

EXHIBIT 2B – RATE BASE

RATE BASE

RATE BASE OVERVIEW

This exhibit presents an overview of Alectra Utilities' rate base continuity covering a period of 15 years, including actuals for eight years (2017-2024), forecast for two Bridge Years (2025-2026) and forecast for the five Test Years (2027-2031). It also provides an explanation of year-over-year variances for the 15-year timeframe.

In accordance with the OEB's Chapter 2 Filing Requirements, the rate base used to determine the Test Year revenue requirement includes the average of the opening and closing balances for net fixed assets plus a working capital allowance.

1 **Table 2-1-1: Summary of Historical Rate Base 2017-2024 (\$MM)**

	Historical Years							
	2017	2018	2019	2020	2021	2022	2023	2024
Opening Gross Assets ¹	\$2,912	\$3,151	\$3,589	\$3,852	\$4,018	\$3,920	\$4,148	\$4,561
Closing Gross Assets	\$3,151	\$3,395	\$3,852	\$4,018	\$3,920	\$4,148	\$4,561	\$4,898
Average Gross Assets	\$3,032	\$3,273	\$3,720	\$3,935	\$3,969	\$4,034	\$4,354	\$4,729
Opening Accumulated Depreciation ²	\$(526)	\$(635)	\$(806)	\$(889)	\$(973)	\$(788)	\$(931)	\$(1,069)
Closing Accumulated Depreciation	\$(635)	\$(753)	\$(889)	\$(973)	\$(788)	\$(931)	\$(1,069)	\$(1,227)
Average Accumulated	\$(580)	\$(694)	\$(847)	\$(931)	\$(880)	\$(859)	\$(1,000)	\$(1,148)
Opening Net Book Value	\$2,387	\$2,516	\$2,783	\$2,963	\$3,045	\$3,132	\$3,217	\$3,492
Closing Net Book Value	\$2,516	\$2,643	\$2,963	\$3,045	\$3,132	\$3,217	\$3,492	\$3,671
Average Net Book Value	\$2,451	\$2,579	\$2,873	\$3,004	\$3,088	\$3,174	\$3,355	\$3,582
Working Capital Allowance	\$286	\$299	\$336	\$380	\$330	\$334	\$331	\$367
RATE BASE	\$2,737	\$2,878	\$3,209	\$3,384	\$3,419	\$3,509	\$3,686	\$3,948

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¹ Opening balances for 2019 include the addition of \$193.2MM relating to Guelph gross assets

² Opening balances for 2019 include the addition of \$53.3MM relating to Guelph gross accumulated depreciation

1 **Table 2-1-2: Summary of Bridge Year and Test Year Rate Base 2025-2031 (\$MM)**

	Bridge Years			Test Years			
	2025	2026	2027	2028	2029	2030	2031
Opening Gross Assets	\$4,898	\$5,225	\$5,545	\$5,988	\$6,456	\$7,028	\$7,651
Closing Gross Assets	\$5,225	\$5,545	\$5,988	\$6,456	\$7,028	\$7,651	\$8,273
Average Gross Assets	\$5,061	\$5,385	\$5,766	\$6,222	\$6,742	\$7,339	\$7,962
Opening Accumulated Depreciation	\$(1,227)	\$(1,378)	\$(1,540)	\$(1,733)	\$(1,933)	\$(2,148)	\$(2,379)
Closing Accumulated Depreciation	\$(1,378)	\$(1,540)	\$(1,733)	\$(1,933)	\$(2,148)	\$(2,379)	\$(2,624)
Average Accumulated Depreciation	\$(1,302)	\$(1,459)	\$(1,636)	\$(1,833)	\$(2,040)	\$(2,264)	\$(2,502)
Opening Net Book Value	\$3,671	\$3,847	\$4,005	\$4,256	\$4,523	\$4,880	\$5,272
Closing Net Book Value	\$3,847	\$4,005	\$4,256	\$4,523	\$4,880	\$5,272	\$5,649
Average Net Book Value	\$3,759	\$3,926	\$4,130	\$4,390	\$4,702	\$5,076	\$5,461
Working Capital Allowance	\$378	\$386	\$305	\$320	\$331	\$346	\$361
RATE BASE	\$4,137	\$4,313	\$4,435	\$4,709	\$5,033	\$5,422	\$5,822

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FIXED ASSETS IN RATE BASE

Net fixed assets in rate base include property, plant and equipment and intangible assets, which are referred as “fixed assets” throughout this evidence.

Net fixed assets are calculated as gross fixed assets in service minus contributed capital from third parties and accumulated depreciation.

Fixed Assets in rate base calculations of each year use the averages of opening and closing balances of gross fixed assets and accumulated depreciation, which equal to the opening and ending balances presented in the fixed assets continuity statements in Appendix 2-BA.

Table 2-1-3 below shows historical OEB-approved Fixed Assets for each of Alectra Utilities’ five rate zones which were based on capital investment plans established on an individual basis, corresponding to each of the predecessor utility service territories. It is important to note that since Alectra Utilities was formed in 2017, there is no OEB-approved Rate Base and Fixed Assets for the merged utility. As such, Alectra Utilities has provided historical OEB-approved Fixed Assets for each of the five predecessor utilities on an individual basis for the sole purpose of satisfying the Chapter 2 Filing Requirements.

The combined Alectra Utilities' OEB fixed assets figures were compiled as following:

- Last approved fixed assets balances included in the last rebasing for each rate zone; and;
- Added ICM approved capital expenditures for each year and by rate zone.

1 **Table 2-1-3: 2017-2024 OEB Approved Fixed Assets Summary (in \$MM)**

Average Net Fixed Assets	2017	2018	2019	2020	2021	2022	2023	2024
<i>OEB Approved</i>								
ERZ (2013 COS -2017 Update)	517.4	556.8	567.2	574.6	574.6	574.6	574.6	576.5
PRZ (2017 COS)	993.0	993.0	1,004.0	1,022.5	1,022.5	1,025.4	1,025.4	1,041.4
BRZ (2015 COS)	340.5	340.5	347.0	347.0	347.0	354.7	354.7	354.7
HRZ (2019 CIR Update)	433.0	453.9	476.7	476.7	476.7	476.7	476.7	476.7
GRZ (2016 COS)			133.6	133.6	133.6	133.6	133.6	133.6
	2,283.8	2,344.2	2,528.6	2,554.5	2,554.5	2,565.1	2,565.1	2,582.9
<i>Annual ICM Approved</i>								
ERZ	39.5	10.4	7.4				1.9	
PRZ		11.0	18.6		2.9		16.0	17.1
BRZ		6.6			7.7			
HRZ								
GRZ								
	39.5	27.9	26.0		10.5		17.9	17.1
Fixed Assets in Rate Base	2,323.3	2,372.2	2,554.5	2,554.5	2,565.1	2,565.1	2,582.9	2,600.0

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3 For Alectra Utilities' predecessor Enersource, the OEB-approved average fixed assets from Enersource's 2013 rebasing application
4 was \$517.4MM. For the purpose of Table 2-1-3, this value is unchanged unless ICMs were subsequently approved for the respective
5 rate zones. This approach was followed for each rate zone. For the Horizon Rate Zone which was on a 2015-2019 Custom IR rate
6 plan, the net fixed asset values in each of 2017, 2018 and 2019 correspond to values approved for the Horizon Rate Zone's Annual
7 Custom IR updates included as part of Alectra Utilities' annual IRM applications.³ As 2019 was the last year in legacy Horizon's

³ The approved 2019 value of \$476.7MM was approved in EB-2018-0016, Draft Rate Order, Attachment 2 - Revenue Requirement Workform, January 1, 2017

1 Custom IR rate plan and Alectra Utilities did not request ICM funding for the Horizon Rate Zone, the 2019 approved net fixed asset
2 amount of \$476.7MM is unchanged after 2019. Fixed Assets in Rate Base of \$2.6B is unchanged after 2024 as there are no further
3 ICM approvals for 2025 and 2026.

4 Table 2-1-4 presents actual opening and closing fixed assets net book values (NBV) for all eight historical years 2017-2024 and Table
5 2-1-5 presents the forecasted balances for 2025-2031.

6 **Table 2-1-4: 2017 – 2024 Actual Fixed Assets (in \$MM)**

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2018	2019	2020	2021	2022	2023	2024
Opening Fixed Assets NBV	2,386.6	2,515.9	2,642.7	2,963.4	3,044.8	3,132.2	3,216.7	3,492.3
+ Guelph Hydro Opening NBV			139.8					
+ In-Service Additions	258.4	256.6	332.3	254.1	254.8	248.3	445.8	373.3
- Depreciation & Derecognition	(129.1)	(129.8)	(151.4)	(172.6)	(167.5)	(163.7)	(170.2)	(194.8)
Closing Fixed Assets	2,515.9	2,642.7	2,963.4	3,044.8	3,132.2	3,216.7	3,492.3	3,670.8
Average Net Fixed Assets	2,451.3	2,579.3	2,873.0	3,004.1	3,088.5	3,174.4	3,354.5	3,581.5

1 **Table 2-1-5: 2025-2031 Forecast Fixed Assets in Rate Base (in \$MM)**

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Bridge 2025	Bridge 2026	Test 2027	Test 2028	Test 2029	Test 2030	Test 2031
Opening Fixed Assets NBV	3,670.8	3,847.2	4,005.0	4,255.7	4,523.3	4,879.7	5,272.1
+ In-Service Additions	346.7	335.9	459.7	481.6	587.1	641.3	638.7
- Depreciation & Derecognition	(170.2)	(178.1)	(208.9)	(214.0)	(230.7)	(249.0)	(261.6)
Closing Fixed Assets	3,847.2	4,005.0	4,255.7	4,523.3	4,879.7	5,272.1	5,649.2
2 Average Net Fixed Assets	3,759.0	3,926.1	4,130.3	4,389.5	4,701.5	5,075.9	5,460.6

1 As shown from Table 2-1-3 and Table 2-1-4 the average fixed asset balance for 2024 was
2 \$3,581.5MM or \$981.5MM higher than the OEB approved amount of \$2,600.0MM. This is
3 primarily due to the fact that some of the legacy utilities that formed Alectra Utilities have not
4 rebased in as much as 14 years. Specifically, legacy Enersource last rebased in 2013. Further,
5 Hydro One Brampton and Horizon (CIR) last rebased in 2015, Guelph Hydro in 2016 and
6 PowerStream in 2017.

Attachment 2B-1

OEB Appendix 2-BA

Please see live Excel version

1 **IN-SERVICE ADDITIONS**

2 Alectra Utilities' fixed assets are recorded and recognized in accordance with its Capitalization
3 policy included in Exhibit 2B, Tab 6, Schedule 1. In-service additions for the year are calculated
4 as the total of capital expenditures in the year plus opening balances of fixed assets in
5 construction work in progress (CWIP) minus the ending balances of CWIP for the year.

6 Tables 2-1-6 and 2-1-7 below compare the capital expenditures to the in-service additions of
7 each year.

1 **Table 2-1-6: Comparing capital expenditures to in-service additions (2017-2024) (\$MM)**

	Actual							
	2017	2018	2019	2020	2021	2022	2023	2024
System Access								
Gross Expenditure	128.0	131.1	123.0	141.4	139.5	118.7	205.0	231.8
Capital Contributions	(66.7)	(65.2)	(43.3)	(78.3)	(72.1)	(71.3)	(137.7)	(130.0)
<i>Net Expenditure</i>	<i>61.3</i>	<i>65.9</i>	<i>79.7</i>	<i>63.1</i>	<i>67.4</i>	<i>47.4</i>	<i>67.3</i>	<i>101.8</i>
System Renewal								
Gross Expenditure	128.5	124.9	134.0	135.5	136.5	134.2	164.6	172.9
Capital Contributions	(0.1)	-	(0.3)	-	-	(0.1)	(0.2)	(0.2)
<i>Net Expenditure</i>	<i>128.4</i>	<i>124.9</i>	<i>133.7</i>	<i>135.5</i>	<i>136.5</i>	<i>134.1</i>	<i>164.4</i>	<i>172.7</i>
System Service								
Gross Expenditure	42.6	23.0	19.6	28.2	29.3	25.4	19.7	26.6
Capital Contributions	(0.2)	0.1	(0.7)	(1.4)	(0.8)	(1.1)	(1.1)	(3.9)
<i>Net Expenditure</i>	<i>42.4</i>	<i>23.1</i>	<i>19.0</i>	<i>26.8</i>	<i>28.4</i>	<i>24.3</i>	<i>18.6</i>	<i>22.7</i>
General Plant								
Gross Expenditure	14.3	22.5	67.2	33.5	37.8	59.8	78.6	36.1
Transition Cost	25.1	42.1	34.1	11.5	7.4	5.5	2.1	1.6
Capital Contributions	-	-	-	-	-	-	(0.4)	-
<i>Net Expenditure</i>	<i>39.3</i>	<i>64.6</i>	<i>101.2</i>	<i>45.0</i>	<i>45.2</i>	<i>65.3</i>	<i>80.3</i>	<i>37.7</i>
Total CapEx⁴	271.5	278.5	333.6	270.4	277.5	271.1	330.6	334.9
Change in CWIP(Opening-Closing) ⁵	(33.0)	(15.8)	2.2	(11.1)	(26.8)	(21.9)	82.8	1.6
Adjustments for spares, leases, non-regulated capex ⁶	19.8	(3.0)	(3.5)	(2.5)	10.9	4.3	29.1	36.7
Less: Capital deferrals to DVA ⁷	-	(3.1)	-	(2.7)	(6.8)	(5.2)	3.3	0.1
Adjusted Additions for Rate Base	258.4	256.6	332.3	254.1	254.8	248.3	445.8	373.3

⁴ Capex for 2017 and 2018 does not include Guelph.Capex in Table 2-1-6 includes transition costs which are not included in Total Net Expenditures in Appendix 2-AB. Evidence on transition costs are included in Exhibit 1, Tab 9, Schedule 1 and Schedule 4.

⁵ Opening CWIP for 2019 includes Guelph CWIP balance (\$4.9MM)

⁶ These adjustments relate to additions that are not included in CapEx such as capital spares (meters and transformers), Leases, and borrowing costs for 2017 and 2018. In addition, non rate base expenditures (USoA accounts 1531, 1865,1875, 2075, 2440) are removed from additions

⁷ These adjustments relate to capital deferrals, mostly related to Account 1557 Meter costs deferral. For more details, refer to Exhibit 9, Tab 3, Schedule 25

1 **Table 2-1-7: Comparing capital expenditures to in-service additions (2025-2031) (\$MM)**

	Budget						
	Bridge 2025	Bridge 2026	Test 2027	Test 2028	Test 2029	Test 2030	Test 2031
System Access							
Gross Expenditure	253.1	257.3	305.8	313.1	299.4	272.8	295.7
Capital Contributions	(164.8)	(156.4)	(148.0)	(132.6)	(135.3)	(133.7)	(157.0)
<i>Net Expenditure</i>	88.2	100.9	157.7	180.4	164.2	139.1	138.7
System Renewal							
Gross Expenditure	157.3	158.0	193.1	209.4	257.3	346.1	362.6
Capital Contributions	-	-	-	-	-	-	-
<i>Net Expenditure</i>	157.3	158.0	193.1	209.4	257.3	346.1	362.6
System Service							
Gross Expenditure	56.6	62.1	39.2	80.2	151.8	134.0	192.8
Capital Contributions	(19.1)	(15.1)	-	(0.7)	(1.8)	(1.9)	(8.5)
<i>Net Expenditure</i>	37.4	47.0	39.2	79.6	150.0	132.0	184.2
General Plant							
Gross Expenditure	37.6	36.9	64.8	85.5	82.6	95.9	71.8
Transition Costs	6.1	1.9	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-	(0.0)
<i>Net Expenditure</i>	43.7	38.8	64.8	85.5	82.6	95.9	71.8
Total CapEx	326.7	344.7	454.8	554.9	654.1	713.1	757.3
Change in CWIP (Opening-Closing)	22.5	(22.1)	(15.8)	(76.8)	(69.8)	(74.3)	(122.3)
Adjustments for spares, leases, non-regulated capex ⁸	(2.6)	13.3	5.3	3.5	2.8	2.5	3.6
Add: Recognition of Capital DVAs	-	-	15.5	-	-	-	-
Adjusted Additions for Rate Base	346.7	335.9	459.7	481.6	587.1	641.3	638.7

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⁸ These adjustments relate to additions that are not included in CapEx such as capital spares (meters and transformers)

System Access

The system access net annual capital expenditures for the eight years of actuals (2017 - 2024) were \$553.9MM or an average of \$69.2MM annually. The total expenditures for the two Bridge Years (2025 – 2026) for System Access were \$189.1MM or an average of \$94.6MM annually. The average net capital expenditure five-year forecast from 2027 to 2031 for System Access is \$156.0MM annually. The planned System Access investments are higher than the historical and Bridge Year averages largely due to the AMI 2.0-meter deployment program and higher customer connection and system expansion projects across Alectra Utilities' service territory. Refer to Section 5.4.1.5 Planned versus Historical Expenditures of the DSP for further details regarding the planned capital expenditures in System Access.

System Renewal

The System Renewal net annual capital expenditures for the eight years of actuals were \$1,130.1MM or an average of \$141.3MM annually. The total expenditures for the two Bridge Years (2025 – 2026) for System Renewal is \$315.3MM or an average of \$157.7MM annually. The average net capital expenditure five-year forecast from 2027 to 2031 for System Renewal is \$273.7MM annually. The planned investments are higher than the historical and Bridge Year averages largely due to investment in underground renewal, overhead asset renewal, transformer renewal and rear-lot conversion projects to address the backlog of deteriorated aging infrastructure. Refer to Section 5.4.1.5 Planned versus Historical Expenditures of the DSP for further details regarding the planned capital expenditures in System Renewal.

System Service

The System Service net annual capital expenditures for the eight years of actuals were \$205.3MM or an average of \$25.7MM annually. The total expenditures for the two Bridge Years (2025 – 2026) for System Service is \$84.4MM or an average of \$42.2MM annually. The average planned capital investments for the five-year forecast from 2027 to 2031 for System Service is \$117.0MM annually. The planned investments are higher than the historical and Bridge Year averages largely due to additional investments to increase available capacity as well as investments in distribution automation and modernization of the grid. Refer to Section 5.4.1.5

1 Planned versus Historical Expenditures of the DSP for further details regarding the planned
2 capital expenditures in System Service.

3 **General Plant**

4 The General Plant net annual capital expenditures for the eight years of actuals were \$478.7MM
5 or an average of \$59.8MM annually. The total expenditures for the two Bridge Years (2025 –
6 2026) for General Plant is \$82.5MM or \$41.2MM annually. The average net capital expenditure
7 five-year forecast from 2027 to 2031 for General Plant increases to \$80.1MM annually. The
8 planned investments are higher than the historical and Bridge Years averages due to Capital
9 Cost Recovery Agreement (CCRA) expenditures with HONI to build available capacity,
10 additional investments in fleet for the renewal of aging vehicles and to accommodate the
11 increase in planned investments, and higher information technology expenditures. Refer to
12 Section 5.4.1.5 Planned versus Historical Expenditures of the DSP for further details regarding
13 the planned capital expenditures in General Plant.

1 FIXED ASSET CONTINUITY SCHEDULES

2 The continuity of fixed asset costs, accumulated depreciation, and the net book value is shown in Tables 2-2-1 and 2-2-2 below.

3 **Table 2-2-1: Fixed Assets Continuity Actuals 2017-2024 (\$MM)**

Description	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Cost: Opening Balance	2,979.4	3,252.0	3,511.9	3,972.6	4,149.5	4,075.6	4,325.2	4,655.9
Add: Guelph Opening Balances ⁹			199.6					
Add: IFRS 3 Reclassifications ¹⁰					(315.7)			
Add: In-Service Additions	258.4	256.6	332.3	254.1	254.8	248.3	445.8	373.3
Less:Derecognition	(19.6)	(12.1)	(68.9)	(88.3)	(36.9)	(20.5)	(32.3)	(36.8)
Add:Non Rate-Regulated Assets	0.9	(0.4)			(2.9)			0.2
Add: CWIP Movements	33.0	15.8	(2.2)	11.1	26.8	21.9	(82.8)	(1.6)
Cost Closing Balance	3,252.0	3,511.9	3,972.6	4,149.5	4,075.6	4,325.2	4,655.9	4,991.0
Acc. Dep: Opening Balance	(526.2)	(635.8)	(753.7)	(890.3)	(974.8)	(787.6)	(930.8)	(1,068.7)
Add: Guelph Opening Balances			(54.7)					
Add: IFRS 3 Reclassifications					315.7			
Less:Depreciation	(121.2)	(122.4)	(135.9)	(142.0)	(149.8)	(156.9)	(164.0)	(169.6)
Add:Derecognition	11.8	4.7	53.5	57.6	19.2	13.7	26.1	11.5
Add:Non Rate-Regulated Assets	(0.1)	(0.3)	0.5	(0.1)	2.0			(0.2)
Acc. Dep. Closing Balance	(635.8)	(753.7)	(890.3)	(974.8)	(787.6)	(930.8)	(1,068.7)	(1,227.0)
Closing Fixed Assets NBV	2,616.2	2,758.1	3,082.3	3,174.7	3,288.0	3,394.5	3,587.2	3,764.0
Less: CWIP and Non-regulated	(100.3)	(115.4)	(118.9)	(129.9)	(155.8)	(177.7)	(94.9)	(93.2)
NBV Fixed Assets for Rate Base	2,515.9	2,642.7	2,963.4	3,044.8	3,132.2	3,216.7	3,492.3	3,670.8
Average Net Fixed Assets for Rate Base	2,451.3	2,579.3	2,873.0	3,004.1	3,088.5	3,174.4	3,354.5	3,581.5

⁹ These balances reflect the addition of Guelph fixed assets opening balances as a result of the amalgamation with AUC, effective January 1, 2019.

¹⁰ These reclassifications relate to adjustments required to reflect the new cost base for the acquired assets of legacy Enersource, Horizon, Brampton and Guelph (new cost base = gross assets + accumulated depreciation), based on the requirements of IFRS 3 Business Combinations. These reclassifications did not impact the net book value of the assets or depreciation expense recorded for Alectra Utilities.

- 1 Alectra Utilities confirms that the capital asset net book values (NBV) reported under the *Reporting and Record-keeping*
2 *Requirements* (RRR) are aligned with the amounts utilized for rate base purposes.

3 **Table 2-2-2: Fixed Assets Continuity Forecast 2025-2031 (\$MM)**

Description	2025 Bridge	2026 Bridge	2027 Test	2028 Test	2029 Test	2030 Test	2031 Test
Cost: Opening Balance	4,991.0	5,295.8	5,637.7	6,097.2	6,642.1	7,283.3	7,981.0
Add: In-Service Additions ¹¹	346.7	335.9	459.7	481.6	587.1	641.3	638.7
Add: Derecognition	(19.5)	(16.1)	(16.0)	(13.6)	(15.6)	(17.9)	(16.5)
Add: Non Rate-Regulated Assets	0.2						
ADD: CWIP Movement	(22.5)	22.1	15.8	76.9	69.8	74.3	122.4
Cost Closing Balance	5,295.8	5,637.7	6,097.2	6,642.1	7,283.3	7,981.0	8,725.6
Acc. Dep: Opening Balance	(1,227.0)	(1,377.8)	(1,539.8)	(1,732.7)	(1,933.1)	(2,148.2)	(2,379.2)
Add: Depreciation ¹²	(162.9)	(171.1)	(202.3)	(207.4)	(224.1)	(242.4)	(255.0)
Add: Derecognition	12.2	9.1	9.3	7.0	9.0	11.3	9.9
Add: Non Rate-Regulated Assets	(0.1)						
Acc. Dep. Closing Balance	(1,377.8)	(1,539.8)	(1,732.7)	(1,933.1)	(2,148.2)	(2,379.2)	(2,624.3)
Closing Fixed Assets NBV	3,918.0	4,097.9	4,364.5	4,709.0	5,135.1	5,601.7	6,101.3
Less: CWIP and Non-regulated	(70.8)	(92.9)	(108.7)	(185.6)	(255.4)	(329.7)	(452.1)
NBV Fixed Assets for Rate Base	3,847.2	4,005.0	4,255.7	4,523.3	4,879.7	5,272.1	5,649.2
Average Net Fixed Assets for Rate Base	3,759.0	3,926.1	4,130.3	4,389.5	4,701.5	5,075.9	5,460.6

4

¹¹ In-service additions for 2027 include balances relate to the disposition of capital DVAs (\$15.5MM), mostly related to Account 1557 Meter costs deferral. For more details, refer to Exhibit 9, Tab 3, Schedule 25.

¹² Depreciation for 2027 includes accumulated depreciation balances relating to the disposition of capital DVAs (\$6.4MM), mostly related to Account 1557 Meter costs deferral. For more details, refer to Exhibit 9, Tab 3, Schedule 25.

CONTINUITY OF FIXED ASSETS AND VARIANCE ANALYSIS

This schedule provides the continuity of fixed assets and year-over-year variance analysis by the major asset groupings which are categorized according to the following mapping:

Table 2-2-3: Major asset groupings

Asset Grouping	Uniform System of Accounts
Distribution Station	1820-Distribution Station Equipment <50 kV
Equipment	1915-Office Furniture & Equipment
	1930-Transportation Equipment
	1935-Stores Equipment
	1940-Tools, Shop & Garage Equipment
	1945-Measurement & Testing Equipment
	1955-Communications Equipment
	1960-Miscellaneous Equipment
	1970-Load Management Controls Customer Premises
IT Assets	1611-Computer Software
	1920-Computer Equipment - Hardware
Land and Buildings	1612-Land Rights
	1805-Land
	1808-Buildings
	1810-Leasehold Improvements
	1908-Buildings & Fixtures
Line Transformers	1850-Line Transformers
Non-Distribution Asset	1865-Other Installations on Customer's Premises
	1875-Street Lighting and Signal Systems
	2075-Non-Utility Property Owned or Under Capital Leases
	2075-Non-Utility Property Owned or Under Capital Leases
Other Distribution Assets	1609-Capital Contributions Paid
	1980-System Supervisor Equipment
	2005-Property Under Finance Lease
Poles, Wires	1830-Poles, Towers & Fixtures
	1835-Overhead Conductors & Devices
	1840-Underground Conduit
	1845-Distribution Station Equipment <50 kV
Services and Meters	1855-Services (Overhead & Underground)
	1860-Meters
TS Primary Above 50	1815-Distribution Station Equipment >50 kV

Asset Grouping	Uniform System of Accounts
Contributions and Grants	1995-Capital Contributions - Pre-IFRS
	2440-Deferred Revenue
Accumulated Depreciation	2105-Accumulated Amortization of Electric Utility Plant - PP&E
	2120-Accumulated Amortization of Electric Utility Plant - Intangibles

- 2 Tables 2-2-4 and 2-2-5 below summarize Alectra Utilities' Gross and Net fixed assets included
3 for rate base purposes for the historical 2017-2024 period, the 2025-2026 bridge period and
4 2027-2031 rate period.

1 **Table 2-2-4: 2017-2024 Gross and Net Fixed Assets – Years Ending December 31 (\$MM)**

Asset Grouping	Actual							
	2017	2018	2019	2020	2021	2022	2023	2024
Distribution Station	140.8	148.1	159.4	164.4	158.9	160.7	162.7	183.3
Equipment	90.2	102.5	105.3	114.0	89.5	92.3	100.4	108.2
IT Assets	144.4	179.5	204.3	191.4	192.9	204.7	221.7	248.0
Land and Buildings	216.8	222.5	237.9	217.0	194.8	207.8	331.1	336.2
Line Transformers	443.4	475.0	492.2	538.4	567.1	615.1	708.4	805.6
Other Distribution Assets	151.7	166.8	153.8	159.6	150.5	149.8	144.8	148.3
Poles, Wires	2,049.8	2,230.2	2,466.5	2,645.8	2,681.0	2,860.4	3,099.7	3,385.8
Services and Meters	333.5	350.8	384.9	404.4	356.4	369.5	397.4	415.0
TS Primary Above 50	146.4	148.8	136.9	138.1	136.3	135.0	140.3	143.4
Contributions and Grants	(566.0)	(628.6)	(489.2)	(555.4)	(607.6)	(647.5)	(745.4)	(876.1)
Gross Fixed Assets	3,150.9	3,395.4	3,851.9	4,017.7	3,919.8	4,147.6	4,561.1	4,897.6
Accumulated Depreciation	(635.0)	(752.7)	(888.5)	(972.9)	(787.7)	(930.9)	(1,068.8)	(1,226.9)
Closing Fixed Assets NBV	2,515.9	2,642.7	2,963.4	3,044.8	3,132.2	3,216.7	3,492.3	3,670.8

2

1 **Table 2-2-5: 2025-2031 Gross and Net Fixed Assets – Years Ending December 31 (\$MM)**

Asset Grouping	Bridge		Test				
	2025	2026	2027	2028	2029	2030	2031
Distribution Station	189.5	191.9	198.6	207.7	221.2	249.0	270.8
Equipment	113.9	126.7	143.9	169.1	190.0	208.2	227.7
IT Assets	264.8	296.5	341.6	370.7	424.0	441.4	457.8
Land and Buildings	338.2	339.5	355.6	362.0	370.4	396.8	405.9
Line Transformers	871.1	929.9	1,000.6	1,080.0	1,171.8	1,267.8	1,373.7
Other Distribution Assets	155.2	166.1	193.0	197.0	209.9	216.7	271.7
Poles, Wires	3,736.6	4,052.4	4,386.6	4,742.7	5,160.2	5,590.5	6,093.0
Services and Meters	444.7	479.3	535.2	605.1	677.9	741.1	801.0
TS Primary Above 50	146.2	148.1	191.1	192.6	196.3	241.6	243.6
Contributions and Grants	(1,035.4)	(1,185.9)	(1,357.9)	(1,470.7)	(1,594.1)	(1,702.1)	(1,871.9)
Gross Fixed Assets	5,224.8	5,544.6	5,988.3	6,456.3	7,027.7	7,651.1	8,273.3
Accumulated Depreciation	(1,377.6)	(1,539.6)	(1,732.6)	(1,933.0)	(2,148.0)	(2,379.1)	(2,624.2)
Closing Fixed Assets NBV	3,847.2	4,005.0	4,255.7	4,523.3	4,879.7	5,272.1	5,649.2

2

The variances in closing gross fixed asset costs in service each year are explained below:

The details of depreciation expense are explained in Exhibit 2B, Tab 3, Schedule 1 :

2017 Approved versus 2017 Actuals

There is no OEB approved Fixed Assets NBV for each of Alectra Utilities' five rate zones which were based on individual capital investment plans corresponding to each of the predecessor utility service territories. As such, Alectra Utilities has not provided a comparison of historical OEB-approved vs. 2017 historical actual Fixed Assets (for the most recent historical OEB-approved year).

2017 Actuals versus 2018 Actuals

Table 2-2-6: 2017 Actual versus 2018 Actual (\$MM)

Asset Grouping	2017 Actual	2018 Actual	Variance (\$)	Variance (%)
Distribution Stations	140.8	148.1	7.3	5.2 %
Equipment	90.2	102.5	12.2	13.5 %
IT Assets	144.4	179.5	35.2	24.4 %
Land and Buildings	216.8	222.5	5.7	2.6 %
Line Transformers	443.4	475.0	31.6	7.1 %
Other Distribution Assets	151.7	166.8	15.1	9.9 %
Poles, Wires	2,049.8	2,230.2	180.4	8.8 %
Services and Meters	333.5	350.8	17.3	5.2 %
TS Primary Above 50	146.4	148.8	2.3	1.6 %
Contributions and Grants	(566.0)	(628.6)	(62.6)	11.1 %
Gross Fixed Assets	3,150.9	3,395.4	244.5	7.8 %
Accumulated Depreciation	(635.0)	(752.7)	(117.7)	18.5 %
Closing Fixed Assets NBV	2,515.9	2,642.7	126.8	5.0 %

Total NBV for 2018 was \$126.8MM or 5.0% higher as compared to 2017.

The major drivers for the increase were as follows:

- **Distribution Stations** increased by \$7.3MM or 5.2% primarily due to investments related to substation system renewal program across all Alectra Utilities' service territories.

