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December 19, 2025

via RESS

Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Suite 2700
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Elexicon Energy Inc.
2027-2031 Custom Rate Application
OEB File No: EB-2025-0312

Please find attached Elexicon Energy's 2027-2031 Custom Incentive Rate-Setting Application for electricity distribution rates and charges. The application and supporting evidence are being filed electronically using the Ontario Energy Board's Regulatory Electronic Submission System (RESS).

A request for confidential treatment for certain information will be submitted under a separate cover letter, in accordance with the OEB's *Rules of Practice and Procedure* and *Practice Direction on Confidential Filings.*

This application is respectfully submitted in accordance with the prescribed filing guidelines and requirements as outlined by the OEB.

Elexicon's primary contact for this application is Erin Stevens, Director, Regulatory Affairs. Please contact Erin by e-mail at estevens@elexiconenergy.com if you have any questions.

Sincerely,

DocuSigned by:
Stephen Vetsis
9BD249B1E5DC4D7...

Stephen Vetsis
Vice President Regulatory Affairs and Stakeholder Relations
Elexicon Energy Inc.

cc: Charles Keizer, Daliana Coban, Erin Stevens

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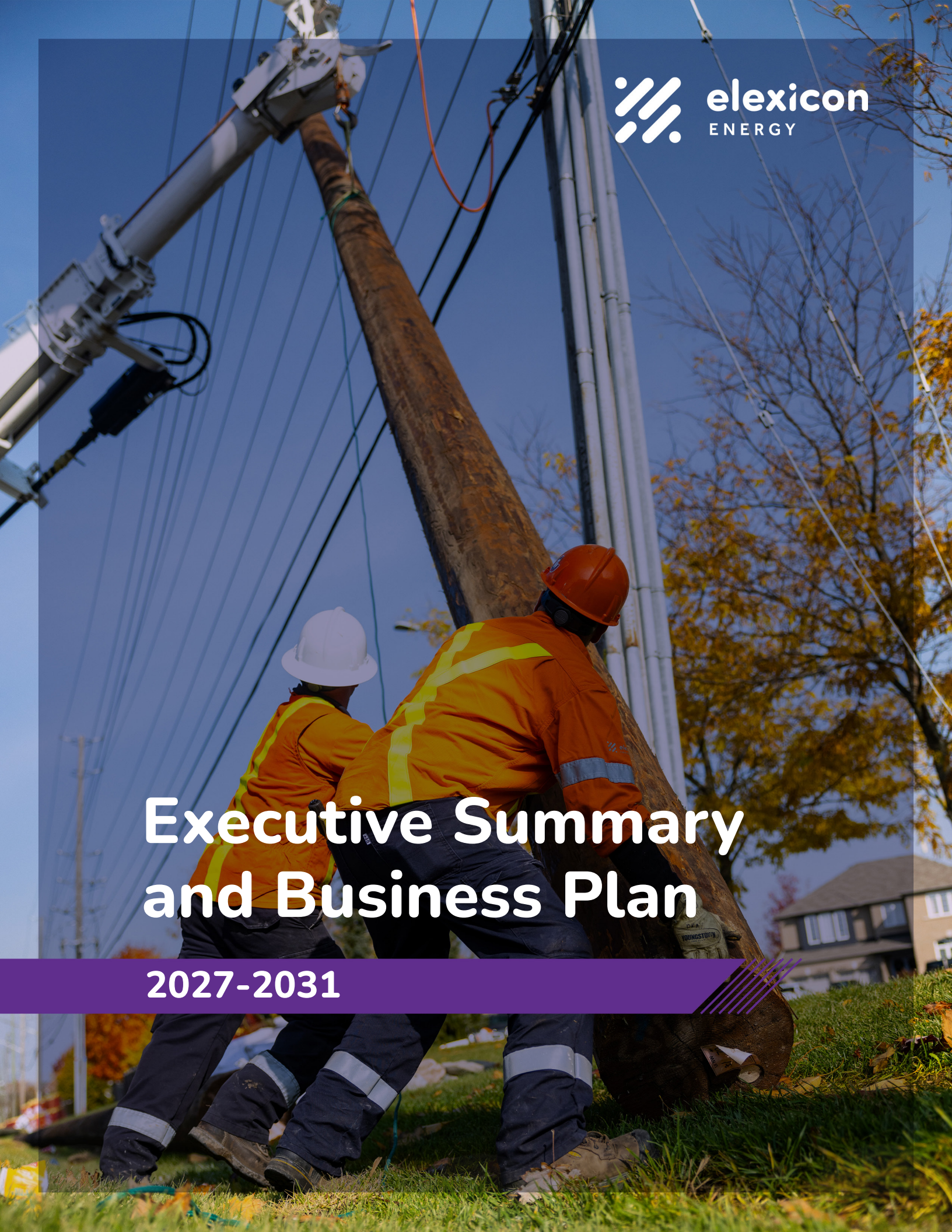

