits are accumulated in the general ledger for all employees and allocated based upon where the employees charge their time (capital jobs/maintenance).

Truck burden

Truck burden consists of fuel, vehicle maintenance, repairs and license renewals. Trucks and company vehicles are used on the job site and are directly related to the construction of an asset as they are required to construct the asset. Truck expenses are allocated to capital based upon the timesheets recorded for the truck.