- 1 • **Equipment** increased by \$12.2MM or 13.5% primarily related to investments in: (1) fleet
2 (\$11.2MM), (2) office furniture and other equipment (\$2.5MM), and (3) battery energy
3 storage systems (\$1.1MM). The increase was partially offset by the retirement of assets
4 that had reached the end of their useful life or disposed (\$1.7MM),
- 5 • **IT Assets** increased by \$35.2MM or 24.4% primarily due to investments in: (1) computer
6 software applications (\$34.1MM), (2) computer hardware equipment (\$2.5MM), and
7 partially offset by the retirement of assets that had reached the end of their useful life
8 (\$0.8MM).
- 9 • **Land and Buildings** increased by \$5.7MM or 2.6% primarily due to investments related
10 to building facilities improvements.
- 11 • **Line Transformers** increased by \$31.6MM or 7.1% primarily due to in-service additions
12 related to the system renewal transformer replacement program for: (1) pad mount
13 transformers (\$29.0MM) and (2) overhead transformers (\$9.5MM). These increases
14 were partially offset by the derecognition of assets removed from service (\$7.5MM).
- 15 • **Other Distribution Assets** increased by \$15.1MM or 9.9% primarily due to: (1) capital
16 contributions paid to Hydro One related to Brampton Pleasant TS (\$7.6MM), (2)
17 investments in account *2050 Completed Construction Not Classified* (\$5.6MM) and (3)
18 investments in system supervisory equipment (\$1.9MM).
- 19 • **Poles, Wires** increased by \$180.4MM or 8.8% primarily due to in-service additions
20 related to system access and system renewal investments, which include: (1)
21 underground conductor and devices (\$80.2MM), (2) poles (\$43.6MM), (3) underground
22 conduits (\$33.3MM), and (4) overhead conductors and devices (\$26.9MM). These
23 additions were partially offset by the derecognition of assets that were taken out of
24 service (\$3.8MM).
- 25 • **Services and Meters increased** by \$17.3MM or 5.2% primarily due to the in-service
26 additions related to: (1) new connections and metering renewal investments (\$13.9MM)
27 and (2) overhead and underground services (\$6.2MM). These increases were partially
28 offset by the derecognition of assets that were taken out of service (\$2.8MM).

- **TS Primary Above 50** increased by \$2.3MM or 1.6% primarily due to in-service additions related to investments in switchgear and relays for various stations
- **Contributions and Grants** increased by \$62.6MM or 11.1% primarily due to customer and third-party contributions related to system access for: (1) road authority (\$30.7MM), (2) customer connections and upgrades (\$31.4MM), and (3) transit projects (\$3.1MM). These increases were partially offset by the derecognition of contributions for assets removed from service (\$2.4MM).

2018 Actual versus 2019 Actuals

Effective January 1, 2019, Alectra Utilities amalgamated with Guelph Hydro. The ending balances for 2018 of the consolidated utility have been adjusted in the table below to reflect the combined balances for all five rate zones.

1 **Table 2-2-7: 2018 Actual versus 2019 Actual**

Asset Grouping	2018 Actual	Guelph Hydro	Componentization	2018 Restated	2019 Actual	Variance (\$)	Variance (%)
Distribution Stations	148.1	4.3	2.2	154.6	159.4	4.8	3.1 %
Equipment	102.5	7.6	(0.2)	109.8	105.3	(4.5)	(4.1)%
IT Assets	179.5	5.2	3.2	187.9	204.3	16.4	8.7 %
Land and Buildings	222.5	22.0	(2.7)	241.8	237.9	(3.8)	(1.6)%
Line Transformers	475.0	20.1	(46.7)	448.4	492.2	43.8	9.8 %
Other Distribution Assets	166.8	3.3	(3.2)	167.0	153.8	(13.2)	(7.9)%
Poles, Wires	2,230.2	140.0	(139.5)	2,230.6	2,466.5	235.9	10.6 %
Services and Meters	350.8	28.0	(21.5)	357.3	384.9	27.7	7.7 %
TS Primary Above 50	148.8	19.4	(32.4)	135.7	136.9	1.2	0.8 %
Contributions and Grants	(628.6)	(56.8)	241.0	(444.4)	(489.2)	(44.8)	10.1 %
Gross Fixed Assets	3,395.4	193.2	0.0	3,588.6	3,851.9	263.3	7.3 %
Accumulated Depreciation	(752.7)	(53.3)	0.0	(806.0)	(888.5)	(82.5)	10.2 %
Closing Fixed Assets NBV	2,642.7	139.8	0.0	2,782.5	2,963.4	180.8	6.5 %

2

In 2019, Alectra Utilities integrated fixed asset records from four legacy systems (excluding Guelph) into a single ERP system, establishing a unified fixed asset register and asset structure. The harmonization aligned both the asset component structure as well as the useful lives of the assets. The componentization alignment was guided by the expertise and judgment of company's subject matter experts, in accordance with Alectra Utilities' policies and procedures concerning fixed assets. The useful lives were harmonized by using a weighted average approach based on the dollar value of each legacy asset.

The total NBV for 2019 was \$180.8MM or 60.5% higher as compared to 2018 combined balances (including Guelph).

The major drivers for the increase were as follows:

- **Distribution Stations** increased by \$4.8MM or 3.1% primarily due to investments related to substation system renewal program across all Alectra Utilities' service territories.
- **Equipment** decreased by \$4.5MM or 4.1% mainly due to the retirement of assets that had reached the end of their useful lives or disposed (\$10.2MM). The decrease was partially offset by in-service additions related to: (1) fleet investments (\$3.1MM), (2) smart grid equipment (\$2.3MM).
- **IT Assets** increased by \$16.4MM or 8.7% due to investments in: (1) computer software applications (\$42.0MM) and (2) computer hardware equipment (\$6.3MM). These increases were partially offset by the derecognition of the assets that had reached the end of their useful life (\$31.9MM).
- **Land and Buildings** decreased by \$3.8MM or 1.6% primarily due to: (1) the sale of Cityview vacant land (\$7.4MM) and (2) the retirement of assets that reached the end of their useful life (\$6.0MM). These decreases were partially offset by investments related to facilities improvements (\$9.5MM).
- **Line Transformers** increased by \$43.8MM or 9.8% primarily due to the in-service additions related to the system renewal transformer replacement program for: (1) underground transformers (\$31.0MM), (2) overhead transformers (\$14.6MM) and (3)

1 spare transformers (\$2.1MM). These additions were partially offset by the derecognition
2 of assets taken out of service (\$4.1MM).

- 3 • **Other Distribution Assets** decreased by \$13.2MM or 7.9% primarily due to: (1) the
4 allocation of unclassified balances from *USoA 2050* to the respective electric plant
5 *USoA's* (\$10.9MM), and (2) a one-time reclassification of right of use Addiscott finance
6 lease balance related to the new *IFRS16 Leases* standard (\$5.8MM). These decreases
7 were partially offset by (1) new leases recorded for the Jane and Mavis facilities
8 (\$2.3MM) and (2) the continued investments in system supervisory equipment (\$1.9MM).
- 9 • **Poles, Wires** increased by \$235.9MM or 10.6% primarily due to in-service additions
10 related to system access and renewals investments in: (1) underground conductors and
11 devices (\$98.4MM), (2) poles, towers and fixtures (\$74.0MM), (3) overhead conductors
12 and devices (\$34.6MM), and (4) underground conduits (\$32.3MM). These increases
13 were partially offset by the derecognition of assets that have been taken out of service
14 (\$3.4MM).
- 15 • **Services and Meters** increased by \$27.7MM or 7.7% primarily due to the the in-service
16 additions related to: (1) new connections and meter renewal program (\$17.9MM) and (2)
17 overhead and underground services (\$10.1MM).
- 18 • **TS Primary Above 50** increased by \$1.2MM or 0.8% primarily due to in-service
19 additions related to continued investments in various TS stations.
- 20 • **Contributions and Grants Assets** increased by \$44.8MM or 10.1% primarily due to
21 customer and third-party contributions related to: (1) customer connections and
22 upgrades (\$28.5MM), (2) road authority projects (\$12.2MM), and (3) transit projects
23 (\$3.5MM).

2019 Actual versus 2020 Actual

Table 2-2-8: 2019 Actual versus 2020 Actual

Asset Grouping	2019 Actual	2020 Actual	Variance (\$)	Variance (%)
Distribution Stations	159.4	164.4	5.0	3.2 %
Equipment	105.3	114.0	8.7	8.2 %
IT Assets	204.3	191.4	(12.8)	(6.3)%
Land and Buildings	237.9	217.0	(21.0)	(8.8)%
Line Transformers	492.2	538.4	46.3	9.4 %
Other Distribution Assets	153.8	159.6	5.8	3.8 %
Poles, Wires	2,466.5	2,645.8	179.3	7.3 %
Services and Meters	384.9	404.4	19.4	5.1 %
TS Primary Above 50	136.9	138.1	1.2	0.9 %
Contributions and Grants	(489.2)	(555.4)	(66.2)	13.5 %
Gross Fixed Assets	3,851.9	4,017.7	165.8	4.3 %
Accumulated Depreciation	(888.5)	(972.9)	(84.3)	9.5 %
Closing Fixed Assets NBV	2,963.4	3,044.8	81.4	2.7 %

Total NBV for 2020 was \$81.4MM or 2.7% higher as compared to 2019.

The major drivers for the increase were as follows:

- **Distribution Stations** increased by \$5.0MM or 3.2% primarily due to investments related to substation system renewal program across all Alectra Utilities' service territories.
- **Equipment** increased by \$8.7MM or 8.2% primarily due to investments in: (1) fleet (\$11.8MM), (2) communication equipment (\$2.0MM), and partially offset by the retirement of equipment (\$6.3MM) that had reached the end of their useful life.
- **IT Assets** decreased by \$12.8MM or 6.3% primarily due to the derecognition of assets that were removed from service or reached the end of their useful life (\$43.5MM). The decrease was partially offset by investments in: (1) computer software applications (\$23.8MM) and (2) computer hardware equipment (\$6.8MM).

- 1 • **Land and Buildings** decreased by \$21.0MM or 8.8% primarily due to the sale of the
2 Sandalwood facility (\$31.2MM). The decrease in land and buildings was partially offset
3 by the investments related to building facilities improvements (\$10.2MM).
- 4 • **Line Transformers** increased by \$46.3MM or 9.4% primarily due to in-service additions
5 related to: (1) system access (\$24.8MM), and (2) system renewal (\$22.7MM), which
6 were partially offset by the derecognition of transformers removed from service
7 (\$2.5MM).
- 8 • **Other Distribution Assets** increased by \$5.8MM or 3.8% primarily due to: (1) a new
9 right of use lease agreement for Sandalwood facility (\$3.6MM) and (2) investments in
10 communication and system supervisory equipment (\$1.7MM).
- 11 • **Poles, Wires** increased by \$179.3MM or 7.3% primarily due to in-service additions
12 related to: (1) system renewal (\$97.9MM), (2) system access (\$78.5MM), and (3) system
13 service (\$7.9MM). These additions were partially offset by the derecognition of assets
14 removed from service (\$5.0MM).
- 15 • **Services and Meters** increased by \$19.4MM or 5.1% primarily due in-service additions
16 related to: (1) new connections and meter renewal program (\$14.5MM) and (2) overhead
17 and underground services (\$5.2MM).
- 18 • **TS Primary Above 50** increased by \$1.2MM or 0.9% primarily due to investments in
19 various stations.
- 20 • **Contributions and Grants Assets** increased by \$66.2MM or 13.5% primarily due to
21 customer and third-party contributions related to: (1) customer connections and
22 upgrades (\$24.5MM), (2) transit projects (\$16.5MM), (3) subdivisions (\$13.5MM), and (4)
23 roads authority projects (\$11.7MM).

24 **2020 Actual versus 2021 Actual**

25 Alectra Utilities followed acquisition accounting for fixed assets, as specified in IFRS 3, which
26 required the amalgamated/acquired utilities accumulated depreciation to reset to zero at the
27 time of the merger (Gross assets + accumulated depreciation = new cost base). While this reset

- 1 was done for IFRS financial statement purposes in 2017, the restatement of the fixed asset
- 2 subledger data was completed in 2021. These reclassifications did not impact the net book
- 3 value of the assets or depreciation expense recorded for Alectra Utilities.

- 4 The 2020 ending balances of the fixed assets balances are adjusted in the table to reflect the
- 5 reclassifications of accumulated depreciation to cost.

1 Table 2-2-9: 2020 Actual versus 2021 Actual

Asset Grouping	2020 Actual	Reclassification	2020 Restated	2021 Actual	Variance (\$)	Variance (%)
Distribution Stations	164.4	(13.5)	150.9	158.9	8.0	5.3 %
Equipment	114.0	(25.7)	88.3	89.5	1.2	1.4 %
IT Assets	191.4	(10.1)	181.3	192.9	11.5	6.4 %
Land and Buildings	217.0	(15.2)	201.8	194.8	(6.9)	(3.4)%
Line Transformers	538.4	(32.0)	506.4	567.1	60.7	12.0 %
Other Distribution Assets	159.6	(16.1)	143.5	150.5	7.0	4.9 %
Poles, Wires	2,645.8	(151.1)	2,494.7	2,681.0	186.3	7.5 %
Services and Meters	404.4	(63.8)	340.6	356.4	15.8	4.6 %
TS Primary Above 50	138.1	(5.1)	133.0	136.3	3.3	2.5 %
Contributions and Grants	(555.4)	16.9	(538.5)	(607.6)	(69.1)	12.8 %
Gross Fixed Assets	4,017.7	(315.7)	3,701.9	3,919.8	217.9	5.9 %
Accumulated Depreciation	(972.9)	315.7	(657.1)	(787.7)	(130.6)	19.9 %
Closing Fixed Assets NBV	3,044.8	-	3,044.8	3,132.2	87.3	2.9 %

2

Total NBV for 2021 was \$87.3MM or 2.9% higher as compared to the 2020 (restated).

The major drivers for the increase were as follows:

- **Distribution Stations** increased by \$8.0MM or 5.3% primarily due to in-service additions for investments in: (1) system renewal (\$6.9MM), and (2) system service (\$1.1MM).
- **Equipment** increased by \$1.2MM or 1.4% primarily due to: (1) investments in fleet (\$3.3MM) and (2) other equipment (\$1.5MM) which were partially offset by the retirement of assets that had reached the end of their useful life (\$3.6MM).
- **IT Assets** increased by \$11.5MM or 6.4% primarily due to investments in: (1) computer software applications (\$13.8MM), and (2) computer hardware equipment (\$7.5MM). The additions were partially offset by the derecognition of IT assets that had reached the end of their useful life (\$9.8MM).
- **Land and Buildings** assets decreased by \$6.9MM or 3.4% primarily due to the sale of the Mavis Rd. building (\$13.5MM). This decrease was partially offset by the investments related to building facilities improvements (\$5.8MM).
- **Line Transformer** assets increased by \$60.7MM or 12.0% primarily due to in-service additions related to: (1) system access (\$27.7MM), (2) system renewal (\$23.3MM) and (3) spare transformers (\$12.6MM). These increases were partially offset by the derecognition of assets removed from service (\$2.9MM).
- **Other Distribution Assets** increased by \$7.0MM or 4.9% primarily due to: (1) capital contributions paid to Hydro One for Goreway TS (\$5.5MM), and (2) investments in system supervisory equipment (\$1.5MM).
- **Poles, Wires** increased by \$186.3MM or 7.5% primarily due to in-service additions related to: (1) system renewal (\$95.8MM), (2) system access (\$84.6MM), (3) system service (\$11.4MM). These increases were partially offset by the derecognition of assets removed from service (\$5.5MM).

- 1 • **Services and Meter** assets increased by \$15.8MM or 4.6% primarily due to in-service
2 additions related to: (1) new connections and meter renewal program (\$12.8MM) and (2)
3 services (\$4.8MM). These increases were partially offset by the derecognition of assets
4 removed from service (\$1.7MM).
- 5 • **TS Primary Above 50** increased by \$3.3MM or 2.5% primarily due to investments in
6 various stations.
- 7 • **Contributions and Grants Assets** increased by \$69.1MM or 12.8% primarily due to
8 customer and third-party contributions related to: (1) customer connections and
9 upgrades (\$27.6MM), (2) Transit (\$19.6MM) and (3) subdivisions (\$14.9MM), and (4)
10 roads authority projects (\$7.0MM).

11 **2021 Actual versus 2022 Actual**

12 In 2022, Alectra Utilities integrated Guelph Hydro's fixed asset records into its ERP system. The
13 consolidation into a single fixed asset register and asset structure necessitated changes to the
14 legacy Guelph asset components. The ending balances for 2021 have been adjusted in the
15 table below to account for the changes in componentization.

1 **Table 2-2-10: 2021 Actual versus 2022 Actual**

Asset Class	2021 Actual	Componentization	2021 Restated	2022 Actual	Variance (\$)	Variance (%)
Distribution Station	158.9		158.9	160.7	1.9	1.2%
Equipment	89.5		89.5	92.3	2.8	3.0%
IT Assets	192.9	0.4	193.3	204.7	11.4	5.6%
Land and Buildings	194.8	2.6	197.5	207.8	10.3	5.0%
Line Transformers	567.1	(3.6)	563.5	615.1	51.6	8.4%
Other Distribution Assets	150.5	(1.0)	149.5	149.8	0.2	0.2%
Poles, Wires	2,681.0	(9.6)	2,671.4	2,860.4	189.0	6.6%
Services and Meters	356.4	(5.8)	350.6	369.5	18.9	5.1%
TS Primary Above 50	136.3	(2.7)	133.6	134.9	1.3	1.0%
Contributions and Grants	(607.6)	19.7	(587.9)	(647.5)	(59.6)	9.2%
Gross Fixed Assets	3,919.8	–	3,919.8	4,147.6	227.8	5.8%
Accumulated Depreciation	(787.7)		(787.7)	(930.9)	(143.2)	18.2%
Closing Fixed Assets NBV	3,132.2	–	3,132.2	3,216.7	84.6	2.7%

2

1 Total NBV for 2022 was \$84.6MM or 2.7% higher as compared to 2021.

2 The major drivers for the increase were as follows:

- 3 • **Distribution Stations** increased by \$1.9MM or 1.2% primarily due to in-service
4 additions related to system renewal investments for stations across all Alectra Utilities'
5 service territories.
- 6 • **Equipment** increased by \$2.8MM or 3.0% primarily due to investments in: (1) fleet
7 (\$4.6MM) and (2) electric vehicle charging stations (\$2.0MM). These additions were
8 partially offset by the derecognition of assets that had reached the end of their useful life
9 (\$4.9MM).
- 10 • **IT Assets** increased by \$11.4MM or 5.6% primarily due to investments in: (1) computer
11 software applications (\$10.6MM), and (2) computer hardware equipment (\$6.9MM).
12 These increases were partially offset by the derecognition IT assets that had reached the
13 end of their useful life (\$6.2MM).
- 14 • **Land and Buildings** increased by \$10.3MM or 4.9% primarily due to investments
15 related to building facilities improvements.
- 16 • **Line Transformer** assets increased by \$51.6MM or 8.4% primarily due to in-service
17 additions related to investments in: (1) system renewal (\$27.8MM), (2) system access
18 (\$22.7MM), and (3) acquisition of spare transformers (\$2.8MM). These increases were
19 partially offset by the derecognition of assets removed from service (\$2.3MM).
- 20 • **Poles, Wires** increased by \$189.0MM or 6.6% primarily due to in-service additions
21 related to: (1) system renewal (\$117.6MM), (2) system access (\$64.9MM), and (3)
22 system service (\$10.9MM). These increases were partially offset by the derecognition of
23 assets removed from service (\$4.4MM)
- 24 • **Services and Meters** increased by \$18.9MM or 5.1% primarily due to investments for
25 (1) new connections and meter renewal program (\$15.3MM) and services (\$4.8MM).
26 The additions are partially offset by derecognition of assets removed from service
27 (\$1.2MM).

- **TS Primary Above 50** increased by \$1.3MM or 1.0% primarily due to in-service additions related to continued investments in various TS stations.
- **Contributions and Grants** increased by \$59.6MM or 9.2% primarily due to customer and third-party contributions related to: (1) customer connections and upgrades (\$28.7MM), (2) subdivisions and expansions (\$11.2MM), (3) roads authority projects (\$8.9MM), (3) transit projects (\$8.7MM), and (4) Natural Resources Canada (NRCAN) rebates (\$2.2MM).

2022 Actual versus 2023 Actual

Table 2-2-11: 2022 Actual versus 2023 Actual

Asset Grouping	2022 Actual	2023 Actual	Variance (\$)	Variance (%)
Distribution Stations	160.7	162.7	2.0	1.2%
Equipment	92.3	100.4	8.2	8.8%
IT Assets	204.7	221.7	17.1	8.3%
Land and Buildings	207.8	331.1	123.3	59.4%
Line Transformers	615.1	708.4	93.3	15.2%
Other Distribution Assets	149.8	144.8	(5.0)	-3.3%
Poles, Wires	2,860.4	3,099.7	239.4	8.4%
Services and Meters	369.5	397.4	27.9	7.6%
TS Primary Above 50	134.9	140.3	5.3	4.0%
Contributions and Grants	(647.5)	(745.4)	(97.9)	15.1%
Gross Fixed Assets	4,147.6	4,561.1	413.5	10.0%
Accumulated Depreciation	(930.9)	(1,068.8)	(137.9)	14.8%
Closing Fixed Assets NBV	3,216.7	3,492.3	275.6	8.6%

The total NBV for 2023 was \$275.6MM or 8.6% higher as compared to 2022.

The major drivers for the increase were as follows:

- **Distribution Stations** increased by \$2.0MM or 1.2% primarily due to in-service additions related to system renewal investments for stations across all Alectra Utilities' service territories.

- 1 • **Equipment** increased by \$8.2MM or 8.8% primarily due to investments in: (1) fleet
2 (\$4.8MM), (2) office furniture and equipment (\$2.8MM), (3) electric vehicle charging
3 stations (\$2.5MM) and (4) measurement & testing and communication equipment
4 (\$1.9MM). These increases were partially offset by the derecognition of assets that had
5 reached the end of their useful life (\$4.6MM).

- 6 • **IT Assets** increased by \$17.1MM or 8.3% primarily due to investments in: (1) upgrades
7 and enhancements to computer software applications (\$23.6MM) and (2) computer
8 hardware equipment (\$4.8MM). These increases were partially offset by the
9 derecognition of assets that were removed from service or had reached the end of their
10 useful lives (\$11.3MM).

- 11 • **Land and Buildings** increased by \$123.4MM or 59.4% primarily due to the investment
12 in: (1) new Kennedy Road Operations Centre (\$118.5MM), and (2) facilities
13 improvements (\$4.8MM).

- 14 • **Line Transformers** increased by \$93.3MM or 15.2% primarily due to in-service
15 additions related to continued investments in: (1) system access (\$33.6MM), (2)
16 acquisition of spare transformers (\$32.8MM) (3) system renewal (\$30.1MM). These
17 increases were partially offset by the derecognition of assets that were removed from
18 service (\$3.3MM).

- 19 • **Other Distribution Assets** decreased by \$5.0MM or 3.3% primarily due to the
20 termination of lease agreements for various facilities (Sandalwood, Jane St, Mavis Rd)
21 (\$7.9MM) and partially offset by the investments in system supervisory equipment
22 (\$2.3MM).

- 23 • **Poles, Wires** increased by \$239.4MM or 8.4% primarily due to in-service additions
24 related to: (1) system renewal (\$125.2MM), (2) system access (\$109.6MM), and (3)
25 system services (\$10.9MM). These increases were partially offset by the derecognition
26 of assets that were removed from service (\$6.4MM).

- **Services and Meters** increased by \$27.9MM or 7.6% primarily due to in-service additions related to: (1) new connections and meter renewal program (\$23.0MM) and services (\$5.2MM).
- **TS Primary Above 50** increased by \$5.3MM or 4.0% primarily due to in-service additions related to investments in stations for: (1) system renewal (\$4.3MM) and (2) system service (\$1.0MM).
- **Contributions and Grants** increased by \$97.9MM or 15.1% primarily due to customer and third-party contributions related to system access of (1) customer connections (\$37.8MM) (2) transit projects (\$34.2MM), (3) subdivisions and expansion (\$22.1MM) and (4) roads authority projects (\$6.1MM). These increases were partially offset by the derecognition of contributions for assets removed from service (\$2.3MM).

2023 Actual versus 2024 Actual

Table 2-2-12: 2023 Actual versus 2024 Actual

Asset Grouping	2023 Actual	2024 Actual	Variance (\$)	Variance (%)
Distribution Stations	162.7	183.3	20.6	12.7%
Equipment	100.4	108.2	7.8	7.8%
IT Assets	221.7	248.0	26.2	11.8%
Land and Buildings	331.1	336.2	5.1	1.5%
Line Transformers	708.4	805.6	97.2	13.7%
Other Distribution Assets	144.8	148.3	3.5	2.4%
Poles, Wires	3,099.7	3,385.8	286.0	9.2%
Services and Meters	397.4	415.0	17.6	4.4%
TS Primary Above 50	140.3	143.4	3.2	2.2%
Contributions and Grants	(745.4)	(876.1)	(130.7)	17.5%
Gross Fixed Assets	4,561.1	4,897.6	336.5	7.4%
Accumulated Depreciation	(1,068.8)	(1,226.9)	(158.1)	14.8%
Closing Fixed Assets NBV	3,492.3	3,670.8	178.5	5.1%

Total NBV for 2024 was \$178.5MM or 5.1% higher as compared to 2023.

The major drivers for the increase were as follows:

- 1 • **Distribution Stations** increased by \$20.6MM or 12.7% due to: (1) the reclassification of
2 wholesale meters from USoA 1860-Meters to USoA 1820-Station Equipment (\$16.8MM)
3 and (2) in-service additions related to system renewal investments for stations across all
4 Alectra territories (\$4.2MM).
- 5 • **Equipment** increased by \$7.8MM or 7.8% due to investments in: (1) fleet (\$10.8MM)
6 and (2) communications equipment (\$1.8MM). These increases were partially offset by
7 the derecognition of assets that had reached the end of their useful life (\$5.5MM).
- 8 • **IT Assets** increased by \$26.2MM or 11.8% due to investments in: (1) computer software
9 applications (\$26.8MM), primarily related to the implementation of SEW platform and
10 other upgrades and enhancements to existing software applications and (2) computer
11 hardware equipment (\$5.8MM). These increases were partially offset by the
12 derecognition of IT assets that were removed from service or had reached the end of
13 their useful lives (\$6.4MM).
- 14 • **Land and Buildings** increased by \$5.1MM or 1.5% primarily due to investments related
15 to building facilities improvements.
- 16 • **Line Transformers** increased by \$97.2MM or 13.7% due to in-service additions related
17 to continued investments in: (1) system access (\$41.1MM), (2) system renewal
18 (\$39.0MM), and (3) the acquisition of spare transformers (\$20.9MM). These increases
19 were partially offset by the derecognition of assets that were removed from service
20 (\$3.9MM).
- 21 • **Other Distribution Assets** increased by \$3.5MM or 2.4% primarily due to the
22 investments in system supervisory equipment.
- 23 • **Poles, Wires** increased by \$286.0MM or 9.2% primarily due to in-service additions
24 related to: (1) system access (\$146.8MM), (2) system renewal (\$133.6MM), and (3)
25 system service (\$15.0MM). These increases were partially offset by the derecognition of
26 assets that were removed from service (\$9.9MM).
- 27 • **Services and Meters** increased by \$17.6MM or 4.4% primarily due to due to in-service
28 additions related to: (1) new connections and meter renewal program (\$24.2MM) and (2)

services (\$5.9MM). These increases were partially offset by the derecognition of assets that were removed from service (\$12.7MM).

- **TS Primary Above 50** increased by \$3.2MM or 2.2% primarily due to in-service additions related to continued investments in various TS stations.
- **Contributions and Grants** increased by \$130.7MM or 17.5% due to customer and third-party contributions related to: (1) transit projects (\$43.2MM), (2) customer connections (\$39.7MM), (3) subdivisions and expansions (\$37.5MM) and (4) roads authority projects (\$12.7MM). These increases were partially offset by the derecognition of contributions for assets removed from service (\$2.4MM).

2024 Actual to 2025 Bridge

Table 2-2-13: 2024 Actual to 2025 Bridge

Asset Grouping	2024 Actual	2025 Bridge	Variance (\$)	Variance (%)
Distribution Stations	183.3	189.5	6.2	3.4%
Equipment	108.2	113.9	5.7	5.3%
IT Assets	248.0	264.8	16.9	6.8%
Land and Buildings	336.2	338.2	2.0	0.6%
Line Transformers	805.6	871.1	65.6	8.1%
Other Distribution Assets	148.3	155.2	7.0	4.7%
Poles, Wires	3,385.8	3,736.6	350.8	10.4%
Services and Meters	415.0	444.7	29.6	7.1%
TS Primary Above 50	143.4	146.2	2.8	1.9%
Contributions and Grants	(876.1)	(1,035.4)	(159.3)	18.2%
Gross Fixed Assets	4,897.6	5,224.8	327.2	6.7%
Accumulated Depreciation	(1,226.9)	(1,377.6)	(150.8)	12.3%
Closing Fixed Assets NBV	3,670.8	3,847.2	176.4	4.8%

Total NBV for 2025 is forecasted to be \$176.4MM or 4.8% higher as compared to 2024.

The major drivers for the increase are as follows:

- **Distribution Stations** are forecasted to increase by \$6.2MM or 3.4% primarily due to the in-service additions related to: (1) substation renewal program (\$3.2MM) as detailed

1 in DSP, Exhibit 2A, Appendix B04, (2) system service investments (\$1.7MM) as detailed
2 in DSP, Exhibit 2A, Appendix B13 and (3) investment in wholesale metering (\$1.3MM) as
3 detailed in DSP, Exhibit 2A, Appendix B06 .

- 4 • **Equipment** assets are forecasted to increase by \$5.7MM or 5.3% primarily due to
5 investments in: (1) fleet (\$5.4MM) as detailed in DSP, Exhibit 2A, Appendix B08, (2)
6 major tools (\$1.0MM), and (3) other equipment (\$0.8MM). These increases are partially
7 offset by the planned retirement of assets that will reach their end of their useful life
8 (\$1.6MM).

- 9 • **IT Assets** are forecasted to increase by \$16.9MM or 6.8% primarily due to investments
10 in: (1) upgrades and enhancements to existing software applications (\$19.0MM), (2)
11 metering technology renewal (\$2.8MM), and (3) computer hardware equipment
12 (\$2.6MM). These increases are partially offset by the retirement of assets that are
13 forecasted to be removed from service or reach the end of their useful lives (\$7.5MM).
14 Refer to DSP, Exhibit 2A, Appendix B06, Appendix B09 and Appendix B14 for project
15 details.

- 16 • **Land and Buildings** are forecasted to increase by \$2.0MM or 0.6% due to investments
17 in distribution and non-distribution facilities improvements. Refer to DSP, Exhibit 2A,
18 Appendix B07 for project details.

- 19 • **Line Transformers** are forecasted to increase by \$65.6MM or 8.1% primarily due to in-
20 service additions related to: (1) system access (\$47.0MM), (2) system renewal
21 (\$17.6MM), and (3) system service (\$2.2MM) and (4) acquisition of spare transformers
22 (\$1.3MM). These increases are partially offset by the derecognition of assets forecasted
23 to be removed from service (\$2.6MM). Refer to DSP, Exhibit 2A, Appendix B01,
24 Appendix B02, Appendix B03, Appendix B10 and Appendix B11 for project details.

- 25 • **Other Distribution Assets** are forecasted to increase by \$7.0MM or 4.7% primarily due
26 to the in-service additions related to: (1) system service (\$3.4MM) as detailed in DSP,
27 Exhibit 2A, Appendix B14, (2) system renewal (\$2.7MM) as detailed in DSP, Exhibit 2A,
28 Appendix B01 and Appendix B02, (3) capital contributions paid to Hydro One for various
29 stations (\$1.8MM) as detailed in DSP, Exhibit 2A, Appendix B13. The increases are

1 partially offset by the derecognition of assets forecasted to be removed from service
2 (\$0.9MM).