elexicon ENERGY

Executive Summary and Business Plan

2027-2031

EXECUTIVE SUMMARY AND INVESTMENT PLAN OVERVIEW

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1. INTRODUCTION TO ELEXICON'S 2027-2031 BUSINESS PLAN

Elexicon Energy ("Elexicon") is pleased to present its 2027-2031 Business Plan ("Plan"), which contains approximately $1.2B in priority investments that are urgently needed between 2027 and 2031 for Elexicon to continue to deliver safe and reliable electricity service to its more than 180,000 customers and keep up with demand in the some of the fastest growing communities in Ontario.

In addition to the fundamental sector-wide change in electricity demand as a result of overall economic growth and electrification, Elexicon's historical customer and load growth has already been 75% higher the provincial historical average and is expected to only further accelerate. Over 2027-2031, Elexicon is projected to be the fastest growing large utility in the province. This demand is driven by residential expansion, new commercial/industrial and manufacturing development, major infrastructure projects, as well as the emergence of data centres. Much of the capacity available in Elexicon's system has been fully utilized, and Elexicon needs to make investments now to ensure its grid and operations can serve these significant customer and load growth requirements, while also addressing other major challenges, including: aging and deteriorating infrastructure (driving declining reliability performance), the rise of cyber threats, changing customer behaviours around electricity use (e.g. electric vehicles and heat pumps), more frequent and severe weather events, and macroeconomic conditions. The impact of Elexicon's aging and poor condition assets is driving unacceptable reliability performance that will worsen without investment. Over the past five years, Elexicon has seen an increase in both the total number of customer interruptions and the total number of customer hours of interruption per year (excluding major event days, or "MEDs," related to weather). Defective equipment is the largest contributor to customer hours of interruption ("CHI"),[1] and CHI due to defective equipment and has more than doubled between 2020 and 2024. Elexicon has also experienced significant storms which damage equipment and underscore the need to increase investment in ensure the grid is resilient for the future.

Customers have told Elexicon that they expect the utility to make the necessary investments to tackle these priorities, while also maintaining reasonable electricity prices and ensuring service quality

[1] Excluding MED and Loss of Supply (i.e. upstream power on the transmission system).

outcomes. Elexicon's Plan is responsive to what customers have told the utility they expect, setting out the minimum level of investment needed to ensure both grid reliability and resiliency as well as ensure that the grid can meet current and future electricity demand. To deliver on these priorities, Elexicon must invest both directly in the grid as well as in its operational foundations – workforce, technology, and processes – needed to effectively and efficiently deliver safe, reliable, resilient electricity and serve its customers in alignment with their expectations and priorities. Elexicon's investment needs have already required the utility to steadily invest at levels above what's funded in rates, which customers are receiving the benefit of.

Elexicon asked for input broadly from its customers, and received feedback from nearly 14,000 customers. This customer feedback was used by Elexicon's planning and operating experts to identify programs and projects necessary for customer-driven outcomes. This iterative process resulted in a plan that customers agreed balances priorities with costs, receiving **79% customer support**.