- 3 • **Poles, Wires** are forecasted to increase by \$350.8MM or 10.4% primarily due to in-
4 service additions related to: (1) system access (\$196.4MM), (2) system renewal
5 (\$138.7MM), and (3) system service (\$22.2MM). These increases are partially offset by
6 the derecognition of assets forecasted to be removed from service (\$6.5MM). Refer to
7 DSP, Exhibit 2A, Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14
8 for project details.
- 9 • **Services and Meters** are forecasted to increase by \$29.6MM or 7.1% primarily due to
10 the in-service additions related to: (1) new connections and meter renewal program
11 (\$19.0MM), and (2) overhead and underground services (\$12.5MM). These increases
12 are partially offset by the derecognition of assets forecasted to be removed from service
13 (\$1.8MM). Refer to DSP, Exhibit 2A, Appendix B06 for project details.
- 14 • **TS Primary Above 50** are forecasted to increase by \$2.8MM or 1.9% primarily due to in-
15 service additions related to continued investments in various TS stations as detailed in
16 DSP, Exhibit 2A, Appendix B13.
- 17 • **Contributions and Grants** are forecasted to increase by \$159.3MM or 18.2% primarily
18 due to customer and third-party contributions related to system access for: (1) customer
19 connections (\$102.0MM), (2) transit projects (\$45.8MM), and (3) road authority projects
20 (\$11.8MM). These increases are partially offset by the derecognition of contributions for
21 assets forecasted to be removed from service (\$1.9MM).

2025 Bridge vs. 2026 Bridge

Table 2-2-14: 2025 Bridge vs. 2026 Bridge

Asset Grouping	2025 Bridge	2026 Bridge	Variance (\$)	Variance (%)
Distribution Stations	189.5	191.9	2.4	1.3%
Equipment	113.9	126.7	12.8	11.3%
IT Assets	264.8	296.5	31.7	12.0%
Land and Buildings	338.2	339.5	1.4	0.4%
Line Transformers	871.1	929.9	58.7	6.7%
Other Distribution Assets	155.2	166.1	10.9	7.0%
Poles, Wires	3,736.6	4,052.4	315.7	8.4%
Services and Meters	444.7	479.3	34.6	7.8%
TS Primary Above 50	146.2	148.1	1.9	1.3%
Contributions and Grants	(1,035.4)	(1,185.9)	(150.5)	14.5%
Gross Fixed Assets	5,224.8	5,544.6	319.7	6.1%
Accumulated Depreciation	(1,377.6)	(1,539.6)	(162.0)	11.8%
Closing Fixed Assets NBV	3,847.2	4,005.0	157.7	4.1%

Total NBV for 2026 is forecasted to be \$157.7MM or 4.1% higher as compared to 2025.

The major drivers for the increase are as follows:

- Distribution Station** is forecasted to increase by \$2.4MM or 1.3% primarily due to the in-service additions related to: (1) substation renewal program (\$1.4MM) as detailed in DSP, Appendix B04 and (2) investments in wholesale metering (\$1.1MM) as detailed in DSP, Exhibit 2A, Appendix B06.
- Equipment** are forecasted to increase by \$12.8MM or 11.3% primarily due to investments in: (1) fleet (\$12.0MM) as detailed in DSP, Exhibit 2A, Appendix B08, and (2) tools and other equipment (\$2.4MM). These increases will be partially offset by the forecasted retirement of assets that will reach their end of their useful life (\$1.6MM).
- IT Assets** are forecasted to increase by \$31.7MM or 12.0% primarily due to investments in: (1) upgrades and enhancements to existing software applications (\$22.1MM), (2) metering technology renewal (\$7.2MM), (3) computer hardware equipment (\$3.8MM), and (4) DER technology investments (\$3.6MM). These increases will be partially offset

1 by the retirement of assets that are forecasted to be removed from service or reach the
2 end of their useful lives (\$5.0MM). Refer to DSP, Exhibit 2A, Appendix B06, Appendix
3 B09 and Appendix B14 for project details.

- 4 • **Land and buildings** are forecasted to increase by \$1.4MM or 0.4% primarily due to
5 investments in facilities improvements across all territories, as detailed in DSP, Exhibit
6 2A, Appendix B07.

- 7 • **Line Transformers** are forecasted to increase by \$58.7MM or 6.7% primarily due to in-
8 service additions related to: (1) system access (\$39.6MM), (2) system renewal
9 (\$16.4MM), and (3) acquisition of spare transformers (\$4.5MM). Refer to DSP, Exhibit
10 2A, Appendix B01, Appendix B02, Appendix B03, Appendix B10 and Appendix B11 for
11 project details. These increases will be partially offset by the derecognition of assets
12 forecasted to be removed from service (\$2.6MM).

- 13 • **Other Distribution Assets** are forecasted to increase by \$10.9MM or 7.0% primarily
14 due to in-service additions related to: (1) capital contributions paid to Hydro One for
15 Pleasant TS station (\$5.0MM) as detailed in DSP, Exhibit 2A, Appendix B13, (2)
16 investments in supervisory and control equipment (\$3.1MM) as detailed in DSP, Exhibit
17 2A, Appendix B14, and (3) capital contributions paid to Hydro One for Kennilworth TS
18 station (\$2.9MM) as detailed in DSP, Exhibit 2A, Appendix B13.

- 19 • **Poles, Wires** are forecasted to increase by \$315.7MM or 8.4% primarily due to in-
20 service additions related to: (1) system access (\$173.1MM), (2) system renewal
21 (\$130.0MM) and (3) system service (\$19.0MM) and partially offset by the derecognition
22 of assets forecasted to be removed from service (\$6.5MM). Refer to DSP, Exhibit 2A,
23 Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14 for project details.

- 24 • **Services and Meters** are forecasted to increase by \$34.6MM or 7.8% primarily due to
25 the in-service additions related to; (1) new connections and meter renewal program
26 (\$27.5MM) and (2) overhead and underground services (\$8.9MM). These increases
27 were partially offset by the derecognition of assets forecasted to be removed from
28 service (\$1.8MM). For more details, refer to DSP, Exhibit 2A, Appendix B06 for project
29 details.

- **TS Primary Above 50** are forecasted to increase by \$1.9MM or 1.3% primarily due to in-service additions related to continued investments in various TS stations, as detailed in DSP, Exhibit 2A, Appendix B13.
- **Contributions and Grants** are forecasted to increase by \$150.5MM or 14.5% primarily due to customer and third-party contributions related to system access of (1) customer connections (\$85.3MM), (2) transit projects (\$49.2MM), (3) roads authority projects (\$15.6MM) partially offset by the derecognition of contributions for assets forecasted to be removed from service (\$1.7MM)

2026 Bridge vs. 2027 Test

Table 2-2-15: 2026 Bridge vs. 2027 Test

Asset Grouping	2026 Bridge	2027 Test	Variance (\$)	Variance (%)
Distribution Stations	191.9	198.6	6.7	3.5%
Equipment	126.7	143.9	17.1	13.5%
IT Assets	296.5	341.6	45.1	15.2%
Land and Buildings	339.5	355.6	16.1	4.7%
Line Transformers	929.9	1,000.6	70.7	7.6%
Other Distribution Assets	166.1	193.0	26.9	16.2%
Poles, Wires	4,052.4	4,386.6	334.2	8.2%
Services and Meters	479.3	535.2	55.9	11.7%
TS Primary Above 50	148.1	191.1	43.0	29.0%
Contributions and Grants	(1,185.9)	(1,357.9)	(172.0)	14.5%
Gross Fixed Assets	5,544.6	5,988.3	443.7	8.0%
Accumulated Depreciation	(1,539.6)	(1,732.6)	(193.0)	12.5%
Closing Fixed Assets NBV	4,005.0	4,255.7	250.8	6.3%

Total NBV for 2027 is forecast to be \$250.8MM or 6.3% higher as compared to 2026.

The major variances by asset group are as follows:

- **Distribution Station** is forecasted to increase by \$6.7MM or 3.5% primarily due to in-service additions related to: (1) substation renewal program (\$4.2MM) as detailed in DSP, Exhibit 2A, Appendix B04 and (2) investments in wholesale metering (\$2.5MM) as detailed in DSP, Exhibit 2A, Appendix B06 for project details.

- 1 • **Equipment** are forecasted to increase by \$17.1MM or 13.5% primarily due to
2 investments in: (1) fleet (\$15.9MM) as detailed in DSP, Exhibit 2A, Appendix B08, and
3 (2) tools and other equipment (\$2.7MM). These increases will be partially offset by the
4 forecasted retirement of assets that will reach their end of their useful life (\$1.5MM).
- 5 • **IT Assets** are forecasted to increase by \$45.1MM or 15.2% primarily due to investments
6 in: (1) AMI 2.0 metering technology renewal (\$22.4MM), (2) upgrades and
7 enhancements to software applications (\$20.2MM) and (3) computer hardware
8 equipment (\$8.6MM). These increases will be partially offset by the retirement of assets
9 that are forecasted to be removed from service or reach the end of their useful lives
10 (\$6.1MM). Refer to DSP, Exhibit 2A, Appendix B06, Appendix B09 and Appendix B14 for
11 project details.
- 12 • **Land and Buildings** are forecasted to increase by \$16.1MM or 4.7% primarily due to
13 investments in: (1) the new Vaughan TS#6 station (\$13.4MM) and (2) facilities
14 improvements (\$2.7MM). For more details, refer to DSP, Exhibit 2A, Appendix B07.
- 15 • **Line Transformers** are forecasted to increase by \$70.7MM or 7.6% primarily due to in-
16 service additions related to: (1) system access (\$42.2MM), (2) system renewal and
17 service (\$26.0MM), and (3) acquisition of spare transformers (\$5.1MM). These increases
18 will be partially offset by the derecognition of assets forecasted to be removed from
19 service (\$2.6MM). Refer to DSP, Exhibit 2A, Appendix B01, Appendix B02, Appendix
20 B03, Appendix B10 and Appendix B11 for project details.
- 21 • **Other Distribution Assets** are forecasted to increase by \$26.9MM or 16.2% primarily
22 due to: (1) capital contributions paid to Hydro One for Markham TS#5 station (\$20.0MM)
23 as detailed in DSP, Exhibit 2A, Appendix B13, (2) capital contributions paid to Hydro One
24 for Pleasant TS station (\$5.0MM) as detailed in DSP, Exhibit 2A, Appendix B13 and (3)
25 investments in supervisory and control equipment (\$2.1MM) as detailed in DSP, Exhibit
26 2A, Appendix B14.
- 27 • **Poles, Wires** are forecasted to increase by \$334.2MM or 8.2% primarily due to in-
28 service additions related to: (1) system access (\$179.4MM), (2) system renewal
29 (\$151.1MM), and (3) system service (\$10.0MM). These increases are partially offset by

1 the derecognition of assets forecasted to be removed from service (\$6.5MM). Refer to
2 DSP, Exhibit 2A, Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14
3 for project details.

- 4 • **Services and Meters** are forecasted to increase by \$55.9MM or 11.7% primarily due to
5 the in-service additions related to: (1) new connections and meter renewal program
6 (\$29.9MM), (2) the recognition of deferred regulatory balances for MIST meters
7 (\$15.0MM), and (3) overhead and underground services (\$11.5MM). Refer to DSP,
8 Exhibit 2A, Appendix B06 for project details.

- 9 • **TS Primary Above 50** are forecasted to increase by \$43.0MM or 29.0% primarily due to
10 in-service additions related to: (1) the new Vaughan TS#6 station (\$40.2MM) and (2)
11 investments for system renewal of various TS stations (\$2.8MM), as detailed in DSP,
12 Exhibit 2A, Appendix B13.

- 13 • **Contributions and Grants Assets** are forecasted to increase by \$172.0MM or 14.5%
14 primarily due to customer and third-party contributions related to: (1) customer
15 connections (\$95.2MM), (2) the new Vaughan TS#6 station (\$36.6MM), (3) transit
16 projects (\$31.2MM), and (4) roads authority projects (\$10.6MM). These increases will be
17 partially offset by the derecognition of contributions for assets forecasted to be removed
18 from service (\$1.7MM).

2027 Test vs. 2028 Test

Table 2-2-16: 2027 Test vs. 2028 Test

Asset Grouping	2027 Test	2028 Test	Variance (\$)	Variance (%)
Distribution Stations	198.6	207.7	9.1	4.6%
Equipment	143.9	169.1	25.3	17.6%
IT Assets	341.6	370.7	29.1	8.5%
Land and Buildings	355.6	362.0	6.3	1.8%
Line Transformers	1,000.6	1,080.0	79.4	7.9%
Other Distribution Assets	193.0	197.0	4.0	2.1%
Poles, Wires	4,386.6	4,742.7	356.1	8.1%
Services and Meters	535.2	605.1	69.9	13.1%
TS Primary Above 50	191.1	192.6	1.5	0.8%
Contributions and Grants	(1,357.9)	(1,470.7)	(112.8)	8.3%
Gross Fixed Assets	5,988.3	6,456.3	468.0	7.8%
Accumulated Depreciation	(1,732.6)	(1,933.0)	(200.4)	11.6%
Closing Fixed Assets NBV	4,255.7	4,523.3	267.6	6.3%

Total NBV for 2028 is forecasted to be \$267.6MM or 6.3% higher as compared to 2027.

The major drivers for the increase are as follows:

- Distribution Stations** are forecasted to increase by \$9.1MM or 4.6% primarily due to the in-service additions related to: (1) substation renewal program (\$6.3MM) as detailed in DSP, Exhibit 2A, Appendix B04 and (2) investments in wholesale metering (\$2.6MM) as detailed in DSP, Exhibit 2A, Appendix B06 for project details..
- Equipment** are forecasted to increase by \$25.3MM or 17.6% primarily due to investments in: (1) fleet (\$23.9MM) as detailed in DSP, Exhibit 2A, Appendix B08, and (2) tools and other equipment (\$2.7MM). These increases will be partially offset by the forecasted retirement of assets that will reach their end of their useful life (\$1.3MM)
- IT Assets** are forecasted to increase by \$29.1MM or 8.5% primarily due to investments in: (1) upgrades and enhancements to software applications (\$18.9MM), (2) AMI 2.0 metering technology renewal (\$7.6MM), and (3) computer hardware equipment (\$6.7MM). These increases will be partially offset by the retirement of assets that are

forecasted to be removed from service or reach the end of their useful lives (\$4.1MM). Refer to DSP, Exhibit 2A, Appendix B06, Appendix B09 and Appendix B14 for project details.

- **Land and Buildings** are forecasted to increase by \$6.3MM or 1.8% primarily due to investments in facilities improvements across all territories. Refer to DSP, Exhibit 2A, Appendix B07 for for project details..

- **Line Transformers** are forecasted to increase by \$79.4MM or 7.9% primarily due to in-service additions related to: (1) system access (\$42.8MM), (2) system renewal (\$29.2MM), (3) acquisition of spare transformers (\$5.8MM) and (4) system service (\$4.2MM). These increases will be partially offset by the derecognition of assets forecasted to be removed from service (\$2.6MM). Refer to DSP, Exhibit 2A, Appendix B01, Appendix B02, Appendix B03, Appendix B10 and Appendix B11 for project details.

- **Other Distribution Assets** are forecasted to increase by \$4.0MM or 2.1% primarily due to investments in supervisory and control equipment for (1) system service (\$2.7MM) and (2) system renewal (\$1.3MM). Refer to DSP, Exhibit 2A, Appendix B01 and Appendix B02 for project details.

- **Poles, Wires** are forecasted to increase by \$356.1MM or 8.1% primarily due to in-service additions related to: (1) system access (\$174.1MM), (2) system renewal (\$159.3MM), and (3) system service (\$29.2MM) and partially offset by the derecognition of assets forecasted to be removed from service (\$6.5MM). Refer to DSP, Exhibit 2A, Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14 for project details.

- **Services and Meters** are forecasted to increase by \$69.9MM or 13.1% primarily due to the in-service additions related to: (1) new connections and meter renewal program (\$58.2MM) and (2) overhead and underground services (\$12.1MM). Refer to DSP, Exhibit 2A, Appendix B06 for project details.

- **TS Primary Above 50** are forecasted to increase by \$1.5MM or 0.8% primarily due to in-service additions related to continued investments in various TS stations as detailed in DSP, Exhibit 2A, Appendix B13.

- **Contributions and Grants Assets** are forecasted to increase by \$112.8MM or 8.3% primarily due to customer and third-party contributions related to system access of (1) customer connections (\$97.4MM), (2) roads authority projects (\$8.6MM) and (3) transit projects (\$8.4MM). These increases are partially offset by the derecognition of contributions for assets forecasted to be removed from service (\$1.7MM).

2028 Test versus 2029 Test

Table 2-2-17: 2028 Test versus 2029 Test

Asset Grouping	2028 Test	2029 Test	Variance (\$)	Variance (%)
Distribution Stations	207.7	221.2	13.5	6.5%
Equipment	169.1	190.0	20.8	12.3%
IT Assets	370.7	424.0	53.3	14.4%
Land and Buildings	362.0	370.4	8.5	2.3%
Line Transformers	1,080.0	1,171.8	91.8	8.5%
Other Distribution Assets	197.0	209.9	13.0	6.6%
Poles, Wires	4,742.7	5,160.2	417.4	8.8%
Services and Meters	605.1	677.9	72.8	12.0%
TS Primary Above 50	192.6	196.3	3.7	1.9%
Contributions and Grants	(1,470.7)	(1,594.1)	(123.4)	8.4%
Gross Fixed Assets	6,456.3	7,027.7	571.4	8.9%
Accumulated Depreciation	(1,933.0)	(2,148.0)	(215.0)	11.1%
Closing Fixed Assets NBV	4,523.3	4,879.7	356.4	7.9%

Total NBV for 2029 is forecast to be \$356.4MM or 7.9% higher as compared to 2028.

The major drivers for the increase were as follows:

- **Distribution Stations** are forecasted to increase by \$13.5MM or 6.5% primarily due to in-service additions related to: (1) substation renewal program (\$7.1MM) as detailed in DSP, Exhibit 2A, Appendix B04, (2) system service (\$3.9MM), and (3) investments in wholesale metering (\$2.6MM) as detailed in DSP, Exhibit 2A, Appendix B06 for project details.
- **Equipment** are forecasted to increase by \$20.8MM or 12.3% primarily due to in-service additions related to: (1) fleet (\$19.5MM) as detailed in DSP, Exhibit 2A, Appendix B08

and (2) tools and other equipment (\$2.7MM). These increases will be partially offset by the planned retirement of assets that will reach their end of their useful life (\$1.4MM).

- **IT Assets** are forecasted to increase by \$53.3MM or 14.4% primarily due to investments in: (1) upgrades and enhancements to software applications (\$44.6MM), (2) AMI 2.0 metering technology renewal (\$7.6MM) and (3) computer hardware equipment (\$7.1MM). These increases will be partially offset by the retirement of assets that are forecasted to be removed from service or reach the end of their useful lives (\$6.0MM). Refer to DSP, Exhibit 2A, Appendix B06, Appendix B09 and Appendix B14 for project details.
- **Land and Buildings** are forecasted to increase by \$8.5MM or 2.3% primarily due to investments in facilities improvements across all territories. Refer to DSP, Exhibit 2A, Appendix B07 for project details.
- **Line Transformers** are forecasted to increase by \$91.8MM or 8.5% primarily due to in-service additions related to: (1) system access (\$45.5MM), (2) system renewal (\$40.2MM), (3) system service (\$5.5MM) and (4) spare transformers (\$3.2MM). These increases will be partially offset by the derecognition of assets forecasted to be removed from service (\$2.6MM). Refer to DSP, Exhibit 2A, Appendix B01, Appendix B02, Appendix B03, Appendix B10 and Appendix B11 for project details.
- **Other Distribution Assets** are forecasted to increase by \$13.0MM or 6.6% primarily due to in-service additions related to: (1) investments in SCADA and communications (\$9.9MM), and (2) investments in other supervisory and control equipment (\$3.1MM) as detailed in DSP, Exhibit 2A, Tab 1, Schedule 1, Appendix B14.
- **Poles, Wires** are forecasted to increase by \$417.4MM or 8.8% primarily due to in-service additions related to: (1) system renewal (\$193.9MM), (2) system access (\$184.2MM), and (3) system service (\$45.9MM). The increases will be partially offset by the derecognition of assets forecasted to be removed from service (\$6.5MM). Refer to DSP, Exhibit 2A, Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14 for project details.

- **Services and Meters** are forecasted to increase by \$72.8MM or 12.0% primarily due to in-service additions related to: (1) new connections and meter renewal program (\$58.9MM), (2) overhead and underground services (\$14.3MM). Refer to DSP, Exhibit 2A, Appendix B06 for project details.
- **TS Primary Above 50** are forecasted to increase by \$3.7MM or 1.9% primarily due to in-service additions related to continued investments in various TS stations as detailed in DSP, Exhibit 2A, Appendix B13.
- **Contributions and Grants** are forecasted to increase by \$123.4MM or 8.4% due to customer and third-party contributions related to system access of (1) customer connections (\$118.3MM), (2) roads authority projects (\$6.7MM). The increases will be partially offset by the derecognition of contributions for assets forecasted to be removed from service (\$1.7MM).

2029 Test versus 2030 Test

Table 2-2-18: 2029 Test versus 2030 Test

Asset Grouping	2029 Test	2030 Test	Variance (\$)	Variance (%)
Distribution Stations	221.2	249.0	27.8	12.6%
Equipment	190.0	208.2	18.2	9.6%
IT Assets	424.0	441.4	17.3	4.1%
Land and Buildings	370.4	396.8	26.4	7.1%
Line Transformers	1,171.8	1,267.8	96.0	8.2%
Other Distribution Assets	209.9	216.7	6.8	3.2%
Poles, Wires	5,160.2	5,590.5	430.3	8.3%
Services and Meters	677.9	741.1	63.2	9.3%
TS Primary Above 50	196.3	241.6	45.3	23.1%
Contributions and Grants	(1,594.1)	(1,702.1)	(108.0)	6.8%
Gross Fixed Assets	7,027.7	7,651.1	623.4	8.9%
Accumulated Depreciation	(2,148.0)	(2,379.1)	(231.1)	10.8%
Closing Fixed Assets NBV	4,879.7	5,272.1	392.4	8.0%

Total NBV for 2030 is forecast to be \$392.4MM or 8.0% higher as compared to 2029.

The major drivers for the increase were as follows:

- 1 • **Distribution Stations** are forecasted to increase by \$27.8MM or 12.6% primarily due to
2 in-service additions related to: (1) new Webb substation in Mississauga (\$16.3MM) as
3 detailed in DSP, Exhibit 2A, Appendix B13, (2) substation renewal program (\$8.3MM)
4 detailed in DSP, Exhibit 2A, Appendix B04 and (3) investments in wholesale metering
5 (\$2.8MM) as detailed in DSP, Exhibit 2A, Appendix B06.
- 6 • **Equipment** is forecasted to increase by \$18.2MM or 9.6% primarily due to in-service
7 additions related to: (1) fleet (\$18.7MM) detailed in DSP, Exhibit 2A, Appendix B08, and
8 (2) tools and other equipment (\$2.6MM). These increases will be partially offset by the
9 planned retirement of assets that will reach their end of their useful life (\$3.1MM).
- 10 • **IT Assets** are forecasted to increase by \$17.3MM or 4.1% primarily due to investments
11 in: (1) new systems and upgrades and enhancements to existing software applications
12 (\$9.5MM), (2) computer hardware equipment (\$7.2MM), and (3) metering technology
13 renewal (\$7.2MM). These increases will be partially offset by the retirement of assets
14 that are forecasted to be removed from service or reach the end of their useful lives
15 (\$6.6MM). Refer to DSP, Exhibit 2A, Appendix B06, Appendix B09 and Appendix B14 for
16 project details.
- 17 • **Land and Buildings** are forecasted to increase by \$26.4MM or 7.1% primarily due to
18 investments in: (1) new Richmond Hill TS#3 station (\$14.1MM), (2) facilities
19 improvements across all territories (\$8.2MM), and (3) New Webb MS station in
20 Mississauga (\$4.1MM). Refer to DSP, Exhibit 2A, Appendix B07 for project details.
- 21 • **Line Transformers** are forecasted to increase by \$96.0MM or 8.2% primarily due to in-
22 service additions related to: (1) system renewal (\$51.6MM), (2) system access
23 (\$42.5MM), (3) acquisition of spare transformers (\$3.3MM) and (4) system service
24 (\$1.2MM). These increases will be partially offset by the derecognition of assets
25 forecasted to be removed from service (\$2.6MM). Refer to DSP, Exhibit 2A, Tab 1,
26 Appendix B01, Appendix B02, Appendix B03, Appendix B10 and Appendix B11 for
27 project details.
- 28 • **Other Distribution Assets** are forecasted to increase by \$6.8MM or 3.2% primarily due
29 to in-service additions related to: (1) investments in SCADA and communications

1 (\$3.8MM), and (2) investments in other supervisory and control equipment (\$3.0MM) as
2 detailed in DSP, Exhibit 2A, Appendix B14.

- 3 • **Poles, Wires** are forecasted to increase by \$430.3MM or 8.3% primarily due to in-
4 service additions related to: (1) system renewal (\$265.8MM), (2) system access
5 (\$143.0MM), and (3) system service (\$28.0MM). These increases will be partially offset
6 by the derecognition of assets forecasted to be removed from service (\$6.5MM). Refer to
7 DSP, Exhibit 2A, Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14
8 for project details.
- 9 • **Services, Meters** are forecasted to increase by \$63.2MM or 9.3% primarily due to in-
10 service additions related to: (1) new connections and meter renewal program
11 (\$49.4MM), and (2) overhead and underground services (\$14.2MM). Refer to DSP,
12 Exhibit 2A, Appendix B06 for project details.
- 13 • **TS Primary Above 50** are forecasted to increase by \$45.3MM or 23.1% primarily due to
14 in-service additions related to: (1) new Richmond Hill TS#3 station (\$42.4MM) and (2)
15 investment on various TS stations system renewal (\$2.9MM) as detailed in DSP, Exhibit
16 2A, Appendix B13.
- 17 • **Contributions and Grants** are forecasted to increase by \$108.0MM or 6.8% due to
18 customer and third-party contributions related to system access of (1) customer
19 connections (\$102.5MM), and (2) road authority projects (\$7.2MM). These increases will
20 be partially offset by the derecognition of contributions for assets forecasted to be
21 removed from service (\$1.7MM).

2030 Test versus 2031 Test

Table 2-2-19: 2030 Test versus 2031 Test

Asset Grouping	2030 Test	2031 Test	Variance (\$)	Variance (%)
Distribution Stations	249.0	270.8	21.8	8.7%
Equipment	208.2	227.7	19.5	9.3%
IT Assets	441.4	457.8	16.4	3.7%
Land and Buildings	396.8	405.9	9.1	2.3%
Line Transformers	1,267.8	1,373.7	105.9	8.3%
Other Distribution Assets	216.7	271.7	55.0	25.4%
Poles, Wires	5,590.5	6,093.0	502.5	9.0%
Services and Meters	741.1	801.0	60.0	8.1%
TS Primary Above 50	241.6	243.6	2.0	0.8%
Contributions and Grants	(1,702.1)	(1,871.9)	(169.8)	10.0%
Gross Fixed Assets	7,651.1	8,273.3	622.2	8.1%
Accumulated Depreciation	(2,379.1)	(2,624.2)	(245.1)	10.3%
Closing Fixed Assets NBV	5,272.1	5,649.2	377.1	7.2%

Total NBV for 2031 is forecast to be \$377.1MM or 7.2% higher as compared to 2030.

The major drivers for the increase were as follows:

- Distribution Stations** are forecasted to increase by \$21.8MM or 8.7% primarily due to in-service additions related to: (1) substation renewal program (\$18.7MM) as detailed in DSP, Exhibit 2A, Appendix B04 and (2) investments in wholesale metering (\$2.9MM) as detailed in DSP, Exhibit 2A, Appendix B06 for project details.
- Equipment** is forecasted to increase by \$19.5MM or 9.3% primarily due to in-service additions related to: (1) fleet (\$18.7MM) as detailed in DSP, Exhibit 2A, Appendix B08 and (2) tools, shop and garage equipment (\$2.5MM). These increases will be partially offset by the planned retirement of assets that will reach their end of their useful life (\$1.8MM).
- IT Assets** are forecasted to increase by \$16.4MM or 3.7% primarily due to investments in: (1) upgrades and enhancements to software applications (\$11.2MM) and (2) computer hardware equipment (\$6.3MM), and (3) metering technology renewal

1 (\$5.4MM). These increases will be partially offset by the retirement of assets that are
2 forecasted to be removed from service or reach the end of their useful lives (\$6.5MM).
3 Refer to DSP, Exhibit 2A, Appendix B06, Appendix B09 and Appendix B14 for project
4 details

- 5 • **Land and Buildings** are forecasted to increase by \$9.1MM or 2.3% primarily due to
6 investments in: facilities improvements across all territories. Refer to DSP, Exhibit 2A,
7 Appendix B07 for project details.

- 8 • **Line Transformers** are forecasted to increase by \$105.9MM or 8.3% primarily due to in-
9 service additions related to: (1) system renewal (\$52.5MM), (2) system access
10 (\$49.4MM), (3) acquisition of spare transformers (\$3.4MM) and (4) system service
11 (\$3.1MM). These increases will be partially offset by the derecognition of assets
12 forecasted to be removed from service (\$2.6MM). Refer to DSP, Exhibit 2A, Appendix
13 B01, Appendix B02, Appendix B03, Appendix B10 and Appendix B11 for project details.

- 14 • **Other Distribution Assets** are forecasted to increase by \$55.0MM or 25.4% primarily
15 due to in-service additions related to: (1) capital contributions to Hydro One for Campbell
16 TS (\$25.5MM), (2) capital contributions to Hydro One for Newton TS (\$25.5MM) as
17 detailed in DSP, Exhibit 2A, Appendix B13 , and (3) investments in supervisory and
18 control equipment (\$4.2MM) as detailed in DSP, Exhibit 2A, Appendix B14.

- 19 • **Poles, Wires** are forecasted to increase by \$502.5MM or 9.0% primarily due to in-
20 service additions related to: (1) system renewal (\$266.2MM), (2) system access
21 (\$200.8MM), and (3) system service (\$42.1MM). These increases will be partially offset
22 by the derecognition of assets forecasted to be removed from service (\$6.5MM). Refer to
23 DSP, Exhibit 2A, Appendix B01, Appendix B05, Appendix B10-B12, and Appendix B14
24 for project details.

- 25 • **Services and Meters** are forecasted to increase by \$60.0MM or 8.1% primarily due to
26 in-service additions related to: (1) new connections and meter renewal program
27 (\$45.6MM) and (2) overhead and underground services (\$14.8MM). Refer to DSP,
28 Exhibit 2A, Appendix B06 for project details.

- 1 • **TS Primary Above 50** are forecasted to increase by \$2.0MM or 0.8% primarily due to in-
2 service additions related to continued investments in various TS stations as detailed in
3 DSP, Exhibit 2A, Appendix B13.

- 4 • **Contributions and Grants** are forecasted to increase by \$169.8MM or 10.0% due to
5 customer and third-party contributions related to system access of (1) customer
6 connections (\$155.4MM), (2) transit projects (\$8.8MM), and (3) roads authority projects
7 (\$7.3MM). These increases are partially offset by the derecognition of contributions for
8 assets forecasted to be removed from service (\$1.7MM).

1 **DEPRECIATION AND AMORTIZATION**

2 This section provides details regarding Alectra Utilities' depreciation and amortization expense
3 covering a period of 15 years, including actuals for eight years (2017-2024), forecast for two
4 Bridge Years (2025-2026) and forecast for the five Test Years (2027-2031). Furthermore, it
5 provides an overview of the Alectra Utilities' depreciation practices, including an overview of
6 changes implemented since the last rebasing of each legacy utility. Depreciation expense as
7 referenced in this rate application, includes depreciation of property, plant and equipment and
8 amortization of intangible assets,

9 **BACKGROUND**

10 In accordance with the OEB's *Accounting Procedures Handbook for Electricity Distributors* (the
11 "APH"), Alectra Utilities depreciates and amortizes its assets on a straight-line basis over the
12 estimated useful life of the assets.

13 Before Alectra Utilities was established, each of its predecessor utilities (Powerstream,
14 Enersource, Horizon, Hydro One Brampton, Guelph Hydro) conducted independent studies to
15 assess the asset components and useful service lives of their fixed assets. These components
16 and useful lives were used to calculate the depreciation expense approved by OEB in each
17 legacy utility's last rebasing application.

18 Alectra Utilities continued to use the legacy asset componentization and useful lives to calculate
19 the depreciation expense until 2019, when it converged the four legacy ERP systems into one
20 ERP system and a unified fixed asset register (all legacies excluding Guelph). This
21 harmonization process involved aligning both the useful lives of the assets and the component
22 structure. The alignment of componentization was guided by Management judgment and
23 experience, as well as Alectra Utilities' policies and procedures related to fixed assets. The
24 useful life rates were then harmonized by using a weighted average method based on the dollar
25 value of each legacy asset as of December 31, 2018. The newly established weighted average
26 rates and component structures were implemented with an effective date of January 1, 2019.

1 The change of the components and the application of weighted average useful lives did not
2 impact the depreciation calculations as depreciation is calculated based on the net book value
3 of each asset divided by the remaining useful life of the asset.

4 Table 2-3-1 below shows the impact of componentization changes and the weighted average
5 useful lives based on major asset groupings. The detailed changes for cost and accumulated
6 depreciation, at the USoA level, are presented in Attachment 2B-1 OEB Appendix 2-BA. The
7 legacy useful lives and the weighted average useful lives at the USoA level are presented in
8 Attachment 2B-3 Appendix 2-BB.

1 **Table 2-3-1 - Alectra Utilities 2019 Alignment of Asset Components and Useful Lives**

Asset Grouping	Legacy's Useful Life (years)¹³	PRZ 2018 Balance (\$MM)	ERZ 2018 Balance (\$MM)	HRZ 2018 Balance (\$MM)	BRZ 2018 Balance (\$MM)	2018 Closing Balance (\$MM)	Componentization (\$MM)	2019 Opening Balance (\$MM)	Alectra Useful Life (years)¹⁴
Distribution Station	10 - 40	38.4	84.0	13.7	11.9	148.1	2.2	150.3	25 - 40
Equipment	3 - 22	37.4	24.3	24.4	16.3	102.5	(0.2)	102.2	7 - 14
IT Assets	3 - 10	119.5	36.2	21.9	1.9	179.5	3.2	182.7	4 - 10
Buildings	10 - 60	91.8	59.4	38.5	32.7	222.5	(2.7)	219.8	21 - 60
Line Transformers	30 - 45	203.1	121.1	96.6	54.1	475.0	(46.7)	428.3	32 - 41
Other Distribution Assets	7 - 15	38.5	53.4	39.8	35.0	166.8	(3.2)	163.6	15 - 40
Poles, Wires	20 - 75	993.7	522.0	430.2	284.3	2,230.2	(139.5)	2,090.6	24 - 70
Services and Meters	5 - 55	176.0	60.9	57.6	56.3	350.8	(21.5)	329.2	14 - 48
TS Primary Above 50	20 - 40	136.9			11.8	148.8	(32.4)	116.3	25 - 40
Contributions and Grants	10 - 70	(448.2)	(35.3)	(82.0)	(63.2)	(628.7)	241.0	(387.6)	10 - 70
Total		1,387.4	926.0	640.8	441.2	3,395.4	-	3,395.4	

2

¹³ These values represent legacy utilities's useful lives as filed with OEB in their last rebasing application. Refer to Appendix 2-BB for the details at the USoA level

¹⁴ These values represent the weighted average useful lives used by Alectra. Refer to Appendix 2-BB for the details at the USoA level

In 2022, as part of consolidating the legacy Guelph Hydro accounting system to Alectra Utilities' ERP system, the assets for Guelph Hydro were aligned to the Alectra Utilities asset component structure and useful lives.

Table 2-3-2 below shows the impact of Guelph Hydro's componentization changes and the weighted average useful lives based on major asset groupings. The detailed changes at the USoA level are presented in Attachment 2B-1 OEB Appendix 2-BA.

Table 2-3-2 - Guelph Hydro 2022 Alignment of Asset Components and Useful Lives

Asset Grouping	Legacy Guelph UL (years) ¹⁵	2021 Closing Balance (\$MM)	Componentization	2022 Opening Balance (\$MM)	Alectra Weighted Average UL
Distribution Station	15 - 50	3.7		3.7	25 - 40
Equipment	5 - 10	4.1		4.1	7 - 14
IT Assets	5	1.2	0.4	1.6	4 - 10
Buildings	20 - 60	17.1	2.6	19.7	21 - 60
Line Transformers	40	20.2	(3.6)	16.5	32 - 41
Other Distribution Assets	10 - 15	2.7	(1.0)	1.7	15 - 40
Poles, Wires	30 - 70	134.1	(9.6)	124.5	24 - 70
Services and Meters	15 - 60	20.2	(5.8)	14.4	14 - 48
TS Primary Above 50	30 - 50	14.9	(2.7)	12.2	25 - 40
Contributions and Grants	10 - 60	(53.2)	19.7	(33.5)	10 - 70
Total		164.9	-	164.9	

In 2024, Alectra Utilities issued a request for proposal and selected Alliance Consulting Group (Alliance) to perform a depreciation study for fixed assets as of December 31, 2024. Alliance is an international consulting firm that provides professional and expert witness services to utilities. Alliance has conducted over 360 depreciation studies for both regulated and non-regulated clients in nearly all utilities sectors.

The scope of the study was to review Alectra Utilities' asset component structure and determine the appropriate service lives of Alectra Utilities' distribution and common assets.

¹⁵ These values represent legacy Guelph's useful lives as filed with OEB in their last rebasing application. Refer to Appendix 2-BB for details at the USoA level

1 Alliance confirmed the appropriateness of the item-based remaining life depreciation
2 methodology used by Alectra Utilities. The report recommended new useful lives and asset
3 components which were implemented effective January 1, 2025. The change of useful lives is a
4 change in estimate and therefore was treated prospectively by adjusting depreciation in the
5 current and future periods.

6 The change of useful lives is expected to result in an overall decrease of depreciation expense
7 of \$16.6MM and \$21.2MM for 2025 and 2026, respectively. Alectra Utilities requested a new
8 variance account "Useful Lives Changes" as part of its 2026 IRM filing to track the cumulative
9 difference between the utility's net PP&E under its former and revised depreciation policies. For
10 further details on the balances recorded in the account, please refer to Exhibit 9, Tab 3,
11 Schedule 9.

12 The depreciation study is provided in Attachment 2B-2 to this Exhibit.

13 The new useful lives and the comparison to the Kinectrics report¹⁶ are presented in Appendix 2-
14 BB. The useful lives are within the range of lives provided by the Kinectrics report, with the
15 exception of underground conductors and devices (XLPE tree retardant and non-tree retardant),
16 printers and, major computer software. Assets with useful lives that fall outside the ranges in the
17 Kinectrics report are supported by the Alliance study.

18 Table 2-3-3 below provides Alectra Utilities' annual depreciation rates by asset grouping for the
19 historical period (2017-2024), bridge period (2025-2026) and rate period (2027-2031).

¹⁶ EB-2010-0178, *Asset Depreciation Study for Use by Electricity Distributors* (the Kinectrics Report), July 8, 2010

Table 2-3-3: Fixed Assets Depreciation Rates (%)

Asset Category	2017-2018 ¹⁷	2019 - 2024 ¹⁸	2025 -2031 ¹⁹
Distribution Stations	2% - 10%	3% - 4%	2% - 7%
Equipment	5% - 33%	7% - 14%	7% - 14%
IT Assets	10% - 33%	10% - 25%	7% - 25%
Buildings	2% - 10%	2% - 5%	2% - 4%
Line Transformers	2% - 3%	2% - 3%	2% - 3%
Other Distribution Assets	7% - 14%	3% - 7%	3% - 7%
Poles, Wires	1% - 5%	1% - 4%	1% - 5%
Services and Meters	2% - 20%	2% - 7%	2% - 20%
TS Primary Above 50	2% - 5%	3% - 4%	2% - 7%
Contributions and Grants	1% - 10%	1% - 10%	1% - 10%

Alectra Utilities calculates depreciation based on the month that an asset comes into service or derecognized rather than based on the half-year rule. This depreciation methodology aligns to IFRS requirements and its used for both actuals and budgets.

Construction in progress, capital contributions for work in progress, and software in development include assets that are not currently in use and therefore are not depreciated. Alectra Utilities does not record or forecast any asset retirement obligations for its fixed assets.

Alectra Utilities has recorded the loss/gain on the retirement or disposal of fixed assets as other income in this rate application. The same approach has been applied to the Bridge and Test Years.

DEPRECIATION EXPENSE

Depreciation expense results from detailed actual calculations at the asset level in the ERP system, incorporating in-service dates and useful lives for each asset component. The same methodology, via financial models, is used for Bridge and Test Years by incorporating the estimated in-service additions of each project and the relevant useful lives for each asset component.

¹⁷ These rates represent the depreciation rates used by each legacy utility based on their individual useful life studies, as filed with OEB in their last rebasing application

¹⁸ These rates represent the weighted average depreciation rates used by Alectra for all five rate zones

¹⁹ These rates represent the new useful lives rates as recommended by the depreciation study

Tables 2-3-4 and 2-3-5 below provide Alectra Utilities' annual depreciation expense by asset category for 2017 to 2031. Net depreciation expense excludes depreciation of transportation and stores equipment which represent directly attributable costs and are allocated to capital projects, as described in Alectra Utilities' Capitalization Policy in Exhibit 2B, Tab 6, Schedule 1.

Table 2-3-4: 2017-2024 Depreciation Expense (in \$MM)

	Actual							
	2017	2018	2019	2020	2021	2022	2023	2024
Distribution Stations	4.3	4.6	4.8	4.8	5.1	5.2	5.2	12.0
Equipment	8.5	8.2	9.3	8.3	8.6	8.3	9.5	9.6
IT Assets	18.5	17.4	18.7	21.0	23.8	24.7	27.7	29.8
Buildings	5.0	5.0	6.0	5.9	5.7	5.6	5.8	6.9
Line Transformers	14.9	15.8	15.0	16.1	17.5	19.1	20.2	22.0
Other Distribution Assets	6.0	6.8	7.2	7.3	7.8	8.8	8.5	6.4
Poles, Wires	51.0	56.6	61.6	65.8	70.8	75.2	80.3	85.4
Services and Meters	22.0	19.6	20.0	21.4	20.8	21.1	20.9	13.6
TS Primary Above 50	4.9	5.4	5.1	4.4	4.5	4.6	4.7	4.8
Contributions and Grants	(13.9)	(16.9)	(11.7)	(13.0)	(14.8)	(15.7)	(18.8)	(21.0)
Total Depreciation	121.2	122.4	135.9	142.0	149.8	156.9	164.0	169.6
Depreciation Allocated to Capital	(6.1)	(5.8)	(6.8)	(6.3)	(6.5)	(6.4)	(6.2)	(6.5)
Net Depreciation	115.1	116.6	129.2	135.7	143.2	150.5	157.8	163.1

1 **Table 2-3-5: 2025-2031 Depreciation Expense (in \$MM)**

	Bridge		Test				
	2025	2026	2027	2028	2029	2030	2031
Distribution Station	6.4	5.9	5.8	6.1	6.4	7.0	7.7
Equipment	8.2	7.8	8.6	10.1	12.3	13.7	14.6
IT Assets	21.9	27.2	35.0	35.2	39.7	45.5	42.5
Buildings	7.4	7.4	7.5	7.7	8.0	8.3	8.9
Line Transformers	24.8	25.9	27.3	29.0	30.9	33.2	35.8
Other Distribution Assets	6.4	6.7	7.0	7.4	7.1	7.7	8.6
Poles, Wires	88.5	94.4	101.7	109.3	117.9	127.4	137.0
Services and Meters	16.4	17.3	34.8	31.0	32.9	33.0	34.7
TS Primary Above 50	5.6	4.5	4.3	5.5	5.4	5.6	7.0
Contributions and Grants	(22.7)	(26.0)	(29.7)	(33.8)	(36.5)	(39.3)	(41.7)
Total Depreciation	162.9	171.1	202.3	207.4	224.1	242.4	255.0
Depreciation Allocated to Capital	(5.8)	(5.9)	(6.6)	(8.0)	(10.0)	(11.6)	(12.8)
Net Depreciation	157.1	165.2	195.6	199.4	214.1	230.8	242.2

2
3 The total depreciation expense for each year matches with the net depreciation amount as
4 presented in Appendix 2-BA.

5 The year over year increases in the depreciation expense are primarily related to the changes to
6 the additions as explained in Exhibit 2B, Tab 2, Schedule 2 with the exception of:

7 • 2025 and 2026 depreciation expense reflects the change of useful lives according to the
8 depreciation study. This change is expected to result in a reduction of depreciation
9 expenses by \$16.6MM in 2025 and \$21.2MM in 2026.

10 • 2027 Depreciation expense includes \$6.4MM depreciation expense mainly related to the
11 expected disposition of historical deferred depreciation expense for 1557 MIST Meters.
12 For more details, refer to Exhibit 9, Tab 3, Schedule 25.

13 • 2027 - 2031 depreciation expense includes accelerated deprecation related to the
14 replacement of current generation AMI 1.0 meters with new generation AMI 2.0 meters
15 and the related infrastructure. The useful life of existing AMI 1.0 has been adjusted to
16 align with their expected replacement date (based on AMI 2.0 deployment schedule),
17 therefore shortening the remaining useful lives of historical assets.

This acceleration of depreciation for these assets totals \$25.2MM over the 5 year deployment period, 2027 - 2031.

Table 2-3-6: Acceleration of depreciation

	2027	2028	2029	2030	2031
AMI 1.0 Metering Accelerated Depreciation (\$MM)	8.6	7.6	4.4	2.7	1.9

As Alectra Utilities is accelerating the depreciation of its current AMI 1.0 meters, there will be no remaining net book value or stranded assets on its financial records by the end of deployment period. For further details about AMI renewal program, refer to DSP, Exhibit 2A, Appendix B06.

OEB Appendix 2-C

Alectra Utilities notes that the depreciation differences identified in Appendix 2-C are expected due to the following reasons:

- The depreciation values in Appendix 2-C are based on using half year rule for the first year additions while Alectra Utilities depreciates assets from the month the asset goes into service.
- Alectra Utilities calculates depreciation expense at the individual asset level while Appendix 2-C requires broad depreciation assumptions to calculate the remaining useful lives for each USoA. Each account contains assets with varying remaining useful lives depending on when they were put in-service.

Attachment 2B-2

2025 Alliance Depreciation Study

August 7, 2025

ALECTRA UTILITIES

BOOK DEPRECIATION ACCRUAL RATE STUDY FOR THE PERIOD ENDING DECEMBER 31, 2024



<http://www.utilityalliance.com>

ALECTRA UTILITIES
DEPRECIATION RATE STUDY
AT DECEMBER 31, 2024

EXECUTIVE SUMMARY

Alectra Utilities (“Alectra” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of its Intangible, Electric Distribution, and General Plant operations related to the tangible and intangible depreciable assets as of December 31, 2024. Land, land rights, non-regulated property, leased property, and other non-depreciable property were excluded from the study.

Overall, this study recommends a total Company decrease of \$16.6 million in annual depreciation expense when compared to the item-based depreciable lives currently in effect. This total consists of a decrease of \$18.0 million in annual depreciation for tangible and intangible plant offset by an increase of \$1.4 million in depreciation for the deferred revenue accounts. This study utilizes the item-based, remaining life depreciation methodology. In recognition of the item-based depreciation system retained in this depreciation study, no cost of removal is included in this study.

Appendix A provides a comparison of the current lives and accrual amounts versus the proposed lives and accrual amounts for each account by business area.

ALECTRA UTILITIES

DEPRECIATION RATE STUDY

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PURPOSE

The purpose of this study is to develop item-based lives and depreciation expense for depreciable property as recorded on Alectra's books at December 31, 2024. The item-based depreciation expense was designed to recover the total remaining undepreciated investment for the analyzed accounts, over the remaining life of the assets on a straight-line basis. Item-based accounting assigns a service life to each individual asset and accordingly each individual asset is depreciated. When assets reach the assumed life, depreciation ceases.

We have been advised by Alectra that this is the first depreciation study for the combined operations of Alectra Utilities. This study reviewed the current mix of assets and current lives assigned to each asset within the existing fixed asset categories and developed a useful life for each asset category. In some cases, existing fixed asset categories were split into separate fixed asset categories when a significant portion of investment consisted of assets with a materially different useful life.

Prior to the formation of Alectra Utilities, each of the Legacy Utilities commissioned studies to determine the useful service life rates for their assets. These useful life studies and service rates were approved by the Ontario Energy Board ("OEB") in the last cost of service rate application of each Legacy Utility.

Alectra Utilities was formed on January 31, 2017 by amalgamation of the former entities PowerStream Inc., Enersource Hydro Mississauga and Horizon Utilities Corporation. On February 28, 2017, Alectra Utilities acquired Hydro One Brampton Networks Inc. ("Brampton Hydro"). On January 1, 2019, Alectra Utilities issued shares to Guelph Municipal Holdings Inc. in consideration for all outstanding shares in Guelph Hydro Electric Systems Inc.

Alectra provides distribution service to approximately one million homes and businesses across a 1,900 square kilometer service territory comprising 17 communities including Alliston, Aurora, Barrie, Beeton, Brampton, Bradford West Gwillimbury, Guelph, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, Rockwood, St. Catharines, Thornton, Tottenham and Vaughan,

which represents approximately 20% of the total number of distribution customers in Ontario.

The Company currently operates ~18,463km of overhead primary conductor and ~23,695km of underground primary cables, 14 transmission substations, and 149 distribution substations.

STUDY RESULTS

The current and proposed service lives and resulting annual accrual amounts for all depreciable property are shown in Appendix A. The resulting total Company annual depreciation expense at December 31, 2024, based on the proposed lives is \$156.8 million, which is a \$16.6 million annual decrease in depreciation expense when using the existing lives. The table below summarizes the current and proposed annual accrual for each business area.

Business Area	Plant Investment at 12/31/2024	Current Annual Accrual	Proposed Annual Accrual	Difference
Tangible and Intangible Plant				
Distribution Assets	\$ 4,222,140,160	\$ 116,572,680	\$ 111,923,192	\$ (4,649,488)
Facilities	264,293,949	8,828,986	8,625,229	(203,757)
Fleet	77,638,971	6,177,414	5,011,953	(1,165,461)
Information Technology	29,243,191	4,975,854	4,975,854	-
Intangible Plant	223,006,031	25,577,053	15,068,191	(10,508,862)
Metering	319,230,100	16,874,069	14,597,680	(2,276,389)
Solar/Other	10,571,495	1,217,853	1,217,853	-
Stations	445,452,273	15,707,572	16,520,892	813,320
Total Tangible and Intangible Plant	\$ 5,591,576,170	\$ 195,931,480	\$ 177,940,843	\$ (17,990,637)
Total Deferred Revenue	\$ (876,518,014)	\$ (22,596,353)	\$ (21,181,374)	\$ 1,414,979
Grand Total	\$ 4,715,058,156	\$ 173,335,127	\$ 156,759,469	\$ (16,575,658)

Appendix A provides a summary comparison of the annual depreciation expense using the proposed lives versus the current lives for each account when applied to plant investment as of December 31, 2024.

Definition

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the assets. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. Alectra accrues depreciation on the basis of the original cost of all depreciable property by item included in each object account. When individual items are fully accrued at the life of the item, no further depreciation is charged for an asset.

Basis of Depreciation Estimates

The straight-line, item-based, remaining life depreciation system was employed to calculate annual depreciation in this study. In this system, the annual depreciation expense for each individual item is computed by dividing the undepreciated remaining investment by its respective item-based remaining life.

Actuarial Analysis

Actuarial analysis (retirement rate method) was not available to be used due to each legacy organization previously using unique units of property and consequently, the lack of historical retirements for Alectra's combined operations. Useful service lives were developed for each object account based on both Alliance's and Alectra's engineering experts' experience with similar assets and future expectations for those assets.

Judgment

Any depreciation study requires informed judgment by the analyst

conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as individual asset life selection.

Current applications and trends in use of the equipment also need to be factored into life analysis in order for appropriate capital recovery to occur.

DETAILED DISCUSSION

Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis were evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of depreciation accruals and documenting the corresponding recommendations.

During the Phase 1 data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to be put in the proper format for a depreciation study. Also, as part of the Phase 1 data collection process, numerous discussions were conducted with operations personnel to obtain information that would assist in formulating life recommendations in this study. One of the most important elements of performing a proper depreciation study involved understanding how Alectra utilized assets and the environment of those assets. Interviews with operations personnel were important to allow the analyst to obtain information that was beneficial when evaluating Alectra's asset utilization and environment. Information that was gleaned in these discussions is found in the life analysis section of this study.

Phase 2 is where the review of the lives of each asset is performed. Alectra and Alliance Consulting Group personnel reviewed the account records and determined if any asset should be classified in a different account. Phases 2 and 3 overlap to a significant degree. The detailed property records information was used in phase 2 to develop revised useful lives for each asset in service for Alectra's depreciable property. This information was then carried forward into phase 3 for the evaluation process.

Phase 3 was the evaluation process that synthesized analysis, interviews, and operational characteristics into a final selection of asset lives. The analysis and interviews were further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in Phase 1. Phases 2 and 3 allowed the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Alectra operational experience.

Finally, Phase 4 involved the calculation of individual item accruals, making recommendations and documenting the conclusions in a final report. The summary of accrual calculations is found in Appendix A and detailed accrual calculations are available in workpapers. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram (shown as Figure 1¹) documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study that are: statistical analysis, evaluation of statistical analysis, discussions with management, forecasting assumptions, writing the logic supporting estimates, and writing the final report.

¹ Introduction to Depreciation For Public Utilities and Other Industries, Edison Electric Institute and American Gas Association

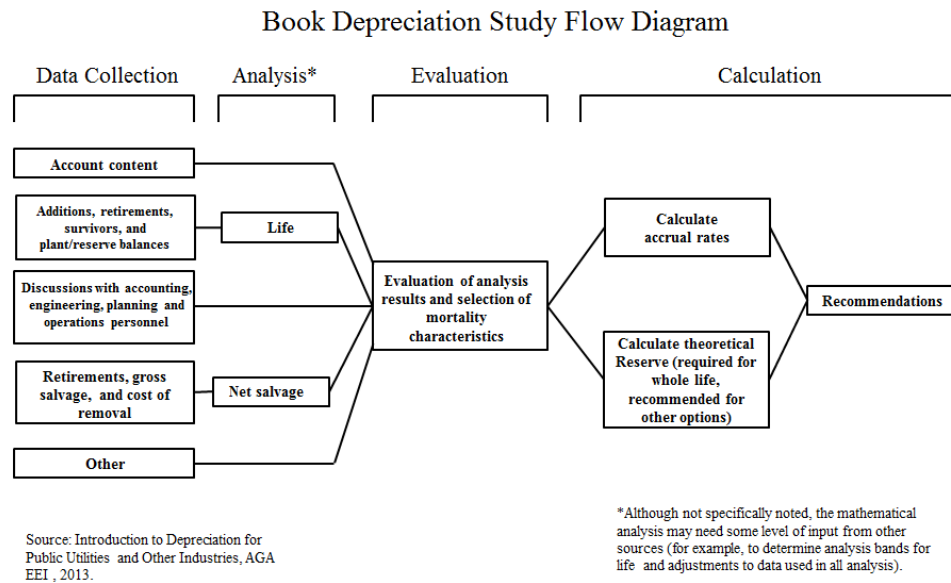


Figure 1

ALECTRA UTILITIES DEPRECIATION STUDY PROCESS

Depreciation Accrual Calculation

Annual depreciation expense amounts for the depreciable accounts of Alectra were calculated by the straight-line method, item-based procedure, and remaining life technique. With this approach, asset lives were assigned to each fixed asset category and a remaining life was computed for each individual component. Annual accrual amounts for each asset were computed and validated to ensure no item was over-accrued in the annual computation. More detailed calculations are available in the depreciation study workpapers. Proposed accrual amounts were determined by dividing the gross plant less accumulated depreciation for each asset by the proposed remaining life.

LIFE ANALYSIS

ACCOUNT SPECIFIC INFORMATION

Alectra Utilities currently uses an item-based, remaining life approach to depreciating assets. This study uses the same approach. Life analysis utilizes limited historical retirement experience, reviews the estimated operational lives of the assets within each of the object and subsidiary accounts and incorporates information provided by Company subject matter experts (“SMEs”) and professional judgement of the Engagement Partner obtained working as a professional engineer and performing depreciation studies for similar assets across North America for over 35 years.

When completing life analysis, the mix of assets within each account was analyzed and the lives assigned to the various assets within each account were reviewed. The estimated operational lives of each asset within each of the accounts were discussed with Company subject matter experts (“SMEs”) and consideration was given to the typical useful life range guidelines for similar assets as set out in the “Asset Depreciation Study for the Ontario Energy Board” prepared by Kinectrics Inc. in 2010². Proposed lives are assigned at the account level and then applied to each asset within the object account to calculate a proposed remaining life for each asset. In some cases, the proposed life assigned to the object account was within the useful life range guidelines in the Kinectrics report, and in other cases, the object account was assigned a unique life based on judgement and information provided by operational SMEs. Additionally, new object accounts are proposed for select accounts where a significant portion of investment has a materially different useful service life.

The current mix of assets, current operational experience, and future expectations for the assets within each account are discussed in more detail

² Kinectrics Inc., Asset Depreciation Study for the Ontario Energy Board, Report No: K-418033-RA-001-R000, dated July 8, 2010 and approved by the Ontario Energy Board (EB-2010-0178).

below. Appendix A lists the current and proposed life for each object account analyzed in the study.

DISTRIBUTION PLANT

Poles, Towers & Fixtures – Wood (Account 120221 – 45 years)

This account consists of wood poles, towers and fixtures used to support distribution operations. The current investment in this account is \$516.3 million and the existing service life is 44 years. Discussions with Company personnel indicated Alectra has standardized the wood pole species and treatment type they are installing and estimate the copper, chrome arsenate (CCA) treated poles to have a longer operating life than the existing wood poles. Operational subject matter experts (SMEs) anticipate the useful life of wood poles to increase at some point in the future as more of the CCA treated poles are installed. Based on information provided by Company personnel, the current mix of assets, and judgement, this study recommends increasing the life to 45 years for this account.

Poles, Towers & Fixtures – Composite (Account 120222 – 70 years)

This new account will be used to record composite poles, towers and fixtures used to support distribution operations. There is zero current investment in this account, however, the Company anticipates installing composite poles in the future. Discussions with Company personnel indicated the manufacturing recommended useful life for composite poles is approximately 70 years. Operational SMEs anticipate the composite poles will have a longer operating life than both concrete and wood poles. Based on information provided by Company personnel and judgement this study recommends using a useful life of 70 years for future investment in this account.

Poles, Towers & Fixtures – Concrete (Account 120223 – 60 years)

This account consists of concrete poles, towers and fixtures used to support distribution operations. The current investment in this account is \$204.5 million and the existing service life is 51 years. Operational SMEs anticipate concrete poles will have a longer operating life than wood poles due to their inherent strength, resistance to decay and pests, and the ability to withstand extreme weather conditions. However, discussions with Company personnel indicated they are experiencing some material deterioration of the concrete poles, especially around roadways, due to the cities' continued use of sand brine to treat the roads. Based on useful life range guidelines for concrete poles being between 50 and 80 years, recent operational experience, information provided by Company personnel, and judgement this study recommends increasing the life to 60 years for this account.

OH Conductors & Devices - Primary (Account 120224 – 50 years)

This account consists of primary overhead conductors and devices used to support distribution operations. The current investment in this account is \$393.4 million and the existing service life is 45 years. Operational SMEs anticipate the primary conductor to have a similar operating life to the poles on which it is installed. Based on the proposed life of poles ranging from 45 years for wood poles and 60 years for concrete poles, and information provided by Company personnel, this study recommends increasing the life to 50 years for this account.

OH Transformers (Account 120225 – 45 years)

This account consists of overhead transformers used to support distribution operations. The current investment in this account is \$197.6 million and the existing service life is 41 years for this account. Discussions with Company personnel indicated the existing overhead transformers are run to failure unless they need to be replaced due to safety or environmental risk. Alectra is not

currently experiencing a material amount of failures. Operational SMEs anticipate the overhead transformers to have a useful life consistent with the useful life guidelines listed in the Kinectrics study. Based on the useful life range guidelines for overhead transformers being between 30 and 60 years, information provided by Company personnel, and judgement, this study recommends increasing the life to 45 years for this account.

OH Conductors & Devices – Secondary/Services O/H (Account 120226 – 50 years)

This account consists of secondary overhead conductors and devices and services used to support distribution operations. The current investment in this account is \$119.3 million and the existing service life is 48 years. Operational SMEs anticipate the secondary overhead conductor have the same useful life as the primary overhead conductor. Based on the life proposed in this study of 50 years for primary OH conductor in Account 120224, information provided by Company personnel, and judgement, this study recommends increasing the life to 50 years for this account.

OH Switches/Capacitors (Account 120227 – 35 years)

This account consists of overhead switches and capacitors used to support distribution operations. The current investment in this account is \$191.0 million and the existing service life is 38 years. Discussions with Company personnel indicated the Distributed Automation (“DA”) program is replacing manual switches with automated DA switches which consist of more electronic and sensor equipment that have a shorter operating life. Operational SMEs anticipate the increasing number of electronic switches being installed will eventually lead to a shorter operational life for the assets in this account. Based on the current mix of assets in this account, information provided by Company personnel, and judgement, this study recommends decreasing the life to 35 years for this account.

UG Transformers

The current investment for underground transformers was split into the following separate object accounts and assigned unique useful service lives.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120243	UG Transformers	Split	32	Various
120243	UG Transformers-Padmout	\$ 470,568,435		30
120246	UG Transformers-Vault	\$ 48,551,840		40

UG Transformers - Padmount (Account 120243 – 30 years)

This account consists of investment related to padmount transformers used to support distribution operations. The current investment in this account is \$470.6 million and the existing service life is 32 years for the combined account. Discussions with Company personnel indicated there have been an increased number of padmount transformers being replaced due to safety concerns caused by corrosion leading to openings in the lids and oil leaks. Operational SMEs anticipate the padmount transformers to have a shorter operational life than vault transformers. Based on the early replacement of padmount transformers, information provided by Company personnel, and judgement this study recommends decreasing the life to 30 years for the assets in this account.

UG Transformers – Vault (Account 120246– 40 years)

This new account consists of investment related to vault transformers used to support distribution operations. The current investment in this account is \$48.6 million and the existing service life is 32 years for the combined account. Discussions with Company personnel indicated underground vault transformers are protected and have a longer operational life than padmount transformers. Operational SMEs anticipate the vault transformers to have a longer operational life than the padmount transformers. Based on the useful life range guidelines for

underground transformers being between 25 and 45 years, information provided by Company personnel, and judgement, this study recommends increasing the life to 40 years for the assets in this new account.

UG Cond & Devices – Cable Injections (Account 120244 – 20 years)

This account consists of cable injections related to underground conductors and devices used to support distribution operations. The current investment in this account is \$119.0 million and the existing service life is 24 years. The existing life for this account was developed blending the various lives assigned to different units of property used by the legacy companies acquired by Alectra. Discussions with Company personnel indicated the existing life is too long and that the estimated operational life for cable injections is around 20 years. Based on the recent combined operational experience for Alectra, information provided by Company personnel and judgement, this study recommends decreasing the life to 20 years for the current mix of assets in this account.

UG Conduit – Concrete (Account 120245 – 60 years)

This account consists of underground conduit in concrete used to support distribution operations. The current investment in this account is \$525.7 million and the existing service life is 52 years for this account. Discussions with Company personnel indicated the conduit buried in concrete is more protected and anticipates the operational life to be longer than other UG conduit. Based on information provided by Company personnel and judgement, this study recommends increasing the life to 60 years for this account.