Elexicon's plan focuses on five investment priorities aligned with customer feedback: renew aging infrastructure, build a future-ready grid, enable growth, strengthen grid resilience, and ensure the continued operation of core business systems. This plan was designed to strike the right balance between reasonable prices and the urgent need to invest in order to restore reliability performance, address capacity constraints, and enable growth. Elexicon achieved this balance by deferring and spreading out certain investments to mitigate costs for customers. For example, Elexicon's Plan defers select maintenance and capital spending until 2028 and paces out a portion of its hiring activities across 2028 to 2030. Elexicon is also proposing to recover the costs of its information technology system[2] over ten years to reduce bill impacts in 2027. Elexicon has also integrated other cost mitigation actions into its plan and has aligned its rate framework[3] with these actions.

[2] Elexicon is implementing its first Enterprise Resource Platform (a cloud-based, SAP solution), referred to at the "Dx NEXT project". This implementation commenced in 2025 and will finish in 2027/Q1 2028.
[3] As a utility with significant capital needs, customer and load growth, Elexicon is proposing a "custom" rate framework which results in annual rate adjustments that take into account not only inflation and productivity, but also the varying capital and operational costs needed to deliver its plan. See Exhibit 1 - Tab 5 - Schedule 1.

This rebasing application sets Elexicon's rates (i.e. what customers pay) to provide the revenue needed for the utility to serve its customers safely and reliably both now and into the future.[4] For over a decade, Elexicon's rates have been adjusted at less than inflation,[5] with adjustments for a small handful of discrete projects.[6] Over the last six years, Elexicon has experienced a high pace of customer and load growth its service area, sharp increases in costs for grid assets (i.e. materials, equipment specific to the sector), and increased need to invest in order to repair and replace equipment due to failures and severe weather damage. Elexicon has also experienced weather events which have driven the need to replace damaged infrastructure. This has required Elexicon to self-fund investments above what's funded in rates to ensure it could connect customers and address emerging issues that disrupt power to customers. While this approach has been necessary to meet immediate needs, it is not sustainable, both in terms of the level of investment required in the near-term to connect and serve customers while maintaining reliable power, but also in order for Elexicon to be financially viable.

To ensure Elexicon is accountable to customers and stakeholders, the utility intends to transparently track and report its performance across 32 performance measures annually through a combination of its proposed custom scorecard as well as the OEB's distributor scorecard metrics.

2. OVERVIEW OF ELEXICON

Elexicon was formed in 2019 through the merger of Whitby Hydro and Veridian Connections. Elexicon successfully achieved $34.2M in synergy savings since merger, and $5.2M in annual synergy savings through the integration of the predecessor utilities.

As the fourth largest municipally owned electricity distributor in Ontario, Elexicon proudly provides safe and reliable electricity to more than 180,000 residential and business customers in ten