UG Cond & Devices – Switchgear – Air Insulated (Account 120248 – 35 years)

This account consists of air insulated switchgear related to underground conductor and devices used to support distribution operations. The current

investment in this account is \$116.5 million and the existing service life is 39 years for this account. Discussions with Company personnel indicated the existing life is longer than operationally expected and that they have been experiencing an increasing number of early equipment failures. Company SMEs don't anticipate a material number of these assets to last longer than 35 years. Based on the increasing number of early replacements, information provided by Company personnel and judgement, this study recommends decreasing the life to 35 years for this account.

UG Cond & Devices – Switchgear-Solid Dielectric, SF6 (Account 120249)

The current investment for underground conductor and devices was split into the following separate accounts and assigned unique useful service lives.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120249	U/G Cond & Devices- Switchgear-Solid Dielectric, SF6	Split	42	Various
120249	U/G Cond & Devices- Switchgear-Solid Dielectric	\$78,781,417		45
120249.SF6OIL	U/G Cond & Devices- Switchgear-SF6/Oil	\$110,947,153		30

UG Cond & Devices – Switchgear – Solid Dielectric (Account 120249 – 45 years)

This account consists of investment for solid dielectric switchgear related to underground conductor and devices used to support distribution operations. The current investment in this account is \$78.8 million and the existing service life is 42 years for the combined account. Discussions with Company personnel indicated they have currently experienced minimal replacements for solid dielectric switchgear and expect the solid dielectric switchgear to have a longer operational life than oil and SF6 switchgear due to having reduced environmental risks. Based on the limited number of replacements, information provided by Company

personnel and judgement, this study recommends increasing to a life of 45 years for the assets in this account.

UG Cond & Devices – Switchgear – SF6 & Oil (Account 120249.SF6OIL – 30 years)

This new account consists of investment for SF6 and oil switchgear related to underground conductors and devices used to support distribution operations. The current investment in this new account is \$110.9 million and the existing service life is 42 years for the combined account. Discussions with Company personnel indicated operations has recently been replacing oil and SF6 switchgear earlier than originally estimated to avoid safety and environmental issues. Operational SMEs anticipate the SF6 and oil switchgear to have a shorter operational life than solid dielectric switchgear. Based on recent operational experience, information provided by Company personnel and judgement, this study recommends decreasing to a life of 30 years for the assets in this new account.

UG Cond & Devices – Primary - PILC (Account 120241.PILC – 70 years)

This account consists of primary paper insulated lead covered (PILC) cable used to support distribution operations. The current investment in this account is \$40.2 million and the existing service life is 70 years. Discussions with Company personnel indicated the existing life is still reasonable for the existing assets. Based on information provided by Company personnel and judgement, this study recommends retaining the current life of 70 years for this account.

UG Cond & Devices – Primary – XLPE Non-TR (Account 120241.XLPENTR – 40 years)

This account consists of primary non-tree retardant (NTR), cross linked polyethylene (XLPE) cable used to support distribution operations. The current

investment in this account is \$3.1 million and the existing service life is 45 years. Discussions with Company personnel indicated the NTR cable is a small portion of the existing assets and would have a shorter expected life than PILC or TR cable. Based on information provided by Company personnel and judgement, this study recommends decreasing to a life of 40 years for this account.

UG Cond & Devices – Primary – XLPE TR (Account 120241.XLPETR – 45 years)

This account consists of primary tree retardant (TR), cross-linked polyethylene (XLPE) cable used to support distribution operations. The current investment in this account is \$765.3 million and the existing service life is 38 years. Operational SMEs suggest it would be operationally appropriate to align the operational life for these assets as compared to the engineering useful life of other cable types (i.e., set the life for this class of cable slightly higher than NTR cable). Based on the range of lives being between 35 and 55 years for similar cable types, information provided by Company personnel and judgement, this study recommends increasing to a life of 45 years for this account.

UG Cond & Devices – Secondary – Direct Buried (Account 120242.DB – 30 years)

This account consists of secondary, direct buried (DB) cable used to support distribution operations. The current investment in this account is \$56.2 million and the existing service life is 31 years. Discussions with Company personnel indicated they typically repair UG secondary cable instead of replacing the cable and stated direct buried cable is experiencing more failures than in conduit. Operational SMEs believe it is reasonable to align the operational life for these assets to be consistent relative to the engineering useful life of other cable types. Based on the range of lives being between 25 and 40 years for similar cable

types, information provided by Company personnel and judgement-, this study recommends decreasing to a life of 30 years for this account.

UG Cond & Devices – Secondary – In Duct/Services (Account 120242.IDSERV – 40 years)

This account consists of secondary, in duct (ID), cable and services used to support distribution operations. The current investment in this account is \$265.2 million and the existing service life is 37 years. Discussions with Company personnel indicated they typically repair UG secondary cable instead of replacing the cable and that the majority of service cable are now in duct and protected. Operational SMEs anticipate the life of the assets in this account to increase over time as the legacy companies started this at various time periods. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends increasing to a life of 40 years for this account.

FACILITIES

Office Furniture & Equipment (Account 120440 – 15 years)

This account consists of office furniture and equipment used to support general utility operations. The current investment in this account is \$5.3 million and the existing service life is 10 years. Discussions with Company personnel indicated they are currently experiencing a shorter operating life of 10 years for printers and other office equipment and a longer operating life of 20 years for office furniture such as desks and cubicles. Operational SMEs estimate the assets in this account to have an overall life of 15 years. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends increasing to a life of 15 years for this account.

Stores Equipment (Account 120441 – 10 years)

This account consists of stores equipment used to support general utility operations. The current investment in this account is \$919.7 thousand and the existing service life is 10 years. Discussions with Company personnel indicated the current useful life is still operationally reasonable for the assets in this account. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends retaining the current life of 10 years for this account.

Communication Equipment (Account 120442 – 10 years)

This account consists of communication equipment such as data collection equipment and battery backup systems used to support general utility operations. The current investment in this account is \$6.1 million and the existing service life is 8 years. Discussions with Company personnel indicated they are consistently using a 10-year lifecycle to replace the digital assets in this account. The Kinectrics useful life range for communication equipment is between 2 and 10 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends a life of 10 years for this account.

Tools, Shop & Garage Equipment (Account 120500 – 10 years)

This account consists of tools, shop, and garage equipment used to support general utility operations. The current investment in this account is \$4.5 million and the existing service life is 10 years. Discussions with Company personnel indicated the current useful life is still operationally reasonable for the assets in this account. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends retaining the current life of 10 years for this account.

Buildings & Fixtures (60 years)

These accounts consist of MS, TS, and non-distribution buildings and fixtures used to support utility operations. The table below shows the current investment, current life, and proposed life for each account.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120020.MS	Buildings & Fixtures - MS	16,319,225	60	60
120020.NONDIST	Buildings & Fixtures - non distribution	132,212,498	60	60
120020.TS	Buildings & Fixtures - TS	10,428,796	60	60

Discussions with Company personnel indicated the current useful life is still operationally reasonable for the assets in these accounts. Current investment in each of these accounts primarily consists of steel and concrete, which have an operational life of 60 years or more. Operational SMEs estimate the assets in this account to have an overall life of 60 years consistently for buildings and fixtures across all business areas. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends a life of 60 years for Buildings and Fixtures accounts across all business areas.

Building Improvements (Account 120021 – 25 years)

These accounts consist of MS, TS, and non-distribution building improvements used to support utility operations. The table below shows the current investment, current life, and proposed life for each account.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120021.MS	Building Improvements MS	15,762,683	21	25
120021.NONDIST	Building Improvements - Non-Distribution	70,692,687	27	25
120021.TS	Building Improvements- TS	2,047,337	21	25

Discussions with Company personnel indicated the assets in these accounts have lives ranging from 10 years to 30 years. Building improvements, such as security equipment, HVAC units, and backup systems have shorter operational lives between 10 and 15 years. Whereas other improvements, such as fencing, roofing, and fire systems have longer operational lives between 20 and 30 years. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends a life of 25 years for the Building Improvement accounts across all business areas.

FLEET

These accounts consist of various vehicle types, such as automobiles, light trucks, and electric vehicles used to support utility operations. The table below shows the current investment, current life, and proposed life for each account in the fleet business area.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120460.BT	Single/Double Bucket Trucks	50,759,993	11	15
120460.CSV	Automobiles	4,308,627	7	7
120460.EVBT	EV Bucket Trucks	980,000	11	15
120460.EVCSV	EV Automobiles	334,320	7	7
120460.EVTRV	EV Light Trucks	1,531,795	8	7
120460.TRO	Trailers	5,361,748	14	15
120460.TRV	Light Trucks	14,362,487	8	7

Discussions with Company personnel indicated the assets in these accounts have lives ranging from 7 years to 15 years. Each vehicle is tracked separately and is assigned a life based on the type of vehicle. The Company has been balancing budgetary and resource restraints, but generally replaces the vehicles based on mileage and usage. Operational SMEs stated that automobiles and light duty trucks have a short operational life of 7 years; and bucket trucks and

trailers have a longer operational life of 15 years. The electric vehicles are expected to have the same operational life as the corresponding vehicle types shown above. Based on the limited retirement experience for the various legacy companies, current mix of assets, information provided by Company personnel and judgement, this study recommends the proposed lives shown in the table above for these accounts.

INFORMATION TECHNOLOGY

These accounts consist of various computer hardware, such as desktops, monitors, routers, and printers used to support general utility operations. The table below shows the current investment, current life, and proposed life for each account in the information technology business area. Discussions with Company personnel indicated the current lives are still operationally reasonable for the current assets in these accounts.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120085.DW	Display wall	934,242	10	10
120523.DTLT	Computer Hardware - Desktop/Laptop	7,341,881	4	4
120523.ENT	Computer Hardware - Enterprise	3,896,441	5	5
120523.NWK	Computer Hardware - Network, Etc.	13,147,526	5	5
120523.PRNTR	Computer Hardware-Multipurpose Printers	-		6
120523.SWRTR	Switches & Routers - Network	3,923,100	6	6

One new account was added in the IT business area for multipurpose printers which have an estimated operational life of 6 years. Operational SMEs stated that the monitors on the display wall still have an operational life of 10 years, laptop and desktop computers are typically being replaced around 4 or 5 years, servers are being replaced using a 5-year lifecycle, and routers still have an estimated

operational life of 6 years. Based on the current lifecycle replacements for the assets in these accounts, current mix of assets, and information provided by Company personnel, this study recommends retaining the existing lives shown in the table above for these accounts.

INTANGIBLE PLANT

This account consists of application and operating software used across the organization to support utility operations. The table below shows the current investment, current life, and proposed life for each account for intangible plant assets.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
130110.ENT	Computer Software-Enterprise Systems	58,559,127	10	10
130110.MNR	Computer Software Minor	2,100,725	4	4
130110.NWK	Computer Software-Networks, Etc.	9,967,838	5	5
130110.SMLU	Operating Software SM	155,578	5	5
130110.CIS	Computer Software-CIS System	118,730,973	10	15
130110.ERP	Computer Software-ERP System	33,491,789	10	15

Operational SMEs indicated that minor software is being replaced using a 4-year lifecycle, application and network software is being replaced using a 5-year lifecycle, and enterprise software, including GIS and planning software utilized across the organization has a longer lifecycle around 10 years. Periodic upgrades are capitalized when appropriate, and associated costs are being amortized over the remaining life of the existing software.

Discussions with Company personnel indicated two large enterprise systems, Customer Information System “CIS” and Enterprise Resource Planning “ERP”, are anticipated to be in service for more than 10 years. The CIS and ERP

systems are estimated to have a longer operational life of 15 years. Based on the current replacement lifecycle periods used for software, information provided by Company personnel and judgement, this study recommends the proposed lives shown in the table above for the intangible plant accounts.

METERING

AMI Meters – Single Phase

These accounts consist of single-phase retail network meters, which are used to support distribution operations to both residential and commercial customers. The table below shows the current investment, current life, and proposed life for each meter account in this category.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120410.RES	AMI 1.0 Smart Meters Single Phase-Residential	134,180,243	15	15
120410.SMRES	AMI 2.0 Meters Single Phase	7,141,459	15	15
120410.COMM	AMI 1.0 Smart Meters Single Phase-Commercial	16,128,461	14	15

Discussions with Company personnel indicated the estimated operational life for single phase meters is between 10 and 15 years which is aligned with the Kinectrics useful life range for retail meters of 5 to 15 years. Alectra is planning to replace all AMI 1.0 single phase meters (residential and commercial) as part of the AMI 2.0 renewal program. Operational SMEs anticipate that the new AMI 2.0 single phase meters (residential and commercial) will have an operational life of 15 years, aligned with the Kinectrics report. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends a useful life of 15 years for AMI single phase meters.

Suite Meters

Meters-Condominiums (Account 120410.SMNC – 15 years)

This account consists of condominium suite meters used to support distribution utility operations. The current investment in this account is \$21.6 million and the existing service life is 15 years. Discussions with Company personnel indicated the estimated operational life for suite meters is between 10 and 15 years. The Kinectrics useful life range for smart meters is between 5 and 15 years. Operational SMEs anticipate smart meters for commercial, residential and large user customers to have the same 15-year operational life. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 15 years for this account.

Meters – Polyphase

These accounts consist of polyphase retail meters, which are used to support distribution operations for large commercial and industrial metering installations. The table below shows the current investment, current life, and proposed life for each meter account in this category.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120400	AMI 1.0 Meters	44,340,872	25	25
120402	AMI 1.0 Interval Meters	16,657,792	16	15
120402.INTPOLY	AMI 2.0 Interval Meters-GS>50 Polyphase	70,079	15	15
120402.PLYPH	AMI 1.0 Interval Meters-<5MW, transformer rated polyphase, single feeder	4,568,819	25	25
120410.LU	Smart Meters Large User >5MW, TX rated, multi feeder	2,799,302	14	15

Company personnel indicated the meter itself has a shorter life than the cabinet and other related auxiliary components; therefore, the costs associated with the original installation and just the meter itself are recorded in these accounts. Discussions with Company personnel indicated the estimated operational life for polyphase meters is between 15 and 25 years, which is within the Kinectrics useful life ranges for smart meters from 5 to 15 years and industrial/commercial meters from 25 to 35 years.

Operational subject matter experts stated the current lives are still operationally reasonable for the residential and commercial meter assets in these accounts and consistent with the Kinectrics useful life range guidelines. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends the proposed lives shown in the table above for the polyphase meters in these accounts.

Meter Auxiliary Equipment

These accounts consist of the cabinet and other related auxiliary equipment, excluding the meter, used to support distribution operations. The table below shows the current investment, current life, and proposed life for each meter account in this category.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120400.AUX	Meter Auxiliary - Conventional	1,450,643	25	40
120402.AUX	Meter Auxiliary - Interval	6,407,071	25	40
120410.AUX	Meter Auxiliary - Commercial	37,773,992	14	40

Discussions with Company personnel indicated the cabinet and related auxiliary equipment have a longer operational life than the meter itself, and while the meter may be replaced, the original cabinet and auxiliary equipment remain in service. Operational SMEs stated the estimated operational life for the cabinet

and auxiliary equipment is around 40 years. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends increasing to a life of 40 years for these accounts.

Wholesale Meters (Account 120410.WHSL – 25 years)

This account consists of wholesale meters used to support Alectra's utility operations. The current investment in this account is \$16.8 million and the existing service life is 25 years. Discussions with Company personnel indicated they expect the more robust wholesale meters to have a longer 25-year operational life than other meters. The Kinectrics useful life range for wholesale meters is between 15 and 30 years. Operational SMEs stated the current 25-year life for the meters in this account is still operationally reasonable. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends retaining a life of 25 years for this account.

Primary Metering Units (Account 120250 - 35 years)

This account consists of primary metering units used to support distribution utility operations. The current investment in this account is \$4.5 million and the existing service life is 35 years for this account. Discussions with Company personnel indicated the current useful life is still operationally reasonable for the assets in this account. Operational SMEs stated these units are being phased out and that the operational life for primary metering units is not impacted by the AMI meter renewal project. The Kinectrics useful life range for the primary metering units is between 25 and 35 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends retaining a life of 35 years for this account.

AMI Communications Equipment (Account 120442.AMI2.0 – 10 years)

This account consists of AMI communication equipment such as access points, data collection equipment, and battery backup systems used to support utility operations. The current investment in this account is \$654 thousand and the existing service life is 10 years for this account. Discussions with Company personnel indicated they are consistently using a 10-year lifecycle to replace the digital assets in this account. The Kinectrics useful life range for communication equipment is between 2 and 10 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends retaining a life of 10 years for this account.

Measurement & Testing Equipment (Account 120443 – 10 years)

This account consists of measuring and testing equipment used to support utility operations. The current investment in this account is \$4.1 million. The existing average service life is 10 years for this account. Discussions with Company personnel indicated the current operational life of 10 years is still reasonable for the assets in this account. The Kinectrics useful life range for measurement and testing equipment is between 5 and 10 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends retaining a life of 10 years for this account.

SOLAR/OTHER

These accounts consist of various solar and other production assets, such as solar panels, charging stations, and street lighting used to support utility operations. The table below shows the current investment, current life, and proposed life for each account in the solar/other production business area.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120415	Green Energy FIT/MicroFit	1,576,577	15	15
120430.EVCS	Charging Stations	5,437,101	10	10
120430.INVRTR	Solar Inverters	1,373	20	20
120430.PCS	Power Cond Systems	3,844	22	22
120430.PNLS	Solar Panels	1,206,476	20	20
120430.STRG	Storage	1,586,034	15	15
120430.WP	Wires & Parts	324,033	18	18
120450.INVRTR	Solar Inverters	31,413	20	20
120450.PNLS	Solar-Panels	404,644	20	20

Discussions with Company personnel indicated the current lives are still operationally reasonable for the current assets in these accounts. Based on the current mix of assets, information provided by Company personnel, and judgement this study recommends retaining the existing lives shown in the table above for these accounts.

STATIONS

Communication Devices (Account 120085 – 15 years)

This account consists of communication equipment such as fault indicators, routers, protection and controls, and SCADA equipment used to support utility operations. The current investment in this account is \$38.0 million and the existing service life is 15 years. Discussions with Company personnel indicated the current useful life is still operationally reasonable for the assets in this account. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends retaining the current life of 15 years for this account.

Power Transformers MS (Account 120060.MS – 45 years)

This account consists of power transformers at the municipal stations and used to support utility operations. The current investment in this account is \$70.6 million and the existing service life is 40 years. Discussions with Company personnel indicated the power transformers are very robust and are typically loaded below capacity. The heat has impacted the life of transformers in some areas, but the Company has been modernizing the grid to monitor things more proactively to resolve any issues and improve reliability. The Operational SMEs estimate the assets in this account to have an overall life of 45 years, which aligns with the Kinectrics useful life guidelines for station transformers ranging from 30 to 60 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends increasing to a life of 45 years for this account.

Tap Changer MS (Account 120061.MS – 45 years)

This account consists of tap changers at the municipal stations and used to support utility operations. The current investment in this account is \$120.7 thousand and the existing service life is 25 years. Discussions with Company personnel indicated the tap changers are typically replaced with the power transformers and expect the tap changers to have an operational life comparable to the transformers. The Kinectrics useful life guidelines for a station tap changer range between 20 and 60 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends increasing to a life of 45 years for this account.

Support Steel Structure and Grounding System MS (Account 120062.MS – 50 years)

This account consists of steel support structures and grounding system at the municipal stations and used to support utility operations. The current

investment in this account is \$95.5 thousand and the existing service life is 40 years. Discussions with Company personnel indicated the steel busbar, structures, and ground grid system will typically last the life of the station, approximately 50 years. The Kinectrics useful life guidelines for steel structures and busbars range from 30 to 90 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends increasing to a life of 50 years for this account.

Switchgear & Relays/Protection & Control System MS

The current investment for switchgear, relays, and protection and control at the MS stations was split into the following separate object accounts and assigned unique useful service lives. The table below shows the current investment, current life, and proposed life for each account.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120063.MS	Switchgear & Relays/Protection & Control System MS	Split	36	Various
120067.MS	Switchgear MS	87,670,679		40
120063.MS	Relays MS - Microprocessor	8,110,797		15
120066.MS	Relays MS - SS/Electromechanical	244,103		30
120065.MS	DC Systems/Battery MS	147,741		15

Switchgear MS (Account 120067.MS – 40 years)

This new account consists of switchgear, breakers, and other related equipment at the municipal stations used to support utility operations. The current investment in this account is \$87.7 million and the existing service life for the previously combined account is 36 years. Discussions with Company personnel indicated the design life for these assets is typically between 30 and 35 years. However, the Company has consistent maintenance practices and is currently

experiencing a longer operational life around 40 years for the existing switchgear. Operational SMEs estimate the breakers have an operational life between 35 and 40 years as well. The Kinectrics useful life guidelines for station switchgear range between 30 and 60 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 40 years for this account.

Relays MS - Microprocessor (Account 120063.MS – 15 years)

This account consists of microprocessor relay equipment at the municipal stations used to support utility operations. The current investment in this account is \$8.1 million and the existing service life for the previously combined account is 36 years. Discussions with Company personnel indicated they have been experiencing an increasing number of early failures and have been replacing microprocessor relays before the 20-year mark. The Kinectrics useful life guidelines for microprocessor-based relays range between 15 and 20 years. Based on the current mix of assets, recent retirement experience, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 15 years for this account.

Relays MS – SS/Electromechanical MS (Account 120066.MS – 30 years)

This new account consists of solid state and electromechanical relay equipment at the municipal stations used to support utility operations. The current investment in this account is \$244 thousand and the existing service life for the previously combined account is 36 years. Discussions with Company personnel indicated there is a program to replace the remaining electromechanical and solid-state relays across the organization. The Kinectrics useful life guidelines for solid state and electromechanical relays range between 10 and 50 years. The average age of Alectra's remaining solid state and electromechanical relays is between 20 and 45 years. Based on the current mix of assets, information provided by

Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 30 years for this new account.

Relays MS – DC Systems/Battery MS (Account 120065.MS – 15 years)

This new account consists of DC system equipment, such as battery equipment and storage equipment at the municipal stations used to support utility operations. The current investment in this account is \$148 thousand. The existing average service life for the combined account is 36 years. Discussions with Company personnel indicated the DC systems consist of batteries, charging equipment, and other related equipment used supply electricity to meet emergency demands. Operational SMEs estimate these assets have an overall operating life of 15 years. The Kinectrics useful life guidelines for station DC systems range between 10 and 30 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 15 years for this new account.

Power Transformers TS (Account 120060.TS – 45 years)

This account consists of transformers at the transformer stations used to support utility operations. The current investment in this account is \$58.6 million and the existing service life is 40 years. Discussions with Company personnel indicated the power transformers are very robust and are typically loaded below capacity. The heat has impacted the life of transformers in some areas, but the Company has been modernizing the grid to monitor things more proactively to resolve any issues and improve reliability. Discussions with Company personnel indicated they expect the assets at the transformer stations to have the same operational life as similar assets at the municipal stations. Operational SMEs estimate the assets in this account to have an overall life of 45 years, which aligns with the Kinectrics useful life guidelines for station transformers ranging from 30 to 60 years. Based on the current mix of assets, information provided by Company

personnel, consideration of the useful life guidelines and judgement, this study recommends increasing to a life of 45 years for this account.

Tap Changer TS (Account 120061.TS – 45 years)

This account consists of tap changers at the transformer stations and used to support utility operations. The current investment in this account is \$10.5 million and the existing service life is 25 years. Discussions with Company personnel indicated the tap changers are typically replaced with the power transformers and expect the tap changers to have an operational life comparable to the transformers. The Kinectrics useful life guidelines for a station tap changer range between 20 and 60 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends increasing to a life of 45 years for this account.

Support Steel Structure and Grounding System TS (Account 120062.TS –50 years)

This account consists of steel support structures and grounding system at the transformer stations and used to support utility operations. The current investment in this account is \$15.3 million. The existing average service life is 40 years for this account. Discussions with Company personnel indicated they expect the assets at the transformer stations to have the same operational life as similar assets at the municipal stations. The Kinectrics useful life guidelines for steel structures and busbars range from 30 to 90 years. Based on the proposed life for similar assets at the municipal stations and consideration of the useful life guidelines, this study recommends increasing to a life of 50 years for this account.

Switchgear & Relays/Protection & Control System TS

The current investment for switchgear, relays, and protection and control at the transformer stations was split into the following separate accounts and

assigned unique useful service lives. The table below shows the current investment, current life, and proposed life for each account.

Account	Account Description	Plant Balance at 12/31/2024	Current Life	Proposed Life
120063.TS	Switchgear & Relays/Protection & Control System TS	Split	27	Various
120067.TS	Switchgear TS	32,242,456		40
120063.TS	Relays TS - Microprocessor	19,532,830		15
120066.TS	Relays TS - SS/Electromechanical	1,617,814		30
120065.TS	DC Systems/Battery TS	408,933		15

Switchgear TS (Account 120067.TS – 40 years)

This new account consists of switchgear, breakers, and other related equipment at the transformer stations used to support utility operations. The current investment in this account is \$32.2 million and the existing service life for the previously combined account is 27 years. Discussions with Company personnel indicated the Company has consistent maintenance practices and is currently experiencing an operational life around 40 years for the existing switchgear. SMEs estimate the breakers have an operational life between 35 and 40 years as well. The Kinectrics useful life guidelines for station switchgear range between 30 and 60 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 40 years for this account.

Relays TS - Microprocessor TS (Account 120063.TS – 15 years)

This account consists of microprocessor relay equipment at the transformer stations used to support utility operations. The current investment in this account is \$19.5 million and the existing service life for the previously combined account is 27 years. Discussions with Company personnel indicated they have been experiencing an increasing number of early failures and have been replacing

microprocessor relays before the 20-year mark. The Kinectrics useful life guidelines for microprocessor-based relays range between 15 and 20 years. Based on the current mix of assets, recent retirement experience, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 15 years for this account.

Relays TS – SS/Electromechanical TS (Account 120066.TS – 30 years)

This new account consists of solid state and electromechanical relay equipment at the transformer stations used to support utility operations. The current investment in this account is \$1.6 million and the existing service life for the previously combined account is 27 years. Discussions with Company personnel indicated there is a program to replace the remaining electromechanical and solid-state relays across the organization. The Kinectrics useful life guidelines for solid state and electromechanical relays range between 10 and 50 years. The average age of Alectra's remaining solid state and electromechanical relays is between 20 and 45 years. Based on the current mix of assets, information provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 30 years for this new account.

Relays TS – DC Systems/Battery TS (Account 120065.TS – 15 years)

This new account consists of DC system equipment, such as battery equipment and storage equipment at the transformer stations used to support utility operations. The current investment in this account is \$409 thousand and the existing service life for the combined account is 27 years. Discussions with Company personnel indicated the DC systems consist of batteries, charging equipment, and other related equipment used supply electricity to meet emergency demands. Operational SMEs estimate these assets have an overall operating life of 15 years. The Kinectrics useful life guidelines for station DC systems range between 10 and 30 years. Based on the current mix of assets, information

provided by Company personnel, consideration of the useful life guidelines and judgement, this study recommends using a life of 15 years for this new account.

Capacitor Banks TS (Account 120064.TS – 30 years)

This account consists of capacitor banks and other related equipment at the transformer stations used to support utility operations. The current investment in this account is \$5.2 million and the existing service life for this account is 30 years. The Company currently only has capacitor banks at the transformer stations. Discussions with Company personnel indicated the individual cans are replaced as operations and maintenance expense and that the capacitor banks are expected to have a shorter operational life than the transformers (45 years) and switchgear (40 years) at the transformer stations. Operational SMEs feel the existing 30-year life is still operationally reasonable for the assets in this account. Based on the current mix of assets, information provided by Company personnel and judgement, this study recommends retaining a life of 30 years for this account.

Capital Contributions Paid (Account 130104 – 40 years)

This account consists of capital contributions paid to expand the transmitter connection at transformer stations not owned by Alectra but which support Alectra's distribution operations. The current investment in this account is \$97.0 million and the existing service life for this account is 40 years. Alectra currently amortizes the costs over a 40-year period based on the expected useful life of the assets owned and operated by Hydro One. This study recommends retaining a life of 40 years for this account.

DEFERRED REVENUE (Accounts 215201 – 215435)

These accounts consist of deferred revenues, including customer contributions, received related to utility operations across all business areas across

the Company. The lives assigned to each deferred revenue account is the same as the corresponding fixed asset account. The current and proposed life for each deferred revenue account is shown in Appendix A-2.

APPENDIX A
Comparison of Current versus Proposed Annual Accrual Amounts

Alectra Utilities
Summary Comparison of Current versus Proposed Accrual Amount
Tangible and Intangible Plant
At December 31, 2024

Object Account & Subsidiary	Description	Plant at 12/31/2024	Kinectrics MIN-MAX	CURRENT LIFE	CURRENT Accrual Amount	PROPOSED LIFE	PROPOSED Accrual Amount	Difference
<u>Distribution Assets</u>								
120221	Poles, Towers & Fixtures - Wood	516,320,409	35-75	44	12,683,453	45	12,276,660	(406,793)
120222	Poles, Towers & Fixtures - Composite	-				70		
120223	Poles, Towers & Fixtures - Concrete	204,527,435	50-80	51	4,168,776	60	3,447,444	(721,332)
120224	OH Conductors & Devices - Primary	393,354,664	50-75	45	9,751,043	50	8,320,370	(1,430,673)
120225	OH Transformers	197,604,188	30-60	41	5,525,316	45	4,769,260	(756,055)
120226	O/H conductors & Devices - Secondary/Services O/H	119,260,946	50-75	48	2,871,140	50	2,690,928	(180,213)
120227	OH Switches/Capacitors	191,012,794	35-60	38	5,543,995	35	6,433,111	889,116
120243	UG Transformers	Split	25-45	32		Various		
120243	UG Transformers-Padmout	470,568,435	25-45	32	15,742,884	30	18,112,975	2,370,091
120246	UG Transformers-Vault	48,551,840	25-45	32	1,626,248	40	1,118,604	(507,643)
120244	U/G Cond & Devices- Cable Injections	119,005,794		24	4,953,937	20	6,298,472	1,344,535
120245	U/G Conduit- Concrete	525,705,455		52	11,265,848	60	9,250,791	(2,015,058)
120248	U/G Cond & Devices- Switchgear-Air Insulated	116,465,587	20-50	39	3,206,117	35	4,359,852	1,153,735
120249	U/G Cond & Devices- Switchgear-Solid Dielectric,SF6	Split	20-50	42		Various		
120249	U/G Cond & Devices- Switchgear-Solid Dielectric	78,781,417	20-50	42	1,917,096	45	1,765,933	(151,163)
120249.SF6OIL	U/G Cond & Devices- Switchgear-SF6/Oil	110,947,153	20-50	42	2,693,333	30	4,782,224	2,088,891
120241.PILC	U/G Cond & Devices- Primary - PILC	40,201,110	65-75	70	677,209	70	677,209	-
120241.XLPENTR	U/G Cond & Devices- Primary - XLPE Non-TR	3,071,803	20-30	45	189,204	40	592,603	403,399
120241.XLPETR	U/G Cond & Devices- Primary - XLPE TR	765,338,331	35-55	38	23,904,293	45	18,007,834	(5,896,459)
120242.DB	U/G Cond & Devices- Secondary - Direct Buried	56,199,428	25-40	31	1,665,656	30	1,841,970	176,314
120242.IDSERV	U/G Cond & Devices - Secondary - In Duct/Services	265,223,372	35-80	37	8,187,132	40	7,176,952	(1,010,181)
Total Distribution		4,222,140,160			116,572,680		111,923,192	(4,649,488)
<u>Facilities</u>								
120440	Office furniture & equipment	5,340,222	5-15	10	517,116	15	276,992	(240,124)
120441	Stores Equipment	919,681	5-10	10	84,166	10	84,166	-
120442	Communication Equipment	6,058,711	2-10	8	751,728	10	519,188	(232,540)
120500	Tools, Shop & Garage Equipment	4,512,110	5-10	10	417,431	10	417,431	-
120020.MS	Buildings & Fixtures - MS	16,319,225	50-75	60	393,907	60	393,907	-
120020.NONDIST	Buildings & Fixtures - non distribution	132,212,498	50-75	60	2,538,839	60	2,538,839	-
120020.TS	Buildings & Fixtures - TS	10,428,796	50-75	60	436,247	60	436,247	-
120021.MS	Building Improvements MS	15,762,683		21	773,762	25	615,570	(158,191)
120021.NONDIST	Building Improvements - non distribution	70,692,687		27	2,818,191	25	3,261,909	443,718
120021.TS	Building Improvements TS	2,047,337		21	97,599	25	80,981	(16,619)
Total Facilities		264,293,949			8,828,986		8,625,229	(203,757)

Alectra Utilities
Summary Comparison of Current versus Proposed Accrual Amount
Tangible and Intangible Plant
At December 31, 2024

Object Account & Subsidiary	Description	Plant at 12/31/2024	Kinectrics MIN-MAX	CURRENT LIFE	CURRENT Accrual Amount	PROPOSED LIFE	PROPOSED Accrual Amount	Difference
<u>Fleet</u>								
120460.BT	Single/Double Bucket Trucks	50,759,993	5-15	11	3,690,760	15	1,933,826	(1,756,934)
120460.CSV	Automobiles	4,308,627	5-10	7	283,323	7	283,323	-
120460.EVBT	EV Bucket Trucks	980,000	5-15	11	88,962	15	62,764	(26,197)
120460.EVCSV	EV Automobiles	334,320	5-10	7	47,367	7	47,367	-
120460.EVTRV	EV Light Trucks	1,531,795	5-15	8	174,190	7	228,282	54,092
120460.TRO	Trailers	5,361,748	5-20	14	321,018	15	278,191	(42,826)
120460.TRV	Light Trucks	14,362,487	5-15	8	1,571,794	7	2,178,199	606,404
	Total Fleet	77,638,971			6,177,414		5,011,953	(1,165,461)
<u>Information Technology</u>								
120085.DW	Display wall	934,242		10	10,320	10	10,320	-
120523.DTLT	Computer Hardware - Desktop/Laptop	7,341,881	3-5	4	1,702,548	4	1,702,548	-
120523.ENT	Computer Hardware - Enterprise	3,896,441	3-5	5	710,905	5	710,905	-
120523.NWK	Computer Hardware - Network, Etc.	13,147,526	3-5	5	2,263,272	5	2,263,272	-
120523.PRNTR	Computer Hardware-Multipurpose Printers	-	5-15			6		
120523.SWRTR	Switches & Routers - Network	3,923,100		6	288,810	6	288,810	-
	Total Information Technology	29,243,191			4,975,854		4,975,854	-
<u>Intangible Plant</u>								
130110.ENT	Computer Software-Enterprise Systems	58,559,127		10	6,136,371	10	6,136,371	-
130110.MNR	Computer Software Minor	2,100,725	2-5	4	474,912	4	474,912	-
130110.NWK	Computer Software-Networks, Etc.	9,967,838	2-5	5	1,527,209	5	1,527,209	-
130110.SMLU	Operating Software SM	155,578	2-5	5	18,206	5	18,206	-
130110.CIS	Computer Software-CIS System	118,730,973		10	13,581,234	15	5,092,963	(8,488,271)
130110.ERP	Computer Software-ERP System	33,491,789		10	3,839,122	15	1,818,531	(2,020,590)
	Total Intangible Plant	223,006,031			25,577,053		15,068,191	(10,508,862)
<u>Metering</u>								
AMI Meters - Single Phase								
120410.RES	AMI 1.0 Smart Meters Single Phase-Residential	134,180,243	5-15	15	5,561,298	15	5,561,298	-
120410.SMRES	AMI 2.0 Meters Single Phase	7,141,459		15	476,097	15	476,097	-
120410.COMM	AMI 1.0 Smart Meters Single Phase - Commercial	16,128,461	5-15	14	1,166,351	15	1,012,622	(153,729)
Suite Meters								
120410.SMNC	Smart Meters-Condominiums	21,634,179	5-15	15	1,416,538	15	1,416,538	-
Meters - Polyphase								
120400	AMI 1.0 Meters	44,340,872	25-35	25	2,179,798	25	2,179,798	-
120402	AMI 1.0 Interval Meters	16,657,792	5-15	16	954,814	15	1,222,137	267,323
120402.INTPOLY	AMI 2.0 Interval Meters-GS>50 Polyphase	70,079	5-15	15	4,672	15	4,672	-
	AMI 1.0 Interval Meters-<5MW, transformer rated polyphase,							
120402.PLYPH	single feeder	4,568,819	25-35	25	226,564	25	226,564	-
120410.LU	Smart Meters-Large User >5MW, TX rated, multi-feeder	2,799,302	5-16	14	216,226	15	180,189	(36,037)

Alectra Utilities
Summary Comparison of Current versus Proposed Accrual Amount
Tangible and Intangible Plant
At December 31, 2024

Object Account & Subsidiary	Description	Plant at 12/31/2024	Kinectrics MIN-MAX	CURRENT LIFE	CURRENT Accrual Amount	PROPOSED LIFE	PROPOSED Accrual Amount	Difference
Meter Auxiliary Equipment								
120400.AUX	Meter Auxiliary - Conventional	1,450,643		25	80,015	40	36,353	(43,663)
120402.AUX	Meter Auxiliary - Interval	6,407,071		25	372,573	40	99,710	(272,863)
120410.AUX	Meter Auxiliary - Commercial	37,773,992		14	2,724,865	40	687,444	(2,037,421)
Wholesale Meters								
120410.WHSL	Wholesale Meters	16,837,943	15-30	25	890,576	25	890,576	-
Primary Metering Units								
120250	Primary Metering Units	4,483,227	25-35	35	128,745	35	128,745	-
AMI Communications Equipment								
120442.AMI2.0	Communications Equipment-AMI 2.0	653,806	2-10	10	65,381	10	65,381	-
Measuremnt & Testing Equipment								
120443	Measurement & Testing Equipment	4,102,214	5-10	10	409,555	10	409,555	-
Total Metering		319,230,100			16,874,069		14,597,680	(2,276,389)
<u>Solar/Other</u>								
120415	Green Energy FIT/MicroFit	1,576,577		15	120,622	15	120,622	-
120430.EVCS	Charging Stations	5,437,101		10	542,773	10	542,773	-
120430.INVRTR	Solar Inverters	1,373		20	69	20	69	-
120430.PCS	Power Cond Systems	3,844		22	168	22	168	-
120430.PNLS	Solar Panels	1,206,476		20	92,166	20	92,166	-
120430.STRG	Storage	1,586,034		15	386,749	15	386,749	-
120430.WP	Wires and Parts	324,033		18	39,894	18	39,894	-
120450.INVRTR	Solar Inverters	31,413		20	2,101	20	2,101	-
120450.PNLS	Solar-Panels	404,644		20	33,311	20	33,311	-
Total Solar/Other		10,571,495			1,217,853		1,217,853	-
<u>Stations</u>								
120085	Communication Devices	38,023,340	2-10	15	2,121,734	15	2,121,734	-
120060.MS	Power Transformers MS	70,613,606	30-60	40	2,371,543	45	1,810,509	(561,034)
120061.MS	Tap Changer MS	120,729	20-60	25	5,043	45	2,430	(2,613)
120062.MS	Support Steel Structure and Grounding System MS	95,514	30-90	40	2,770	50	2,043	(727)
120063.MS	Switchgear & Relays/Protection & Control System MS	Split		36	-	Various	-	-
120067.MS	Switchgear MS	87,670,679	30-60	36	2,745,074	40	2,241,926	(503,148)
120063.MS	Relays MS - Microprocessor	8,110,797	15-20	36	226,532	15	1,360,082	1,133,550
120066.MS	Relays MS - SS/Electromechanical	244,103	10-45	36	2,825	30	7,384	4,558
120065.MS	DC Systems/Battery MS	147,741	10-30	36	4,029	15	11,224	7,195
120060.TS	Power Transformers TS	58,611,164	30-60	40	1,759,741	45	1,342,683	(417,058)
120061.TS	Tap Changer TS	10,453,860	20-60	25	389,352	45	98,766	(290,587)
120062.TS	Support Steel Structure and Grounding System TS	15,335,544	30-90	40	487,684	50	297,747	(189,937)
120063.TS	Switchgear & Relays/Protection & Control System TS	Split		27	-	Various	-	-
120067.TS	Switchgear TS	32,242,456	30-60	27	1,269,066	40	595,626	(673,440)

Alectra Utilities
Summary Comparison of Current versus Proposed Accrual Amount
Tangible and Intangible Plant
At December 31, 2024

Object Account & Subsidiary	Description	Plant at 12/31/2024	Kinectrics MIN-MAX	CURRENT LIFE	CURRENT Accrual Amount	PROPOSED LIFE	PROPOSED	Difference
							Accrual Amount	
120063.TS	Relays TS - Microprocessor	19,532,830	15-20	27	734,580	15	3,032,853	2,298,272
120066.TS	Relays TS - SS/Electromechanical	1,617,814	10-45	27	12,574	30	6,330	(6,244)
120065.TS	DC Systems/Battery TS	408,933	10-30	27	15,157	15	29,689	14,532
120064.TS	Capacitor Banks TS	5,211,158		30	164,377	30	164,377	-
130104	Capital Contributions Paid	97,012,005		40	3,395,489	40	3,395,489	-
Total Stations		445,452,273			15,707,572		16,520,892	813,320
Grand Total		5,591,576,170			195,931,480		177,940,843	(17,990,637)

Alectra Utilities
Deferred Revenue Accounts
Summary Comparison of Current versus Proposed Accrual Amount
At December 31, 2024

Object Account & Subsidiary	Deferred Revenue Account Description	Deferred Revenue at 12/31/2024	Current Life	Current Accrual Amount	Proposed Life	Proposed Accrual Amount	Difference
<u>Def Rev-Distribution Plant</u>							
215221	Def Rev Cust Contrib. Poles, Towers & Fixtures - Wood	(83,897,823)	44	(1,923,484)	45	(1,872,474)	51,010
215223	Def Rev Cust Contrib. Poles, Towers & Fixtures - Concrete	(72,934,099)	51	(1,436,887)	60	(1,208,571)	228,316
215224	Def Rev Cust Contrib. OH Conductors & Devices - Primary	(55,019,955)	45	(1,229,732)	50	(1,089,203)	140,528
215225	Def Rev Cust Contrib. OH Transformers	(32,255,198)	41	(797,385)	45	(716,447)	80,937
215226	Def Rev Cust Contrib. O/H Conductors & Devices - Secondary/Services O/H	(15,994,578)	48	(337,690)	50	(322,120)	15,570
215227	Def Rev Cust Contrib. OH Switches/Capacitors	(19,260,058)	38	(516,959)	35	(569,094)	(52,136)
215241.PILC	Def Rev Cust Contrib. U/G Cond & Devices- Primary - PILC	(2,567,334)	70	(39,485)	70	(39,485)	-
215241.XLPETR	Def Rev Cust Contrib. U/G Cond & Devices- Primary - XLPE TR	(191,587,271)	38	(5,105,119)	45	(4,186,806)	918,313
215242.DB	Def Rev Cust Contrib. U/G Cond & Devices- Secondary - Direct Buried	(11,662,311)	31	(382,250)	30	(398,210)	(15,960)
215242.IDSERV	Def Rev Cust Contrib. U/G Cond & Devices - Secondary - In Duct/Services	(55,804,343)	37	(1,533,058)	40	(1,396,128)	136,930
215243	Def Rev Cust Contrib. UG Transformers	Split	32		Various		
215243	Def Rev Cust Contrib. UG Transformers-Padmount	(118,183,947)	32	(3,693,024)	30	(4,002,760)	(309,736)
215246	Def Rev Cust Contrib. UG Transformers-Vault	(11,135,086)	32	(348,278)	40	(263,893)	84,385
215244	Def Rev Cust Contrib. U/G Cond & Devices- Cable Injections	(61,647)	24	(2,519)	20	(3,367)	(848)
215245	Def Rev Cust Contrib. U/G Conduit- Concrete	(124,327,630)	52	(2,427,408)	60	(2,062,512)	364,896
215248	Def Rev Cust Contrib. U/G Cond & Devices- Switchgear-Air Insulated	(21,464,527)	39	(553,955)	35	(627,622)	(73,667)
215249	Def Rev Cust Contrib. U/G Cond & Devices- Switchgear-Solid Dielectric, SF6	Split	42		Various		
215249.SF6OIL	Def Rev Cust Contrib. U/G Cond & Devices- Switchgear-SF6 & Oil	(24,497,716)	42	(586,264)	30	(901,885)	(315,621)
215249	Def Rev Cust Contrib. U/G Cond & Devices- Switchgear-Solid Dielectric	(17,168,390)	42	(411,061)	Various	(377,978)	33,082
Total Def Rev-Distribution Plant		(857,821,912)		(21,324,555)		(20,038,556)	1,285,999
<u>Def Rev-Intangible Plant</u>							
215290.ENT	Def Rev Cust Contrib. Computer Software-Enterprise Systems	(136,335)	10	(13,627)	10	(13,627)	-
Total Def Rev-Intangible Plant		(136,335)		(13,627)		(13,627)	-
<u>Def Rev-Metering</u>							
215201	Def Rev Cust Contrib. Meters-Conventional	(1,174,816)	25	(47,036)	25	(47,036)	-
215201.AUX	Def Rev Cust Contrib. Meter Auxiliary - Conventional	(44,469)	25	(1,780)	40	(822)	958
215202	Def Rev Cust Contrib. Interval Meters	(925,054)	16	(56,472)	15	(74,200)	(17,729)
215202.AUX	Def Rev Cust Contrib. Meter Auxiliary - Interval	(275,841)	16	(16,995)	40	(3,762)	13,233
215210.COMM	Def Rev Smart Mtrs Commrcl	(1,815,719)	14	(129,519)	15	(119,643)	9,875
215210.AUX	Def Rev Smart Meter Auxiliary - Commercial	(3,196,738)	14	(230,657)	40	(69,975)	160,683
215210.RES	Def Rev Cust Contrib. Smart Meters-Residential	(2,428,436)	15	(164,954)	15	(164,954)	-
Total Def Rev-Metering		(9,861,072)		(647,412)		(480,391)	167,020
<u>Def Rev-Solar/Other</u>							
215230.EVCS	Def Rev Adv Plng Chrg Stns	(2,838,319)	10	(176,390)	10	(176,390)	-
215230.STRG	Def Rev Adv Plng Storage	(693,000)	15	(252,000)	15	(252,000)	-
215261	Def Rev Cust Contrib. Green Energy FIT/MicroFit	(405,761)	15	(30,951)	15	(30,951)	-
Total Def Rev-Solar/Other		(3,937,079)		(459,341)		(459,341)	-
<u>Def Rev-Stations</u>							
215260.MS	Def Rev Cust Contrib. Re-Wound Transformers MS	(2,899,713)	40	(79,040)	45	(67,349)	11,691
215260.TS	Def Rev Cust Contrib. Re-Wound Transformers TS	(431,199)	40	(13,736)	45	(11,581)	2,155

Alectra Utilities
Deferred Revenue Accounts
Summary Comparison of Current versus Proposed Accrual Amount
At December 31, 2024

Object Account & Subsidiary	Deferred Revenue Account Description	Deferred Revenue at 12/31/2024	Current Life	Current Accrual Amount	Proposed Life	Proposed Accrual Amount	Difference
215262.TS	Def Rev Cust Contrib. Support Steel Structure and Grounding System TS	(298,049)	40	(9,009)	50	(6,578)	2,431
215263.MS	Def Rev Cust Contrib. Switchgear & Relays/Protection & Control System MS	Split	36		Various		
215267.MS	Def Rev Switchgear MS	(183,016)	36	(5,072)	40	(4,468)	604
215263.MS	Def Rev Relays MS - Microprocessor	(6,573)	36	(182)	15	(648)	(466)
215263.TS	Def Rev Cust Contrib. Switchgear & Relays/Protection & Control System TS	Split	36		Various		
215267.TS	Def Rev Switchgear TS	(363,451)	36	(12,594)	40	(10,747)	1,846
215265.TS	Def Rev Relays DC Systems/Battery TS	(4,070)	36	(113)	15	(308)	(195)
215263.TS	Def Rev Relays TS - Microprocessor	(202,626)	36	(6,648)	15	(62,755)	(56,107)
215285	Def Rev Cust Contrib. Communication Devices	(372,920)	15	(25,023)	15	(25,023)	-
Total Def Rev-Stations		(4,761,616)		(151,418)		(189,459)	(38,041)
Grand Total		(876,518,014)		(22,596,353)		(21,181,374)	1,414,979

Attachment 2B-3

OEB Appendix 2-BB

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Attachment 2B-4

OEB Appendix 2-C

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WORKING CAPITAL ALLOWANCE (WCA)

Alectra Utilities' calculation of the Working Capital Allowance (WCA) included in the calculation of the 2027 to 2031 rate base is based on a Lead-Lag Study performed by Guidehouse Inc. (Guidehouse) (Attachment 2B-5 of this Schedule). The study leverages 12 months (May 2023 – April 2024) of Alectra Utilities' financial information to assess the revenue lag and expense leads for various revenue requirement and cost components. Table 2-4-1 below presents a summary calculation of the WCA for the Test Year.

Table 2-4-1: WCA Summary Calculation (\$MM)

Working Capital Requirement Calculations	2027 Expenses	Working Capital Factor		Working Capital Requirement
Cost of Power	3,474.3	6.20 %		215.2
OM&A Expenses	352.4	7.98 %		28.1
PILs	22.4	18.73 %		4.2
Interest Expense	111.0	7.72 %		8.6
Sub-Total Working Capital Requirement				256.1
HST Calculation		Net Lag Days	Expenses * Net Lag Days /365 * 13% HST	
Revenues	4,722.0	(5.56)	(9.4)	
Cost of Power	3,474.3	46.35	57.4	
Eligible OM&A Expenses	59.2	43.55	0.9	
HST Working Capital Requirement				48.9
Total Working Capital				305.0
Working Capital as a Percent of Cost of Power and OM&A				7.97 %

The Cost of Power is the most significant component of the WCA, where this calculation is determined based on the following data inputs: RPP prices, the Hourly Ontario Energy Price (HOEP)²⁰, the Transmission rates²¹, Smart Metering Entity charge²², Regulatory charges²³ and the Ontario Electricity Rebate. As part of this Application, Alectra Utilities will update the

²⁰ Regulated Price Plan report issued by the OEB (October 18, 2024).

²¹ OEB Decision and Rate Order, EB-2024-0244, 2025 Uniform Transmission Rates Update (January 1, 2025)

²² OEB Decision and Order, Smart Meter Charge, EB-2022-0137, (September 8, 2022).

²³ OEB Decision and Order, In the matter of regulatory charges for the Wholesale Market Services rate and the Rural or Remote Electricity Rate Protection charge, EB-2024-0282 (December 10, 2024)

electricity prices in its cost of power forecast based on the latest RPP Report. Alectra Utilities has completed the OEB's Appendix 2-Z - Commodity Expense for each of 2027 to 2031. The appendices are filed as Attachments 2B-6 to 2B-10 to this Schedule.

Table 2-4-2 below presents the OEB approved WCA percentages for legacy utilities that represent the WCA for Alectra Utilities in 2017-2026. Alectra Utilities' 2017-2026 WCA is presented as an average value weighted on a percentage of the OEB-approved rate base of each rate zone.

Table 2-4-2: 2017-2026 Working Capital Allowance (%)

Rate Zone and OEB Approved Year	ERZ (2013)	HRZ (2019)	BRZ (2015)	PRZ (2017)	GRZ (2016)	Alectra (2017-2026)
Working Capital Allowance	13.5%	12.0%	13.0%	7.5%	7.5%	10.5%

Table 2-4-3 provides the 2017-2024 actuals and 2025-26 Bridge Year WCA.

Table 2-4-3: 2017-2026 Working Capital Allowance (\$MM)

	Historical Actuals								Bridge	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Working Capital Allowance	285.5	299.0	335.9	379.7	330.5	334.2	331.3	366.6	378.2	386.5

Variances in the working capital allowance shown in Table 2-4-3 above are primarily driven by changes in commodity expenses.

Table 2-4-4 provides the 2027 to 2031 WCA supported by the Guidehouse Lead-Lag study provided in Attachment 2B-5.

Table 2-4-4: 2027-2031 Working Capital Allowance (\$MM)

	Forecast				
	2027	2028	2029	2030	2031
Working Capital Allowance	305.0	319.6	331.4	346.1	361.2

Attachment 2B-5

Guidehouse Lead-Lag Study

Working Capital Requirements of Alectra Utilities Corporation

2027-2031

Prepared for:



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October 30, 2024

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Disclaimer

This report (the “report”) was prepared for Alectra Utilities Corporation (“Alectra”) by Guidehouse Canada Ltd. (“Guidehouse”). The report was prepared solely for the purposes of Alectra’s rate application to the Ontario Energy Board and may not be used for any other purpose. Use of this report by any third party outside of Alectra’s rate application is prohibited. Use of this report should not, and does not, absolve the third party from using due diligence in verifying the report’s contents. Any use which a third party makes of this report, or any reliance on it, is the responsibility of the third party. Guidehouse extends no warranty to any third party.

Acronyms and Abbreviations

Alectra	Alectra Utilities Corporation
EHT	Employer Health Tax
FIT	Feed-In Tariff
Guidehouse	Guidehouse Inc.
HST	Harmonized Sales Tax
IESO	Independent Electricity System Operator
MFIT	Micro Feed-In Tariff
OER	Ontario Electricity Rebate
OESP	Ontario Electricity Support Program
OM&A	Operations, Maintenance, and Administrative
PILs	Payments in Lieu of Taxes
RESOP	Renewable Energy Standard Offer Program
TME	Twelve months ended
WSIB	Workplace Safety & Insurance Board

Executive Summary

Guidehouse was retained by Alectra Utilities Corporation (“Alectra”) to calculate the working capital requirements of Alectra using a lead-lag study.

Working capital is the amount of funds that are required to finance the day-to-day operations, and which are included as part of a rate base for ratemaking purposes. A lead-lag study is the most accurate basis for the determination of working capital and was used by Guidehouse for this purpose. The results of this study are provided in this report.

The lead/lag days calculated in this study are based on Alectra’s revenue and expense data for the twelve months that ended April 30th, 2024 (“TME 2024-04-30”). The working capital requirement of Alectra’s distribution business is shown below.

Table 1: Alectra Summary of Working Capital Requirement

	TME 2024-04- 30
Percentage of OM&A and Cost of Power	7.92%
Working Capital Requirement (\$M)	\$273.37

The working capital requirements shown in Table 1 above are based upon the revenue lag and expense lead days shown in Table 2.

Table 2: Alectra Working Capital Requirements (TME 2024-04-30)

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days
Cost of Power	55.20	32.58	22.62
OM&A Expenses	55.20	26.07	29.13
PILs	55.20	-13.18	68.38
Interest Expense	55.20	27.01	28.19

1. Introduction and Methodology

Guidehouse Canada Ltd. was retained by Alectra Utilities Corporation (“Alectra”) to calculate its working capital requirements. This report provides the results of the assessment and the resulting working capital requirements.

Working capital is the amount of funds that are required to finance the day-to-day operations, and which are included as part of a rate base for ratemaking purposes. A lead-lag study is the most accurate basis for the determination of working capital and was used by Guidehouse for this purpose.

A lead-lag study analyzes the time between the date customers receive service and the date that customers’ payments are available to Alectra (or “lag”) together with the time between the date Alectra receives goods and services from its vendors and the date that Alectra pays for them (or “lead”).

“Leads” and “lags” are both measured in days and are dollar-weighted where appropriate. The dollar-weighted net lag (lag minus lead) days are then divided by 365 (or 366 for leap years) and then multiplied by the annual test year expenses to determine the amount of working capital required. The resulting amount of working capital is then included in Alectra’s rate base to determine the revenue requirement.

Alectra provided revenue and expense data from each of its five legacy rate zones – Brampton, Enersource, Guelph, Horizon, and Powerstream. Generally, Guidehouse utilized the revenue and expense data for the twelve months ended April 30th, 2024 (“TME 2024-04-30”), as it was the most recent historical data available at the time the study was performed.

1.1 Key Concepts

The following section outlines the key concepts used throughout this report to assess the working capital requirements of Alectra’s business. This includes the mid-point method, statutory approach, revenue lag components, expense lead components, and dollar weighting.

1.1.1 Mid-Point Method

When a service is provided to (or by) Alectra over a period of time, the service is deemed to have been provided (or received) evenly over the period, unless specific information regarding the provision (or receipt) of that service indicates otherwise. If both the service end date (“Y”) and the service start date (“X”) are known, the mid-point of a service period can be calculated using Equation 1-1.

Equation 1-1

$$Mid - Point = \frac{(Y - X) + 1}{2}$$

When specific start and end dates are unknown, but it is known that a service is evenly distributed over the mid-point of a period, the alternative formula generally used is shown below. Equation 1-2 uses the number of days in a year (“A”) and the number of periods in a year (“B”):

Equation 1-2

$$Mid - Point = \frac{A/B}{2}$$

1.1.2 Statutory Approach

In conjunction with the mid-point method, it is important to note that not all areas of this study may utilize dates on which actual payments were made to (or by) Alectra. In some instances, the due dates for payments are established by statute or by regulation. In these instances, the due date established by statute has been used in lieu of when payments were made.

1.1.3 Revenue Lag Components

As used in this study, revenue lags are comprised of Retail Revenue, Independent Electric System Operator (“IESO”) Credits, and Other Revenues. The lag associated with Retail Revenue consists of four components:

- Service Lag component (the average time from the provision of electricity to a customer until the meter is read),
- Billing Lag component (the average time from when the meter is read to when the bill is generated and provided to customers),
- Collections Lag component (the average time from when a bill is provided to the customer until the customer initiates payment to the utility), and
- Payment Processing Lag component (the average time from when the customer provides payment to the utility until when the payment is made liquid and available to the utility).

1.1.4 Expense Lead Components

As used in this study, expense leads are defined to consist of two components:

- Service Lead component (services are assumed to be provided to Alectra evenly around the mid-point of the service period) and
- Payment Lead component (the time period from the end of the service period to the time payment was made and when funds have left Alectra’s possession).

1.1.5 Dollar Weighting

Both revenue and expense leads and lags should be dollar-weighted where appropriate and where data is available to accurately reflect the flow of dollars. For example, suppose that a particular transaction has a lead time of 100 days and has a dollar value of \$100. Further, suppose that another transaction has a lead time of 30 days with a dollar value of \$1 million. A simple unweighted average of the two transactions would give us a lead time of 65 days $([100+30]/2)$. However, when these two transactions are dollar-weighted, the resulting lead time would be closer to 30 days which is more representative of how the dollars flow.

1.2 Methodology

Performing a lead-lag study requires two key undertakings:

1. Developing an understanding of how the regulated distribution business operates in terms of products and services sold to customers/purchased from vendors, and the policies and procedures that govern such transactions; and,
2. Modeling such operations using data from a relevant period and a representative data set. It is important to ascertain and factor into the study whether (or not) there are known changes to existing business policies and procedures going forward. Where such changes are known and material, they may be factored into the study.

To develop an understanding of Alectra's operations, interviews with personnel within Alectra's Customer Experience (Billing, Collections & Payments), Regulatory Affairs (Wholesale Settlements), Finance (Accounts Payable), and People (Payroll & Benefits) departments were conducted. Key questions that were addressed during the interviews included:

1. What is being sold (or purchased)? If a service is being provided to (or by) Alectra, over what period was this service provided?
2. Who are the buyers (or sellers)?
3. What are the terms for payment? Are the terms for payment driven by industry norms or by company policy? Is there flexibility in the terms of payment?
4. Are any changes to the terms for payment expected? Are these terms driven by industry or internally? What is the basis for any such changes?
5. How are payments made (or received)? Payment types have different payment lead times (*i.e.*, internet payments have shorter deposit times than cheque deposit times).

2. Revenue Lags

This section of the report provides the revenue lag days for Alectra. A revenue lag represents the number of days from the date that service is rendered by Alectra until the date payments are received and funds are available to Alectra.

Alectra receives revenue from the following funding streams:

- **Retail Revenue:** A distribution utility providing service to its customers typically derives its revenues from bills paid for service by its customers.
- **IESO Credits:** Alectra also receives revenue in the form of IESO reimbursement credits for Ontario Electricity Support Program (“OESP”), Ontario Electricity Rebate (“OER”), Renewable Energy Standard Offer Program (“RESOP”), Feed-in Tariff (“FIT”), and Micro Feed-in Tariff (“MFIT”).
- **Other Revenue:** Alectra receives additional other revenue.

A summary of the revenue lags for Alectra’s distribution business are shown below:

Table 3: Summary of Revenue Lag (TME 2024-04-30)

Description	Amounts (\$M)	Lag Days	Weighting Factor	Weighted Lag Days
Retail Revenue	\$3,913.82	54.53	88.31%	48.15
IESO Credits	\$461.64	61.96	10.42%	6.46
Other Revenue	\$56.39	46.26	1.27%	0.59
Total	\$4,431.85		100.00%	55.20

2.1 Retail Revenue Lag

Retail revenue lag consists of the following components:

- Service Lag,
- Billing Lag,
- Collections Lag, and
- Payment Processing Lag

Service Lag

The service lag is defined as the midpoint of the service period, the halfway point between the beginning of the service period and the end of the service period. The service period end is typically defined as the date the meter is read. All Alectra customers are billed monthly. The Service Lag is calculated to be 15.21 days.

Billing Lag

The billing lag is defined as the time from the period end (meter read) to the time that the customer's bill is generated in the customer information system. An analysis of Alectra meter billing data indicated that Alectra customers have an average billing lag of 10.29 days.

Collections Lag

The collections lag is defined as the period from when the bill is generated in the customer information system to the time when the customer provides payment to Alectra and when that payment is recorded in Alectra's billing system. The collections lag is measured by analyzing the receivables aging data provided by Alectra. Alectra's collection lag was calculated to be 27.21 days.

Payment Processing Lag

The payment processing lag represents the average time from when the customer provides payment to the utility until the time the payment is made liquid and available to the utility. Alectra's payment processing lag was calculated to be 1.82 days.

Combining these components results in a retail revenue lag day calculation of 54.53 days.

2.2 IESO Credits

Table 4 below summarizes the amounts and revenue lag times associated with the components that make up IESO credits revenue.

Table 4: Summary of IESO Credits (TME 2024-04-30)

Description	Revenues (\$M)	Lag Days	Weighting Factor	Weighted Lag Days
OER	\$347.16	61.95	75.20%	46.58
FIT/MFIT/RESOP	\$88.60	62.04	19.19%	11.91
OESP	\$25.88	61.83	5.61%	3.47
Total	\$461.64		100.00%	61.96

2.3 Other External Revenue

Alectra collects revenues from a variety of other sources, in addition to the retail revenue and IESO credits discussed above. Alectra staff provided monthly data and payment information for the other external revenue. The table below summarizes the revenue lag time associated with this other external revenue.

Table 5: Summary of Other External Revenue (TME 2024-04-30)

Description	Revenues (\$M)	Lag Days	Weighting Factor	Weighted Lag Days
Other External Revenue	\$56.39	46.26	100.00%	46.26
Total	\$56.39		100.00%	46.26

3. Expense Leads

The determination of working capital requires both a measurement of the lag in the collection of revenues for services provided by Alectra, and the lead times associated with payments for services provided to Alectra. Expense leads are defined as the time period between when a service is provided to Alectra and when payment is required for that service.

The following expense leads were calculated in this study:

- Cost of Power
- Operations, Maintenance and Administration (“OM&A”) expenses
- Payments in Lieu of Taxes (“PILs”)
- Interest on Alectra’s debt
- Harmonized Sales Tax (“HST”)

3.1 Cost of Power

For the purpose of the lead-lag study, cost of power expense was considered to consist of payments made by Alectra to the IESO including the purchasing of power supply requirements on a monthly basis from the IESO based on the schedule defined by the IESO’s billing and settlement procedures.

A monthly detail of expense lead times for cost of power payments is presented in Table 6 below.

Table 6: Cost of Power Expenses (TME 2024-04-30)

Delivery Month	Amounts (\$M)	Lead Days	Weighting Factor	Weighted Lead Days
May-23	\$247.51	31.5	8.06%	2.54
Jun-23	\$256.11	34.0	8.34%	2.83
Jul-23	\$288.67	32.5	9.39%	3.05
Aug-23	\$292.79	34.5	9.53%	3.29
Sep-23	\$209.20	34.0	6.81%	2.31
Oct-23	\$256.60	32.5	8.35%	2.71
Nov-23	\$233.75	33.0	7.61%	2.51
Dec-23	\$264.04	32.5	8.59%	2.79
Jan-24	\$266.54	31.5	8.67%	2.73
Feb-24	\$247.38	32.5	8.05%	2.62
Mar-24	\$268.47	31.5	8.74%	2.76
Apr-24	\$241.62	31.0	7.86%	2.44
Total	\$3,072.68		100.00%	32.58

3.2 Operations, Maintenance and Administration (“OM&A”)

The following expenses are included in the calculation of lead days for OM&A expenses:

- **Payroll and Benefits** - this line item includes basic payroll, payroll withholdings, and benefit expenses related to the regulated utility. Alectra staff provided the breakdown of payroll, payroll withholding, and benefits expenses.
- **Consulting and Contracting Services** - this line item includes the provision of outside services to Alectra.
- **Miscellaneous OM&A** - this line item includes miscellaneous OM&A expenses unrelated to the procurement of outside services.
- **Prepayments** - this line represents payments that are paid for services in advance of receiving the service and are often made on an annual basis.
- **Property Tax** - this line item includes property tax payments to municipalities or taxing authorities in the Province of Ontario. These payments are typically made in installments.
- **Lease Payments** - this line item includes payments made on the properties Alectra uses for their operations.

Expense lead times were calculated individually for each of the items listed above and then dollar-weighted to derive a composite expense lead time of 26.07 days for OM&A expenses.

Table 7: Summary of OM&A Expenses (TME 2024-04-30)

Description	Amounts (\$M)	Lead Days	Weighting Factor	Weighted Lead Days
Payroll & Benefits	\$230.89	18.43	61.13%	11.26
Consulting and Contract Staff	\$46.09	62.46	12.20%	7.62
Miscellaneous OM&A	\$64.61	81.08	17.10%	13.87
Prepayments	\$28.19	-78.17	7.46%	-5.83
Property Tax	\$4.63	-51.51	1.23%	-0.63
Lease Payments	\$3.31	-24.85	0.88%	-0.22
Total	\$377.72		100.00%	26.07

3.2.1 Payroll and Benefits

In addition to basic and management payroll the following benefits were considered expenses for Alectra’s business:

1. Three types of payroll withholdings including the Canada Pension Plan, Employment Insurance, and Income Tax withholdings
2. Contributions made to the Alectra Pension Plan
3. Payments made to the Workplace Safety & Insurance Board (“WSIB”)
4. Payments made for the Employer Health Tax (“EHT”)

5. Group Health, Dental, and Life Insurance related administrative fees and claims.

When all payroll, withholdings, and benefits were dollar-weighted using actual payment data, the weighted average expense lead time associated with payroll and benefits was determined to be 18.43 days as shown in the table below.

Table 8: Summary of Payroll & Benefits Expenses (TME 2024-04-30)

Description	Amounts (\$M)	Lead Days	Weighting Factor	Weighted Lead Days
Payroll	\$116.46	14.77	50.44%	7.45
Payroll Withholdings	\$54.31	28.74	23.52%	6.76
Pensions	\$36.42	28.57	15.78%	4.51
Benefits	\$17.00	-2.20	7.36%	-0.16
Other Benefits	\$6.70	-4.44	2.90%	-0.13
Total	\$230.89		100.00%	18.43

3.2.2 Consulting and Contract Staff

Alectra engages consulting and contract staff to provide assistance in the areas of engineering, receivables management, accounting, and general consulting.

A dollar-weighted expense lead time of 62.46 days was determined based on a review of invoices rendered and payments made by Alectra in TME 2024-04-30.

3.2.3 Miscellaneous OM&A

This category of expense includes items such as product purchases, travel expenses, subscriptions and memberships, and provision of general services to Alectra. Based on transactions in Alectra's accounts payable system under this category, a dollar-weighted expense lead time of 81.08 days was derived.

3.2.4 Prepayments

Some of the services Alectra uses are paid for in advance. These include software license fees that are paid on an annual basis. A dollar-weighted expense lead time (lag) of (78.17) days was calculated from relevant transactions in Alectra's accounts payable system.

3.2.5 Property Taxes

Alectra makes property tax payments to various municipalities in installments. The dollar-weighted Property Tax expense lead (lag) time of (51.51) days was calculated.¹

¹Guidehouse used data for the calendar year 2022 to calculate the Property Tax lead day component as it was determined to be more reflective of normal activity than the twelve months ended 2024-04-30.

3.2.6 Lease Payments

Alectra leases office space to support its ongoing operations. Using actual invoices and payments for TME 2024-04-30, a dollar-weighted expense lead (lag) time of (24.85) days was determined.

3.3 Payments in Lieu of Taxes (“PILs”)

Alectra makes payments in lieu of taxes in installments to the relevant taxing authorities. Table 9 below summarizes the components of the PILs expense lead calculation.²

Table 9: Summary of Payments in Lieu of Taxes Expenses (2023)

Description	Costs (\$M)	Lead Days	Weighting Factor	Weighted Lead Days
PILs	\$9.23	-13.18	100.00%	-13.18
Total	\$9.23		100.00%	-13.18

3.4 Interest on Debt

Alectra makes interest payments on its long and short-term debt. In the case of long-term debt such payments are generally made twice a year. Short-term debt payments are made more frequently. Considering the various bonds and other long-term debt instruments, a dollar-weighted expense lead time of 27.01 days was determined for TME 2024-04-30.

Table 10: Interest Expense (TME 2024-04-30)

Description	Amounts (\$M)	Lead Days	Weighting Factor	Weighted Lead Days
Interest Expense	\$97.97	27.01	100.00%	27.01
Total	\$97.97		100.00%	27.01

3.5 Harmonized Sales Tax

The expense lead times associated with the following items that attract HST were considered in Alectra’s distribution lead-lag study.

1. Revenues
2. Cost of Power
3. OM&A

A summary of the expense lead times and working capital amounts associated with each of the above items is provided in the table below. Note that the statutory approach described at the

² Guidehouse used data for the calendar year 2023 to calculate the PILs lead day component as it was determined to be more reflective of normal activity than the twelve months ended 2024-04-30.

outset was used to determine the expense lead times associated with Alectra's remittances and disbursements of HST (*i.e.*, both remittances and collections are generally on the last day of the month following the date of the applicable invoice).

Table 11: Summary of HST Working Capital Amounts

Description	HST Lead Days	Working Capital Factor	Expenses Eligible (\$M)	HST Amount (\$M)	Working Capital (\$M)
Revenues	-5.56	-1.52%	\$4,375.46	\$568.81	-\$8.65
Cost of Power	46.35	12.66%	\$3,072.68	\$399.45	\$50.58
OM&A Expenses³	43.55	11.90%	\$146.83	\$19.37	\$2.27
Total			\$7,594.97	\$987.35	\$44.21

³ Costs within OM&A that attract HST include Lease Payments, Consulting and Contract Staff, Miscellaneous OM&A and Prepayments. These represent 38.87% of OM&A Expenses included in the study.

4. Working Capital Requirements

The table below summarizes Alectra's working capital requirements for the test year.

Table 12: Alectra Working Capital Requirements (Test Year TME 2024-04-30)

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	Expenses (\$M)	Working Capital (\$M)
Cost of Power	55.20	32.58	22.62	6.18%	\$3,072.68	\$189.84
OM&A Expenses	55.20	26.07	29.13	7.96%	\$377.72	\$30.06
PILS	55.20	-13.18	68.38	18.68%	\$9.23	\$1.72
Interest Expense	55.20	27.01	28.19	7.70%	\$97.97	\$7.54
Total					\$3,557.59	\$229.16
HST						\$44.21
Total - Including HST						\$273.37
Working Capital as a Percentage of OM&A incl. Cost of Power						7.92%

Attachment 2B-6

OEB Appendix 2-ZA and 2-ZB (2027)

Please see live Excel version

Attachment 2B-7

OEB Appendix 2-ZA and 2-ZB (2028)

Please see live Excel version

Attachment 2B-8

OEB Appendix 2-ZA and 2-ZB (2029)

Please see live Excel version

Attachment 2B-9

OEB Appendix 2-ZA and 2-ZB (2030)

Please see live Excel version

Attachment 2B-10

OEB Appendix 2-ZA and 2-ZB (2031)

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ADDITION OF PREVIOUSLY APPROVED ACM/ICM PROJECT ASSETS TO RATE BASE

Table 2-6-1 below, includes the OEB-approved ICM projects from Alectra Utilities' 2018 EDR Application (EB-2017-0024), 2019 EDR Application (EB-2018-0016), 2021 EDR Application (EB-2020-0002), 2023 EDR Application (EB-2022-0013), and 2024 EDR Application (EB-2023-0004). The table includes the in-service year, the OEB-approved amount and the actual capital spending for each OEB-approved ICM project. The table also includes the variance between the approved and actual capital project costs. Alectra Utilities has filed funding true-up calculations for each ICM project in Exhibit 9, Tab 3, Schedule 10 (Attachment 9-7 ICM True-up Model BRZ, Attachment 9-8 ICM True-up Model PRZ and Attachment 9-9 ICM True-up Model ERZ). Alectra Utilities confirms that the impacts of accelerated capital cost allowance (CCA) rule change associated with its ICM projects is recorded in Account 1592 - PILs and Tax Variances - CCA Changes.

Table 2-6-1: OEB-approved ICM projects

In-Service Year	Approved ICM Projects	Approved Project Costs	Actual Project Costs	Variance
2018	Leaking Transformer	8.4	7.0	(1.4)
2018	York MS - Civil Construction	2.2	2.5	0.3
2018	Road Authority YRRT - 2018	11.2	15.9	4.6
2018	Pleasant TS CCRA True Up	6.8	6.8	0.0
2019	Leaking Transformer - 2019	7.5	4.5	(3.0)
2019	Road Authority YRRT - 2019	13.3	25.4	12.1
2019	Bathurst Road Widening	5.5	2.8	(2.7)
2021	Goreway TS CCRA True Up	5.7	5.5	(0.1)
2021	Goreway Road Widening	2.1	2.4	0.3
2021	Rutherford Road Widening	2.9	3.1	0.2
2023	Cable Renewal	18.1	16.1	(2.0)
2024	Cable Renewal	17.3	13.9	(3.3)
Total		101.0	105.9	5.0

1 The total actual capital expenditures related to Alectra Utilities' approved ICM projects from
2 2018 to 2024 exceed the OEB-approved amounts by approximately \$5.0MM. Detailed variance
3 explanations for each ICM project are provided below.

4 2018 ICM Projects Variance Explanations

5 The actual capital amounts for the 2018 Leaking Transformer project were approximately
6 \$1.4MM lower than the approved amount. This variance is primarily attributable to some leaking
7 transformers being resolved through maintenance activities rather than replacements.

8 The actual capital amounts related to the York MS - Civil Construction exceeded the approved
9 capital amount by approximately \$0.3MM. This variance is primarily attributable to the additional
10 scope identified as necessary during the detailed design phase.

11 The actual capital amounts related to the 2018 Road Authority York Region Rapid Transit
12 (YRRT) were approximately \$4.6MM higher than the approved amount. This variance is
13 primarily the result of delays in placing assets in service in 2016 and 2017, which led to
14 increased in-service additions in 2018.

15 2019 ICM Projects Variance Explanations

16 The actual capital amounts related to the 2019 Leaking Transformer were approximately
17 \$3.0MM lower than the approved amount. This variance is primarily due to the number of
18 transformers replaced in 2019 being less than the original plan.

19 The actual capital amounts related to the 2019 YRRT were approximately \$12.1MM higher than
20 the approved amount. This variance is primarily the result of delays in placing assets in service
21 in 2016 and 2017, which led to increased in-service additions in 2019. The York Region Rapid
22 Transit Corporation (YYRTC), the road authority overseeing the YRRT project, was responsible
23 for the project schedule and sequence of work. Project construction delays resulted in the delay
24 in placing assets in service.

25 The actual capital amounts related to the 2019 Bathurst Road Widening were \$2.7MM lower
26 than the approved amount. The variance is due to a portion of the project being delayed and
27 completed in 2020, following a change in scope by the Region of York.

2021 ICM Projects Variance Explanations

The actual capital amounts related to the Goreway TS CCRA were \$0.1MM lower than the approved amount. This variance is attributable to the final invoice from Hydro One being lower than originally estimated.

The actual capital amounts related to the Goreway Road Widening were \$0.3MM higher than the approved amount. This variance is primarily due to delays in the work plan caused by the time required to obtain sidewalk permits from the City of Brampton.

The actual capital amounts related to the Rutherford Road Widening are \$0.2MM higher than the approved amount. This variance is primarily due to delays in the work plan resulting from concurrent Metrolinx construction in the area.

2023 ICM Projects Variance Explanations

The actual capital amounts related to the 2023 Cable Renewal were \$2.0MM lower than the approved amount. This variance is primarily due to reduced contractor costs following project replanning and schedule adjustments.

2024 ICM Projects Variance Explanations

The actual capital amounts related to the 2024 Cable Renewal are \$3.3MM lower than the approved amount. This variance is primarily due to reduced execution of cable injection work, driven by outage constraints—particularly in areas with large industrial customers where securing outage windows proved challenging. In addition, several project segments contained a higher-than-expected number of existing splices, which limited the amount of cable suitable for injection.

CAPITALIZATION

CAPITALIZATION POLICY

In accordance with section 2.2.9 of the Chapter 2 Filing Requirements, Alectra Utilities has filed a copy of its capitalization policy and identified any changes to its capitalization policy since its 2017 merger. Details on the alignment of its capitalization policy in 2017 is provided in the Background section below.

1. BACKGROUND

Alectra Utilities aligned its capitalization policy in 2017 as a result of the consolidation through which Alectra Utilities was formed, and as required under the International Financial Reporting Standards (IFRS) to align the capitalization policies for the Alectra Utilities rate zones. IFRS 10 Consolidated Financial Statements, states that uniform accounting policies have to be adopted for like transactions in a group of companies. Further, IFRS 3 Business Combinations prescribes that the accounting policies of the parties to the merger should align to the acquirer's policy. IFRS 3 provides guidance on identifying the acquirer by assessing the relative voting rights in the combined entity after the merger; the acquirer being the combining entity whose owners, as a group, receive the largest portion of voting rights in the combined entity.

For the predecessor companies that formed Alectra Utilities, PowerStream was the acquirer in accordance with IFRS 3 and IFRS 10. Consequently, Alectra Utilities adopted PowerStream's capitalization policy. In 2017, the capitalization policies of the former Enersource, Horizon Utilities and Brampton changed to conform to the capitalization policy of the acquirer (as identified by IFRS), the former PowerStream. In 2019, the capitalization policy of the former Guelph Hydro was changed to align to the capitalization policy of the former PowerStream.

In the 2018 EDR Application proceeding (EB-2017-0024), the OEB directed Alectra Utilities to establish Account 1508, Sub-account impact of Post-merger Capitalization Policy Changes to track the impact of the change to the capitalization policy. At the time of the merger, a detailed review of the accounting policies of the predecessor utilities was undertaken which primarily focused on overhead and indirect costs. The following tasks were completed as part of the detailed review:

- 1 • Review IFRS requirements in regards to Property, Plant and Equipment (PP&E),
2 Intangible Assets and Business Combinations
- 3 • Review OEB regulatory requirements in regards to cost capitalization; and
- 4 • Review each utility's legacy accounting policy including detailed analysis of the different
5 costs capitalized.

6 A summary of the identified changes are provided below.

7 Direct labour: The result of this change was that more salaries and benefits were allocated to
8 capital programs relating to network planning, standards, records and customer account set up.

9 Benefit Costs: The result of this change was that additional benefits such as post-retirement
10 benefits and safety wear were included in the pool of benefits and therefore allocated to capital
11 projects.

12 Material Handling Costs: The result of this change was that additional supply chain costs such
13 as the salary and benefits of stores personnel; small tools and depreciation of stores equipment
14 were allocated to all materials issued out from inventory and therefore allocated to capital
15 projects.

16 Fleet Costs: The result of this change was that additional fleet and logistics costs such as the
17 salary and benefits of fleet maintenance personnel; small tools and depreciation of fleet were
18 included in the fleet rate allocated to capital projects.

19 The change to the capitalization policy impacted the Enersource, Horizon, Brampton and
20 Guelph rate zones. The impact of the change resulted in more capitalization of costs for the
21 Enersource, Horizon and Guelph rate zones and less capitalization of costs for the Brampton
22 rate zone. For further details on the balances recorded in the capitalization policy account, refer
23 to Exhibit 9, Tab 3. Schedule 8.

24 **2. CHANGES TO THE CAPITALIZATION POLICY**

25 Alectra Utilities' Capitalization Policy aligns with IAS 16 Property, Plant and Equipment and IAS
26 38 Intangible Assets. Since 2017, the Policy was updated to provide more detailed guidance

- 1 regarding recognition of property, plant and equipment costs, along with new sections for
2 intangible assets (section 4.1 of the Policy) and cloud computing (section 4.2 of the Policy).
3 Other updates to the policy include:
- 4 • Expanded guidance on costs eligible for capitalization including labour, benefits,
5 materials, vehicle costs, third party services and borrowing costs;
 - 6 • Additional guidance and examples of costs not eligible for capitalization; and
 - 7 • Updates to the Definitions section of the Policy.
- 8 A copy of Alectra Utilities' capitalization policy is filed as Attachment 2B-11 to this Schedule.

Attachment 2B-11

Capitalization Policy

Corp-011: Capitalization Policy

Organization	Alectra Inc.	
Policy Owner	Finance	
Reviewed by	Executive Committee	May 1, 2023
Approved by	Audit, Finance and Risk Management Committee	May 17, 2023
To be reviewed by	CFO	June 1, 2026
Document Distribution	Policy Binder, Intranet	
This policy is for internal use only		

Note: The most up-to-date versions of all policies are posted on the Intranet under Policies & Procedures. Printed copies should not be relied upon to be the most current version.

1.0 APPLICATION

This policy applies to all employees of Alectra Inc. and its subsidiaries ("Alectra").

2.0 PURPOSE

This policy has been prepared in accordance with IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*.

Section 3	<u>Policy Statement – Property, plant, and equipment</u>
Section 4	<u>Policy Statement – Intangible Assets</u>

3.0 POLICY STATEMENT – PROPERTY, PLANT, AND EQUIPMENT

3.0 Property, plant, and equipment are tangible assets held for:

- use in the core business operation (e.g., distribution station equipment);
- administrative purposes (e.g., office buildings and computer equipment); or
- safety and environmental purposes (e.g., cost incurred on installation of bollards around pad mounted transformers or poles, spill containment at stations for larger transformers and Interphase spacers).

3.1 The cost of an item of property, plant and equipment will be recognized as an asset if and only if:

- it is probable that *future economic benefits* will flow to Alectra; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially recognized at cost. The cost of an item of property, plant and equipment includes:

- its purchase price including non-refundable taxes and import duties after deducting trade discounts and rebates (including volume rebates);
- directly attributable costs (refer to section 3.3); and
- The initial estimate of decommissioning costs (refer to section 3.3.7).

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management, at which point, capitalization ceases, and amortization starts.

- 3.2 Directly attributable costs are costs required to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g., initial handling and delivery cost, installation and assembly costs and cost of site preparation). The costs incurred need not be external or incremental to be directly attributable.

Incidental operations that occur before or during construction are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g., rental of parking space to a third party before the construction of an office building). The income and related expenses of incidental operations are included in their respective classifications of income and expense in the income statement. If an asset is purchased or constructed and can operate in the manner intended by management, but is not brought into use immediately, costs incurred while the asset is idle are expensed.

If a building is constructed on land that is leased, the depreciation of the right-of-use charged during the construction period should be capitalized as part of the cost of the building if the cost is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Certain specific costs and their eligibility for capitalization as property, plant and equipment are as follows:

3.3.1 Labour costs:

All directly attributable labour costs incurred to bring the asset to the location and operating condition are capitalized, using time sheets or other acceptable methods of allocation. Project Management costs are eligible for capitalization where the involvement of a project manager is integral to the timely completion and success of the project.

Labour and other costs incurred during a period where the construction of the asset is interrupted are eligible for capitalization only if:

- The interruption is temporary and is necessary to get the asset into its working condition; or
- The costs are an integral part of getting the asset into its working condition even though physical construction has been suspended.

3.3.2 Employee benefit costs:

Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant, and equipment are considered directly attributable costs. These costs include Canada Pension Plan ("CPP"), employers insurance, Workplace Safety and Insurance Board ("WSIB"), Employer Health Tax, OMERS, post-retirement benefits, employee health coverage and dental, life insurance, long-term disability ("LTD") premiums, Accidental Death and Dismemberment ("AD&D") insurance premium, public holidays, vacation, sick time, bereavement, union allowance and safety clothing. The cost of employee benefits for direct labour is charged to capital projects based on predefined rates while the cost of benefits for indirect labour is charged to capital projects through the burden pool.

3.3.3 Material costs:

Material costs include the cost of the materials consumed and the material burdens related to supply chain costs, which comprise the overhead charged on materials issued from the warehouse directly to a capital job. These costs are considered directly attributable and are capitalized. Examples of materials consumed include meters, transformers and poles etc. Examples of material burden include labour costs related to purchasing and stores, small items (open bin) and depreciation on major tools and equipment.

3.3.4 Vehicle costs:

All directly attributable vehicle costs incurred for construction activities are capitalized. A fleet rate is determined on an annual basis for each vehicle group with the objective to appropriately reflect all costs incurred in the operation and maintenance of each vehicle. These costs are pooled and when a vehicle is used for a capital project, an hourly rate is charged based on the type of vehicle used. Costs incurred on capital projects include, but are not limited to, fuel, labour, insurance, repairs and maintenance and related depreciation.

3.3.5 Third party costs:

Sub-contractor costs are directly attributable costs of bringing the asset to the location and condition necessary for it to operate in the manner intended by management and are captured from third party invoicing and accruals in the absence of an invoice.

3.3.6 Borrowing costs:

Borrowing costs incurred on the construction or acquisition of an asset are eligible for capitalization if (i) it is probable that the cost will result in future economic benefits; (ii) the cost is incurred on a qualifying asset (refer to 5.10), and (iii) the cost is directly attributable and can be measured reliably.

3.3.7 Decommissioning costs:

Costs to dismantle or decommission an asset are included at initial recognition as part of the cost of acquisition where (i) Alectra has a present obligation to dismantle or remove the asset; (ii) a reliable estimate of the cost is determinable; and (iii) it is probable that an outflow of resources will be required to settle the obligation.

3.3.8 Shared costs:

Shared costs incurred such as shared material, shared labour, employee benefits, fleet vehicles and depreciation of small parts during construction of capital projects are included in the burden pool. Burden pool costs are allocated to capital projects using a pre-determined rate. Burden pool cost components and the capitalization rates are reviewed annually.

3.4 Costs not eligible for capitalization:

The following costs are not included in the carrying value of an item of property, plant and equipment and are expensed when incurred:

3.4.1 Costs of test runs - Costs incurred on test runs are capitalized after deducting any income generated in the test runs. Costs incurred on pilot projects to assess the financial performance of the asset are expensed.

3.4.2 Finance costs – Finance costs are the difference in the price of an asset purchased on credit and its cash price. Finance costs are expensed.

3.4.3 General and admin costs (G&A) – G&A costs are incurred in the operation of a business and typically benefit the organization as a whole or areas of the organization more broadly and do not directly relate to bringing a physical asset to the location and condition necessary for it to be capable of operating in the manner intended by management. As a result, these costs are expensed. G&A costs include but are not limited to salaries and benefits of accounting, corporate management, depreciation of office equipment, insurance, office supplies, audit fees and subscriptions.

3.4.4 Other type of costs which are not eligible for capitalization and are expensed when incurred include the following:

- Penalties or fines paid
- Internal profits on materials consumed during construction
- Costs incurred for conducting business in a new location
- Startup and pre-operating costs
- Initial operating losses
- Cost of opening a new facility (e.g. - cost of feasibility studies)
- Advertising and promotional costs
- Training costs
- Costs of abnormal wasted material, labour or other resources incurred in self construction of an asset.

3.5 The cost of an item of property, plant and equipment acquired in a business combination is measured at its fair value at the acquisition date. The fair value of the acquired assets is measured assuming its highest and best use by market participants.

3.6 Subsequent reinstatement of property, plant and equipment, at a later date, for an expenditure that was originally charged to expense is prohibited.

4.0 POLICY STATEMENT – INTANGIBLE ASSETS

4.1 INTANGIBLE ASSETS (excluding cloud computing)

- 4.1.1 Intangible assets are non-monetary assets, without physical substance and are separable or arise from contractual or other legal rights. Intangible assets owned by Alectra are held for core business operations i.e.- energy distribution and provision of related services or for administrative purposes. Intangible assets are recognized when it is probable that future economic benefits attributable to the asset will flow to Alectra and the cost of the asset can be measured reliably.
- 4.1.2 The three critical attributes of an intangible asset are:
- identifiability
 - control (power to obtain benefits from the asset)
 - future economic benefits (such as revenues or reduced future costs)
- 4.1.3 An intangible asset is identifiable when it is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract) or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
- 4.1.4 An intangible asset can be generated either:
- through purchase (refer to section 4.1.5);
 - as an internally generated intangible asset (refer to section 4.1.6); or
 - through a business combination (refer to section 4.1.7).
- 4.1.5 Purchase of an intangible asset - The cost of an intangible asset acquired through purchase is the cash paid or the fair value of any other consideration given. If the intangible asset acquired is exchanged for non-cash consideration or the intangible asset is one of a group of items acquired, then the cost is estimated based on the fair value of the consideration exchanged. Directly attributable costs are included in the total cost of the intangible asset until the asset is in a condition necessary for it to be capable of operating in the manner intended by management, at which point, capitalization ceases, and amortization starts. Directly attributable costs for purchasing of an intangible asset include but are not limited to its purchase price, direct labour including employee benefits, professional fees arising directly from bringing the intangible asset to its working condition, the cost of a perpetual license, installation cost, testing cost, configuration and any customization costs.
- 4.1.6 If the consideration paid to obtain an intangible asset is variable, the carrying value of the asset is determined based upon the agreed minimum price, unless the change in the variable payment is a consequence of the utility of the asset. In that event, the variable payment can be included in the carrying value. For example, variable payments based on a license agreement that specifies that additional payments are based on a percentage of sales generated from the use of the license are capitalized.

- 4.1.7 Subsequent costs incurred on purchased intangible assets are assessed as per the original criteria for its eligibility to be recognized as an intangible asset. Typically, subsequent costs incurred relate to repairs and maintenance and are expensed.
- 4.1.8 Goodwill, brand, and customer lists that are internally generated are not eligible for capitalization. Other intangible assets are capitalized where it is probable that future economic benefits attributable to the asset will flow to Alectra and the cost of the intangible asset can be measured reliably.
- Commercially available software that is purchased and materially modified before being operationalized is classified as an internally generated intangible asset. Material modifications include, but are not limited to, changes in programming code, changes in database fields, and testing of modifications and any customizations. Eligibility for capitalization of these costs will depend on whether the definition of an intangible asset is met as per section 4.1.3.
- 4.1.9 Research costs are expensed.
- 4.1.10 Intangible assets acquired in a business combination are eligible for recognition when it is probable that future economic benefits attributable to the asset will flow to Alectra and the cost of the intangible assets can be measured reliably. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. The fair value of the acquired assets should be measured assuming its highest and best use by market participants.
- 4.1.11 Subsequent reinstatement of an intangible asset, at a later date, for an expenditure that was originally charged to expense is prohibited.
- 4.1.11 Development costs are capitalized only after technical and commercial feasibility of the asset for sale or use have been established. This means that Alectra must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. Where the research phase of an internally generated intangible asset cannot be differentiated from the development phase, the expenditure for that project is treated as if it were incurred in the research phase only.

The following costs are expensed regardless of the phase of development:

- costs incurred on post implementation support and system administration;
- applications maintenance, including annual software licenses;
- general management of infrastructure resources and cost of infrastructure support;
- costs relating to development of training material and training costs relating to the use of the new software;
- ongoing programming support to correct defects or for changes in legislation or modified business rules that do not constitute a significant enhancement to the software; and
- data conversion costs except for costs to obtain/develop data migration software (costs to obtain/develop data migration software are eligible for capitalization if there are future economic benefits associated with the use of the software and its cost can be measured).

4.2 CLOUD COMPUTING

4.2.1 Cloud computing arrangements are arrangements in which Alectra does not have possession of the underlying software used in the arrangement and instead accesses and uses software on an as-needed basis (e.g., through the internet or via a dedicated line). A cloud computing arrangement can only be capitalized if the arrangement allows Alectra to control the resource. Control is obtained if the following two conditions are met:

- Alectra has the power to obtain the future economic benefits flowing from the underlying resource; and
- Alectra can restrict the access of others to the underlying software.

4.2.2 Licensing agreements are typically cloud computing arrangements. Licensing agreements are eligible for capitalization where **all** of the following conditions are met:

- Alectra can take delivery of the software without incurring significant costs;
- Alectra can use the software separately without a significant diminution in utility or value;
- it is feasible for Alectra to run the software on its own hardware or contract with another party unrelated to the supplier to host the software;
- the cost is directly attributable; and
- the cost is reliably measurable.

The evaluation of the facts listed above is performed at the inception of the arrangement (or upon a modification of the arrangement) as the evaluation of whether an arrangement includes an intangible asset is based on the facts and circumstances when the arrangement is entered into (or modified).

4.2.3 Where the above conditions are not met, the contract only conveys to Alectra the right to receive access to the supplier's application software in the future and the contract is classified as a service contract. Service contracts are expensed, however, where Alectra pays the supplier before it receives the service, that prepayment gives Alectra a right to future service and is recognized as a prepaid asset.

5. DEFINITIONS

- 5.1. Carrying amount is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.
- 5.2. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized.
- 5.3. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
- 5.4. Internally generated intangible assets: Intangible assets are internally generated if developed in-house by Alectra staff or by an outside service provider on behalf of Alectra.
- 5.5. Indirect labour: Indirect labour costs refers to compensation paid to employees who directly work on a project but whose costs are recognized through the burden pool.
- 5.6. Future Economic Benefits: *Future Economic Benefits* involves the capacity of the asset to contribute directly or indirectly to future net cash flows.
- 5.7. Directly Attributable: *Directly attributable costs* refers to the costs that are incurred in order to bring a property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the management.
- 5.8. Day-to-day servicing costs: *Day-to-day servicing* costs are defined as the 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 property, plant and equipment.
- 5.9. Borrowing cost: *Borrowing costs* include interest expense, finance charges in respect of finance leases and foreign currency differences on foreign currency loans.
- 5.10. Qualifying Asset: A *qualifying asset* is an asset that needs a substantial period of time to get ready for its intended use.

1. OVERHEAD COSTS

This schedule provides a breakdown of Operations, Maintenance, and Administration (OM&A) expenses before capitalization, in accordance with section 2.2.9 of the Chapter 2 Filing Requirements. OEB Appendix 2-D (Overhead Costs) is attached to this Exhibit.

Changes since the last rate application are covered in Exhibit 9, Tab 3, Schedule 8 - 1508 Capitalization Policy.

1.1. BURDEN TYPES

Alectra Utilities' burden process ensures that direct costs that cannot be directly charged to the project are captured and properly allocated to the OM&A, capital, and recoverable projects based on predetermined rates.

The burden allocation methodology is compliant with IFRS, using guidance under IAS 16 - Property, Plant, and Equipment. The burden rates are used to allocate items that are directly attributable and exclude overhead to OM&A, capital, and/or recoverable work. The rates are reviewed annually to determine if the rates are at the appropriate levels in order to recover the costs. The annual review of rates uses the Financial Plan data to set the rates and is then subsequently reviewed monthly and quarterly. Refer to 1.2 for discussion on over/under absorption of costs.

Alectra Utilities has four categories of burdens: material, vehicle, benefit, and direct labour capitalization (DLC), described in more detail below.

1.1.1. Material Burden

The material burden recovers the cost of ordering and handling material. Materials costs include labour, open bin items, small tools, inventory adjustments, and freight. Labour costs allocated to the materials pool include direct salaries and benefits of the staff directly involved in transporting the materials to the stores warehouse and to the appropriate job sites (procurement, logistic inventory, and commodity) as tracked via timesheets. Depreciation is also recovered through the material burden, however, the recovery credit goes to depreciation and not OM&A.

1 The material burden rate is applied to the dollar value of inventory issued in a work order. This
2 helps to ensure that all material overhead fees are fully recovered and reflected in the direct
3 work program costs.

4 The material burden is charged on all inventory that is issued from the warehouse. It is applied
5 to capital, operating, and/or recoverable projects, via the applicable work order. The material
6 burden rate is set based on dividing the pool cost estimate as set in the Financial Plan by the
7 amount of inventories issued.

8 **1.1.2. Vehicle Burden**

9 The vehicle burdens (in dollar per hour of vehicle use) are developed for the purpose of
10 recovering the costs for operating vehicles. Fleet costs include repairs and parts, fuel costs,
11 labour, insurance, toll costs, licensing and GPS fees, vehicle washing, and small tools. Fleet
12 costs also include direct labour costs, and the associated benefits of the staff involved in rolling
13 stock maintenance (mechanics and other garage staff) as tracked via timesheets. Depreciation
14 is also recovered through the vehicle burden, however, the recovery goes to depreciation and
15 not OM&A.

16 Specific hourly charge-out rates are developed for major vehicle classifications based on
17 operating costs and expected utilization. The vehicle rates are multiplied by the number of hours
18 the vehicle was utilized on a work program based on vehicle timesheets. It is applied to capital,
19 operating, and/or recoverable projects, via the applicable work order. The vehicle rate applied to
20 the work activity is dependent on the classification of the vehicle used.

21 The vehicle rate is a fully burdened hourly rate calculated by dividing the total cost by the
22 estimated vehicle hours. The hours are calculated by a twelve month rolling average using
23 historical actuals. These rates are updated on an annual basis, initially set based on the cost
24 estimates as provided in the Financial Plan and adjusted for actuals during the year-end
25 process.

26 **1.1.3. Benefit Burden**

27 The benefit burden includes the employer's portion of the Canada Pension Plan, Employment
28 Insurance, OMERS Pension, Employer Health Tax, Workers Safety Insurance Board premiums,

1 post-retirement benefits, life insurance, and dental and medical benefits costs. The burden also
2 included items such as employee future benefits, safety costs, etc.

3 The benefit burden rates are applied to base wages based on characteristics that define the
4 various Alectra Utilities work groups. Alectra Utilities has five benefit burden rates (management,
5 student, contractor, outside union, and inside union).

6 The rate is applied to productive labour costs and calculated by dividing the costs (benefits, non
7 labour pool costs, and non productive time) by the productive salary.

8 **1.1.4. Direct Labour Capitalization Burden**

9 The DLC burden applies to capital only. The rate is developed to allocate salaries (base
10 compensation and payroll benefits) for employees that do not directly charge their time to capital
11 work but are directly involved in bringing assets to their intended use. Alectra Utilities engaged
12 Atrium Economics, LLC to support the process of evaluating the DLC Rate methodology (refer
13 to Attachment 2B-13 of this Exhibit). The DLC rate is established based on the results of a time
14 study and time survey to determine the amount of time spent by staff that is directly involved in
15 capital work. The study involved time-tracking over a six-week period for individuals. The survey
16 sets the allocation of labour dollars that need to be attributable to capital work. The DLC rate is
17 set based on the labour costs required to be allocated to capital work relative to the dollar value
18 of distribution capital expenditures.

19 The purpose of the DLC Rate Methodology is to ensure that the distribution capital projects are
20 being charged appropriately in accordance with the level of service being received from each
21 business unit for employees who directly support distribution capital projects and do not directly
22 charge time to a specific distribution capital project.

23 Alectra Utilities utilizes a DLC Rate to recover the directly attributable labour costs of capital
24 projects, which cannot be allocated directly to projects using timesheets.

25 The DLC rate is calculated by dividing the total cost (base compensation + payroll benefits) by
26 the eligible distribution capital. Unlike the vehicle, material, and benefit burden, the DLC burden
27 only applies to capital work orders.

1.2. OVER/UNDER ABSORPTION OF OVERHEAD COST

Overhead budgets are developed based on the assumption that overhead costs are fully absorbed. During the year, differences between actual work activity and budget assumptions for overhead cost may be over or under absorbed. Alectra Utilities conducts monthly monitoring to compare the actual work activity to the budgeted amounts. Allocation rates are reviewed on a quarterly basis with any over/under recoveries allocated to the balance of each open work order at the end of the reporting period and adjustments are made to the burden rates for the remainder of the year to target the recovery of the costs.

Attachment 2B-12

OEB Appendix 2-D Overhead Costs

Please see live Excel version

Attachment 2B-13

Atrium Economics DLC Study



**ATRIUM
ECONOMICS**
CENTERED ON ENERGY

Torys LLP on behalf of Alectra Utilities Corporation

Direct Labour Capitalization

May 15, 2025



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1 Introduction

Torys LLP (“Torys”) on behalf of Alectra Utilities Corporation (“Alectra”) retained Atrium Economics, LLC (“Atrium”) to support the process of evaluating and updating Alectra’s Direct Labour Capitalization (“DLC”) Rate Methodology (“DLC Rate Methodology”) used to allocate directly attributable capital costs to capital projects, for those individuals that do not utilize time sheets. This report summarizes the work completed and conclusions to support Alectra’s planned distribution rate application to the Ontario Energy Board (“OEB”) for the 2027-2031 period.

Alectra utilizes a DLC rate to assign directly attributable labour costs to capital projects for employees who do not complete timesheets. The DLC Rate is a mechanism designed to charge time to capital activities for employees who are unable to allocate their time to individual projects/work orders due to the nature of their work and/or because they contribute time on numerous projects.

The DLC Rate Methodology encompasses the processes for developing the DLC Rate, applying the DLC Rate to capital projects, monitoring the DLC Rate, and adjusting the DLC Rate as needed. To determine the DLC Rate, Atrium developed a time study to track individual employees’ time spent between Operations, Maintenance, and Administrative (“OM&A”) activities and capital project activities. The study involved time-tracking over a six-week period for individuals across specific Department Business Units relating to Operations, Asset Strategy, Network Metering, and Customer Service. In addition, the Control Room completed a time survey to determine the percentage of work directly attributable to capital projects based on a review of work packages specifically relating to capital projects. Collectively, the time study and time survey are referred as the “Study” in this report). Once the Study was complete, the results were utilized to determine an appropriate DLC Rate, which can be applied to the capital projects to allocate a portion of direct labour costs to capital.

The purpose of this report is to provide guidance on the principles and best practices for capitalizing and allocating directly attributable labour costs to capital projects undertaken during a given period. Additionally, this report will review Alectra’s current DLC Rate Methodology, provide an overview on the Study design and execution, and provide Atrium’s recommendations on an appropriate DLC Rate Methodology. Alectra’s existing DLC Rate Methodology is based on legacy PowerStream practices, which was the largest of the predecessor companies. We understand that the current methodology was described in the 2012 PowerStream application for 2013 rates and approved by the OEB.

International Financial Reporting Standards (“IFRS”)

Under IFRS, guidance on overhead capitalization is governed by International Accounting Standard 16, Property, Plant and Equipment (IAS 16). Below are key points of IAS 16 - Property, Plant and Equipment:

1. **Directly Attributable Costs:** Only costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management can be capitalized. This includes costs such as employee benefits, site preparation, delivery, and handling.
2. **General Overhead Costs:** General administrative and other indirect overhead costs are typically not capitalized. These costs should be expensed as incurred unless they are directly attributable to the construction or acquisition of the asset.
3. **Avoidable Costs:** Overhead costs that would have been avoided if the specific asset had not been constructed or acquired can be capitalized. This includes costs like specific project management fees.

Alectra’s Finance team evaluated and provided the mapping of activities to OM&A and Capital based on an assessment of IAS 16 (see Section 3 for definition of activities). These tasks are directly attributable and exclude overhead. Alectra staff involved in the Study are not considered overhead staff but rather are directly involved in capital projects. Atrium relied upon the mapping of tasks and employee groups selected by the Finance team for purposes of conducting the Study.



Guiding Principles and Best Practices

Capitalization of Directly Attributable Costs

Methodologies for capitalization of directly attributable costs address a set of formal, objective criteria that speak to company and policy objectives. Atrium reviews methods of capitalizing directly attributable costs using the following guiding principles which support an effective and credible method:

- **Defensible Cost Causation:** To conform to IFRS accounting guidelines, the methodology should show a direct causal link between directly attributable costs and capital labour activity.
- **Distinguishable From Directly Charged Capital Costs:** The directly attributable costs must be distinguished from those that are directly charged to capital via time sheeting (i.e., no duplication of costs).
- **Transparency:** The methodology and calculations should be easy to follow and to understand by internal users and by external observers.
- **Freedom From Bias:** The methodology should not contain a bias in the allocation of costs toward either operating or capital activities or provide for unnecessary flexibility, which may introduce bias.
- **Stability:** The methodology should remain stable from year-to-year and not result in disproportionately large variations from year-to-year that do not reflect changes in the level of capital projects or the level of directly attributable costs.
- **Accuracy of Underlying Data:** Any data used in the methodology should be accurate and able to be relied upon for the purposes intended (i.e., provide an appropriate measure and reasonable approximation of the underlying volume of activity or output).
- **Flexibility/Adaptability:** The methodology should accommodate changes in organizational structure, availability of data, business processes, and information systems with reasonable ease. Where possible, the method should adjust for changes in circumstances.
- **Cost-effectiveness:** In evaluating different methodologies, ensure that they are cost-effective to implement. Additional accuracy may require significant additional cost, and thus an appropriate balance is required between precision and cost; both implementation costs and on-going costs.
- **Reasonableness of Assumptions:** There is balance between dozens of small assumptions that may introduce error and a single larger assumption that may be imperfect. Often, hundreds of small assumptions can provide an appearance of precision, while more broad assumptions will provide the same level of accuracy.



2 Alectra's Labour Burden Pool Methodology

The purpose of the DLC Rate Methodology is to ensure appropriate costing of distribution capital projects, by allocating directly attributable labour costs, for employees who do not complete timesheets but directly support distribution capital projects, to these capital projects.

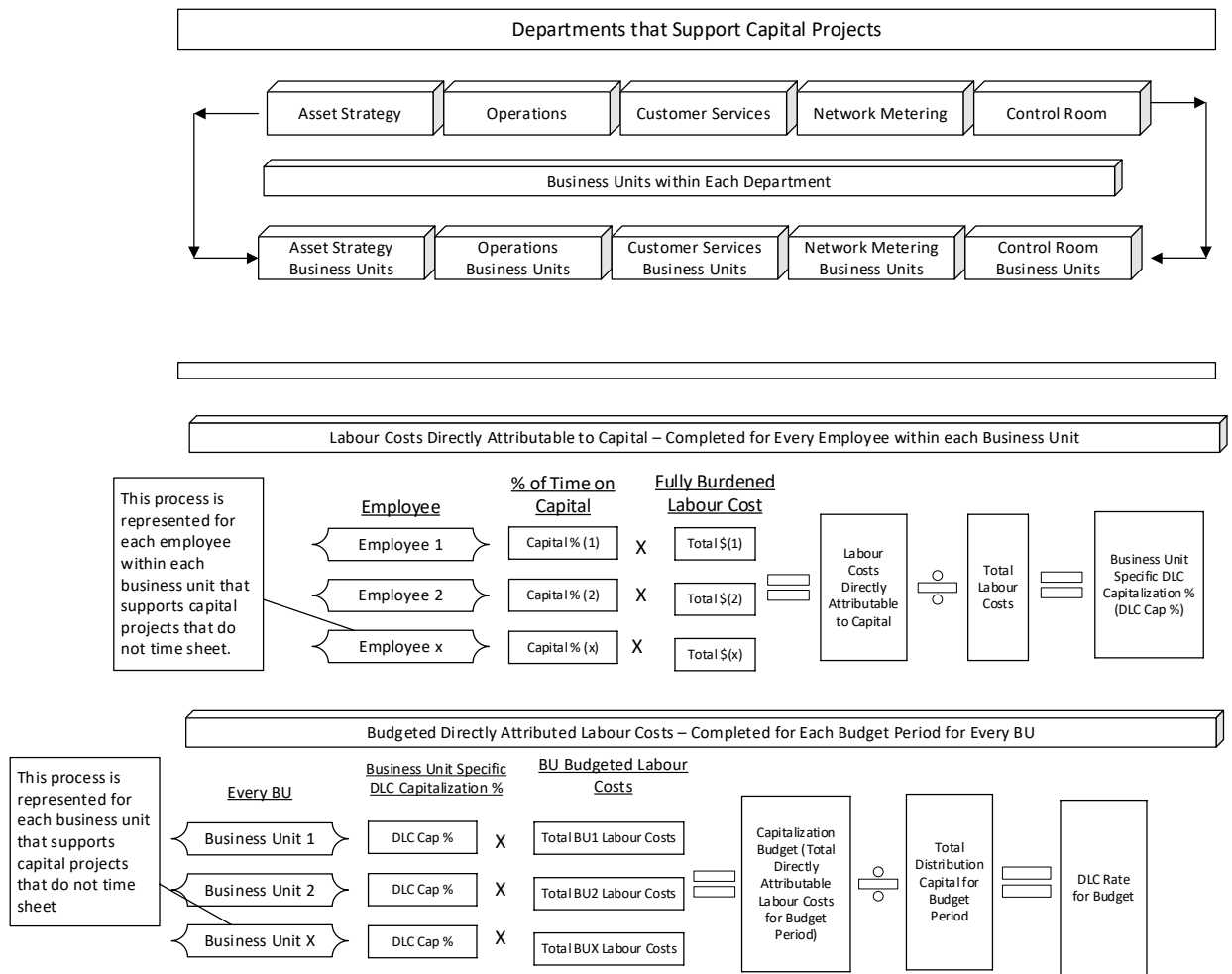
Alectra utilizes a DLC Rate to recover the directly attributable labour costs of capital projects, which cannot be allocated directly to projects using timesheets. The DLC Rate applies to the following Business Unit Departments and roles:

- Asset Strategy (Manager, Supervisors, and Engineers. Examples in this area include Design Managers and Supervisors for Customer Capital, ICI & Layouts, Planned Capital, and Subdivisions. It also includes Engineers for a variety of areas, such as, Planning, Capital Investment Planning, Reliability, and Asset Condition Assessment)
- Operations (Managers, Supervisors, Engineers & Technologists, and Coordinators. Examples in this area include Managers and Supervisors of Lines, Mapping Technicians & Technologists, multiple positions to Support Program Delivery, Station Design & Sustainment, Records & Mapping Services)
- Customer Services (New Connection Clerks and Supervisor to support new customer connections)
- Network Metering (Director, Manager, Supervisors, and Specialists. Examples in this area include Supervisors, Specialists for Meter Data Management and Meter Records Clerk. The Supervisor, Manager and Directors for meter services and retail metering)

In addition to these four business units, Alectra identified Control Room employees that spend time on distribution capital projects. Control Room system controllers, system operators, and system planners are required to monitor and approve work on the distribution system. The Control Room has not historically been included in the development of the DLC Rate. The inclusion of the Control Room in the Study is further described below.

The process of developing the DLC Rate that is applied to each budget year is presented in Figure 1 below.

Figure 1 – Development of DLC Rate for Each Budget Year



As indicated, the DLC process is the methodology for allocating labour costs from operating to capital for employees that don't use the traditional time sheeting process. These employees are represented in Figure 1 above and included in the DLC Labour Burden Cost Pool. The employee labour burden cost is then multiplied by the percentage of time on capital to determine the labour costs of employees directly attributable to capital (eligible for capitalization). The percentage of time is based on results of the time study and time survey that was conducted for each business unit that support distribution capital projects. These percentages are then applied to the total labour costs for the business unit to calculate a Business Unit Specific DLC Capitalization %.

The Business Unit Specific DLC Capitalization % is then applied to the Business Unit ("BU") fully burdened cost to determine the amount to be allocated to distribution capital projects. This amount, which is the directly attributable labour costs for the budget period, is then expressed as a percentage of the total distribution capital projects for the budget period (the "DLC Rate").

Once the DLC Rate is set for a budget year it is applied to each capital project (e.g., if the DLC Rate was 11%, each applicable capital project would incur a directly attributable labour charge of 11% of direct capital costs). Alectra conducts monthly monitoring to compare the actual recovery of directly attributable labour costs to the budgeted amounts. Allocation rates are reviewed on a quarterly basis with any over/under recoveries allocated to the balance of each open work order at the end of the reporting period and adjustments are made to the DLC Rate for the remainder of the year to target the recovery of the directly attributable labour costs.

3 Time Study Scope and Approach

Methodology for Time Study

The Atrium project team conducted the Study over a 6-week period. Atrium designed the study approach and utilized a web-based time tracking system to allow each individual to record time spent throughout each working day. The Alectra team aided in providing the list of specific users and Activity Level Tasks to be included in the Study and facilitated meetings between Atrium and Single Points of Contact (“SPOCs”) for each Business Unit Department. Atrium also conducted several training sessions to ensure each participant understood the process and was able to access and record time in the web-based time tracking system.

The web-based time tracking system was set-up to capture time daily by all individuals within the relevant business units and then further broken down by investment activity and task. Initial interviews were conducted with SPOCs to establish a list of tasks (Activity Level Tasks) for each business unit which were then assigned on an OM&A or Capital activity level basis. Alectra’s Finance department performed a review of the identified Activity Level Tasks to confirm tasks were correctly assigned as Capital or OM&A based on interviews with impacted staff and descriptions provided. Restrictions were set-up in web-based time tracking system so an employee could not record time to tasks outside of their assigned Department and Business Unit. Daily timesheets were completed by all individuals and SPOCs were responsible for reviewing the data for completeness and accuracy on a weekly basis.

Definition of Activities

- OM&A – Operations, Maintenance, & Administrative activities are initiatives directed towards existing assets and are incurred to maintain the existing capability of the distribution system so that it continues to function as originally designed. Additional administrative activities, including obtaining training and general health and safety requirements, are included as OM&A.
- Capital – Capital activities are initiatives directed towards creating new assets or building upon / improving existing assets.
- Other – These activities are not allocated to Capital or OM&A, but allow an individual to fully document their work week, e.g. away due to illness, injury, accident or vacation; or performing affiliate tasks that do not involve the distribution utility and are recovered through Alectra’s affiliate cost allocation methodology.

Capital Activity-Level Tasks include, but are not limited to, capital tasks related to new service connections, service upgrades, design documents, meter planning, design, communications on installations, station upgrades, and capital work order management.



OM&A Activity Level Tasks include financial management related to design projects, training, hiring and human resource/people matters, customer engagement, service upgrades, disconnect/reconnect not involving new assets, application implementation, continuous improvement, and general reporting and statistics.

At the conclusion of the study, Atrium conducted interviews with each SPOC to review the results of each business unit and project department in order to validate:

- Review results at the position level to determine sufficient participation.
- The 6-week study was representative of each team's time spent on activities across the entire year.
- What, if any considerations should be made or documented related to this 6-week time period (e.g., significant vacancies, differences in typical workloads, special projects)?
- For those positions that were vacant during the time study, determine an appropriate methodology for assigning capitalization estimates (e.g., similar positions and/or management insights).



4 Time Study Findings and Results for the DLC Pool

This section reports the Time Study results for the Business Units that comprise the total 2025 directly attributable capital costs.

Each week, results were reviewed by Atrium as well as each SPOC for accuracy and to determine sufficient participation. The figures below represent overall participation levels for each Business Unit Department as well as Activity Level time charging results. Vacant positions and positions added after the study were excluded from the overall participation results presented below. Atrium notes participation rates are sufficient to yield appropriate data for the development of the DLC rate and are similar with other time studies conducted by Atrium.

Figure 2 - Time Study Results - Participation

Cumulative - # of Employees			
Project (Department)	Complete	Incomplete	% Complete
Asset Strategy - Asset Management	114	0	100%
Asset Strategy - Distribution Design	122	10	92%
Asset Strategy - Standards	76	2	97%
Network Metering	90	0	100%
Operations - Centralized Operations	303	15	95%
Operations - Lines	264	30	90%
Operations Lines - PDG	51	9	85%
Customer Service - Customer Connections	76	2	97%
Control Room/System Control	Not included in study, see discussion below		
Total	1096	68	94%

At the completion of the 6-week study, hours recorded were summarized by Activity Level type. Time recorded to distribution capital projects was divided by total hours (excluding Paid Time Off "PTO") to calculate an overall DLC % by employee. See Figure 3 below for results.



Figure 3 - Study Results

Cumulative - Total Recorded Hours						
Project (Department)	Capital Projects	OM&A	Other	Total	Total (excluding PTO)	Capitalization Pool %
Asset Strategy - Asset Management	3,010.05	587.46	422.50	4,020.00	3,597.50	84%
Asset Strategy - Distribution Design	3,386.87	768.83	520.50	4,676.20	4,155.70	81%
Asset Strategy - Standards	285.00	2,229.00	425.00	2,939.00	2,514.00	11%
Network Metering	2,035.77	654.13	550.10	3,240.00	2,689.90	76%
Operations - Centralized Operations	4,252.15	6,019.94	1,442.00	11,714.09	10,272.09	41%
Operations - Lines	4,560.90	4,895.35	1,265.00	10,721.25	9,456.25	48%
Operations Lines - PDG	647.50	1,008.01	223.50	1,879.01	1,655.51	39%
Customer Service - Customer Connections	1,032.00	1,162.84	562.76	2,757.60	2,194.84	47%
Control Room/System Control	Not included in study, see discussion below					
Total	19,210.24	17,325.56	5,411.36	41,947.15	36,535.79	52.58%

Discussed below, a select number of positions were not included in the 6-week time study, and therefore are not represented in the participation and time analysis summary above. The recommended DLC Capitalization Allocation % for these departments are included in the final results detailed below.

Based on time study results, there were a number of positions that required further consideration for recommended DLC %.

1. *Vacant Positions* - During the study period, there were a number of vacant positions for which results could not be gathered¹. Based on discussions with SPOCs and review of the DLC results for similar positions, Atrium was able to recommend a DLC capitalization % for these positions.
 - One vacant position was identified that will be a contract position going forward. Atrium recommends that this position be eliminated from the Labour Burden Pool.

¹ Twenty vacant positions, representing 9% of positions included in the time study.

2. *Outliers* – Based on time study results, there were a few positions that presented results not typical of an average Capital/OM&A split if extrapolated over an entire year and were considered outliers. Examples include high amounts of Paid Time Off over the 6-week study, employees working on a specific project not representative of typical workload, time spent learning a new position, etc. Atrium reviewed these outliers and based on post-time study discussions with SPOCs and historical averages, was able to apply an appropriate Capitalization % to these positions.²
3. *Business Unit Positions Added* - Upon completion of the time study, additional positions within the Records & Mapping Services and Network Metering Business Units were requested by Alectra to be included in the Burden Pool. Additionally, the Control Room Business Unit and related union positions were requested to be included in the DLC Labour Pool. Atrium met with SPOCs and reviewed documentation provided by the Finance Department, ultimately determining it was appropriate to include these positions in the DLC Labour Pool.

To determine an appropriate DLC Capitalization % for the additional positions as well as the addition of the new Business Unit into the study, the following methods were utilized:

- Operations - Records and Mapping – Five Student co-op positions were added and DLC recommendations were set similar to the established Mapping Technologist position.
- Network Metering – Ten new positions were determined to be eligible for the DLC Labour pool. Management in Network Metering estimated the allocation to capital via an internal time survey, and the allocation to capital was calculated for these positions.

² Five positions considered outliers, representing 2% of positions included in the time study.

- **Control Room (System Control)** – The Control Room Business Unit was not included as part of the initial time study. Subsequent to the initial study being complete, Alectra determined that a number of System Control union positions should be included in the DLC Labour Pool given the direct relationship between the work being performed on distribution capital projects under the direction of System Control. Atrium met with the Control Room management team to gain an understanding of the nature of the business unit and why a portion of the System Control labour costs should be allocated to capital. Management provided Atrium with a sound explanation of the rationale for inclusion of costs in the pool; and, Atrium observed that this rationale was based on Management’s close understanding of the day-to-day functions of this Business Unit and related positions and how, and to what extent, they support the distribution capital projects. The Control Room conducted a time survey for Control Room Operators in order to determine the percentage of work directly attributable to capital to inform their DLC Capitalization %. The Control Room began by evaluating work orders completed over a 12-month period that were directly attributable to Capital work vs. OM&A work. An average time per work order was determined to calculate the total number of hours spent supporting distribution capital projects. This was then divided by the number of total System Control hours to inform the DLC Capitalization % for the Control Room.

Final Time Study Results

Based on the Study, the recommended Capitalization results are presented in Table 1 below. A summary of the capitalization % that will make up the DLC Pool for each Business Unit and Position can be found in Appendix A.

Table 1 - Time Study Results - % Splits

	Recommended Capitalization Allocation %	Previous Capitalization Allocation %
Capital	51.93%	42.84%
OM&A	48.07%	57.16%

Atrium notes based on discussions and review with Alectra, the previous Capitalization % were inherited from legacy PowerStream in 2017 and updated during the budget process based on management expertise. The Study was initiated to provide an updated set of DLC % rates and methodology for Alectra.

2025 Recommended DLC Pool Calculation

The following table presents the summarized results of the DLC Pool based on the time study results and Atrium's recommended Capitalization % for each BU position. The process is shown in Table 2 below.

Table 2 - Labour Burden Pool Capitalization Calculation

Line No.	Item	Calculation	Notes/Description
1	2025 Labour Burden Budget Pool	\$54.68MM	
2	Previous Capitalization Allocation%	42.84%	
3	2025 Budget under previous %	\$23.43	Line 1 * Line 2
4	Recommended Capitalization Allocation % (per study results)	51.93%	
5	Recommended Capitalization Budget \$(per Study results)	\$28.39MM	Line 1 * Line 4 (assumes vacant positions are filled)
6	Distribution Capital	\$240.58MM	
7	DLC Rate	12%	Line 5 Divided by Line 6

Atrium's recommended Labour Burden Capitalization results indicate that \$28.39 million of costs from the eligible BU positions should be capitalized in 2025. This compares to \$23.43 million based on the previous capitalization rates, a \$4.97 million impact to capital. The addition of the Control Room into the Labour Pool is one of the main drivers of the increase in directly attributable capital costs. See Appendix A for detailed results at the Business Unit level. Next, the Capitalized amount is divided by the Distribution Capital amount to calculate the DLC Rate of 12%. These amounts are subject to change based on the amount of eligible capital spend and costs in the pool. Atrium notes this is an appropriate methodology for setting the DLC Rate.



5 Summary of Atrium's Findings and Recommendations

Findings and Recommendations

Summary of Atrium's findings and recommendations are follows:

1. The Study results are fair, accurate, and appropriately represents the level of time spent by employees between OM&A activities and capital project activities. This finding is based on time study results, time surveys, and interview results with SPOCs. Time studies, time surveys, and interviews with key employees are common and accepted methods by regulators across North America for determining levels of directly attributable capital costs.
2. The results of the Study produced a higher level of directly attributable capital costs than what Alectra is currently reporting under its current DLC Rate. Atrium notes the addition of the Control Room into the DLC Labour Pool is one of the main drivers behind the increase in directly attributable capital costs.
3. The DLC Rate Methodology is an appropriate method to develop the DLC Rate, apply that rate to capital expenditures, monitor the DLC Rate, and adjust the DLC Rate as needed.
4. Each year Alectra's Finance Department, or appropriate group, should review the DLC Rate Methodology to determine if an updated Study is required to inform the DLC Labour Pool.
5. For future time studies it would be beneficial to discuss when to administer the time study during the year, as well as implementing a rolling time study for some groups (i.e. not having to do all groups over the same designated time study period).
6. Alectra should continue training of employees relating to direct time sheeting and the process of the DLC Rate Methodology. This will help ensure that a direct time-based approach is used for those costs that can be directly charged to specific distribution capital projects and employees understand how non-directly charged time is recovered from distribution capital projects.

Appendices

Appendix A – Time Study Results by Business Unit 16



Appendix A – Time Study Results by Business Unit

Business Unit	2025 Labour Pool Budget	Previous Capitalization %	2025 Budget using previous % (Capital \$)	Recommended Study Capitalization %	2025 Budget Study Results (Capital \$)	Variance
Asset Sustainment	\$ 1,235,240	84%	\$ 1,033,738	79%	\$ 972,377	\$ (61,362)
Capital Investment Planning	\$ 950,903	80%	\$ 760,722	99%	\$ 940,370	\$ 179,648
Customer Capital	\$ 1,232,916	70%	\$ 863,041	71%	\$ 869,743	\$ 6,702
Distribution Standards	\$ 1,916,806	0%	\$ -	13%	\$ 255,943	\$ 255,943
Key AccountsNew Connections	\$ 1,754,270	72%	\$ 1,263,074	53%	\$ 922,638	\$ (340,436)
Layouts and ICI	\$ 1,834,420	70%	\$ 1,284,094	90%	\$ 1,650,978	\$ 366,884
Network Metering	\$ 5,436,061	51%	\$ 2,776,845	72%	\$ 3,891,793	\$ 1,114,949
OH Mtce & Construction Central - North	\$ 1,414,788	60%	\$ 848,873	54%	\$ 762,137	\$ (86,735)
OH Mtce & Construction Central - South	\$ 2,433,298	60%	\$ 1,464,289	55%	\$ 1,346,428	\$ (117,861)
OH Mtce & Construction East - North	\$ 818,634	58%	\$ 474,808	65%	\$ 535,005	\$ 60,197
OH Mtce & Construction East - South	\$ 2,440,758	62%	\$ 1,513,270	38%	\$ 933,332	\$ (579,938)
OH Mtce & Construction SouthWest - Guelph	\$ 816,384	50%	\$ 408,192	45%	\$ 366,419	\$ (41,773)
OH Mtce & Construction West - St. Catharines	\$ 821,053	63%	\$ 517,264	66%	\$ 540,292	\$ 23,029
OH Mtce & Construction West Hamilton	\$ 2,043,281	63%	\$ 1,287,267	54%	\$ 1,108,601	\$ (178,666)
Planned Capital	\$ 1,747,842	70%	\$ 1,223,489	83%	\$ 1,447,180	\$ 223,691
Program Delivery	\$ 2,021,671	60%	\$ 1,216,149	43%	\$ 875,658	\$ (340,491)
Protection and Control	\$ 833,449	31%	\$ 260,870	21%	\$ 178,402	\$ (82,467)
Records & Mapping Services	\$ 4,886,190	45%	\$ 2,223,086	39%	\$ 1,902,853	\$ (320,232)
Reliability	\$ 878,305	80%	\$ 699,612	65%	\$ 568,472	\$ (131,139)
Station Design	\$ 1,859,306	70%	\$ 1,301,514	59%	\$ 1,099,010	\$ (202,504)
Station Sustainment	\$ 1,221,099	27%	\$ 329,697	12%	\$ 142,892	\$ (186,804)
Subdivision Design	\$ 1,017,910	70%	\$ 712,537	75%	\$ 768,193	\$ 55,656
System Control	\$ 13,781,237	0%	\$ -	38%	\$ 5,236,870	\$ 5,236,870
System Planning & Optimization	\$ 1,285,091	75%	\$ 963,818	84%	\$ 1,078,892	\$ 115,074
Grand Total	\$ 54,680,909	42.84%	\$ 23,426,247	51.93%	\$ 28,394,481	\$ 4,968,234