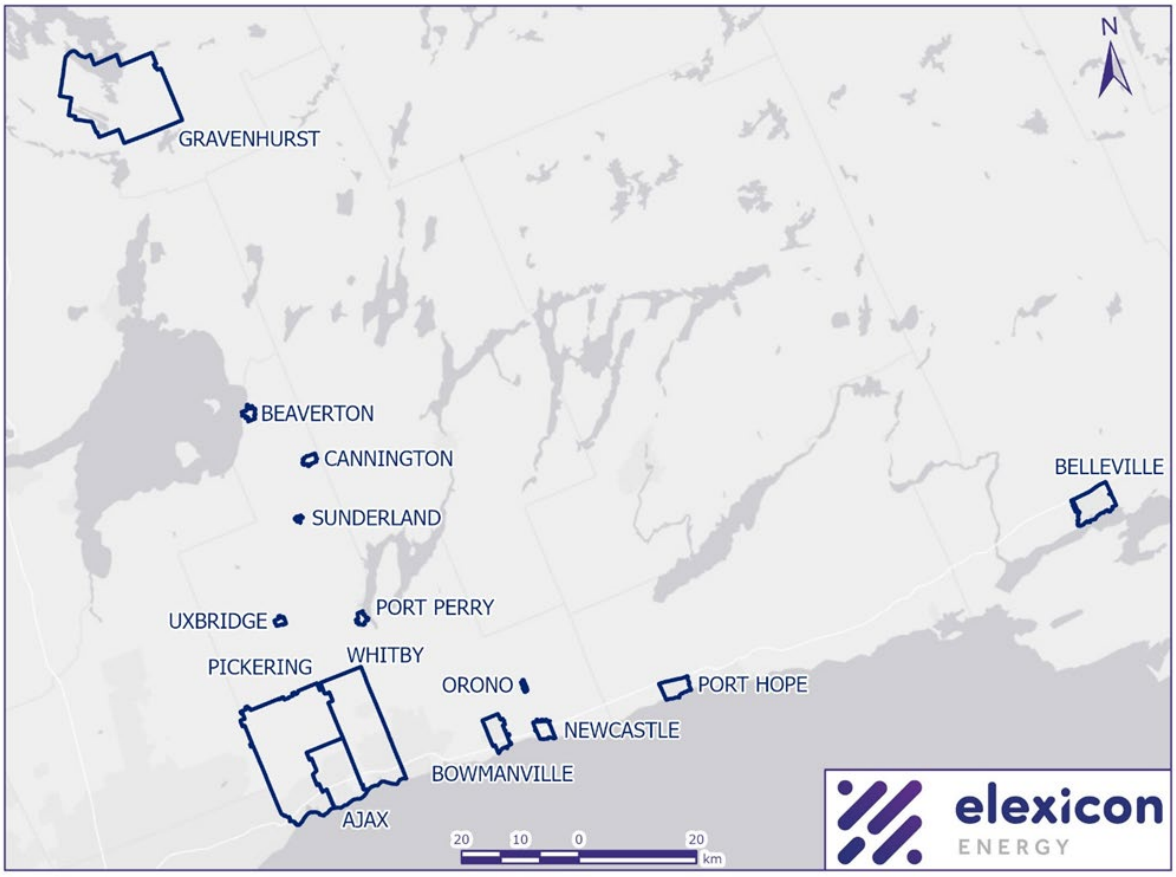
[4] 'Rebasing' rates or 'resetting rates' is the process utilities must go through to align their revenue (e.g. rates) with a bottom-up forecast of its costs. For most utilities in Ontario, this process typically occurs every 5 years.

[5] Elexicon was formed in 2019 through the merger of Whitby Hydro and Veridian Connections and committed to deferring the resetting of rates for ten years. Prior to merger, Whitby Hydro last reset rates in 2010 and Veridian Connections last reset rates in 2014.

[6] Elexicon received incremental capital funding for a transformer station called 'Seaton' and a non-discretionary plant relocation project in 2022 (see EB-2021-0015) as well as some funding for its grid modernization investments in 2023 (see EB-2022-0024). Elexicon also requested funding for a significant capacity project in Belleville, and the urgent rebuilding of a substation in Pickering for its 2026 rates (EB-2025-0046).

municipalities across Central and Eastern Ontario including Durham Region as well as Belleville, Gravenhurst and Port Hope. Elexicon's distribution system is comprised of 58 stations, more than 2,500 KM of underground cables, more than 4,500 KM of overhead lines, connecting more than 36,000 poles and 21,000 transformers. Customers are supported by more than 300 employees with more than half living in the communities served.

The service territory is non-contiguous and encompasses a mix of urban, suburban, and rural areas, each with distinct infrastructure needs and operating challenges.



To the north, Elexicon serves Gravenhurst, including its island communities which are mostly comprised of seasonal customers. These remote areas have dense tree coverage and are more vulnerable to wind, ice, and vegetation-related outages, which increase the cost and complexity of maintaining reliable service.

Further south, Elexicon serves the rapidly growing municipalities within the core of Durham Region (Ajax, Pickering, Whitby), where urban density and development pressures drive the need for capacity expansion, system upgrades, and coordination with municipal infrastructure projects.

To the east, Elexicon's Belleville operations support a mix of residential, commercial, and industrial customers, including a growing manufacturing base that requires high service reliability and additional electrical capacity to accommodate expansion.

This non-contiguous, mixed service area creates operational and planning challenges. The combination of weather-vulnerable rural networks and fast-growing urban centres requires Elexicon to balance different investment priorities and system configurations.

For more information about Elexicon's service territory, see Exhibit 2B - Tab 1 - Schedule 1.

3. BUSINESS CONTEXT

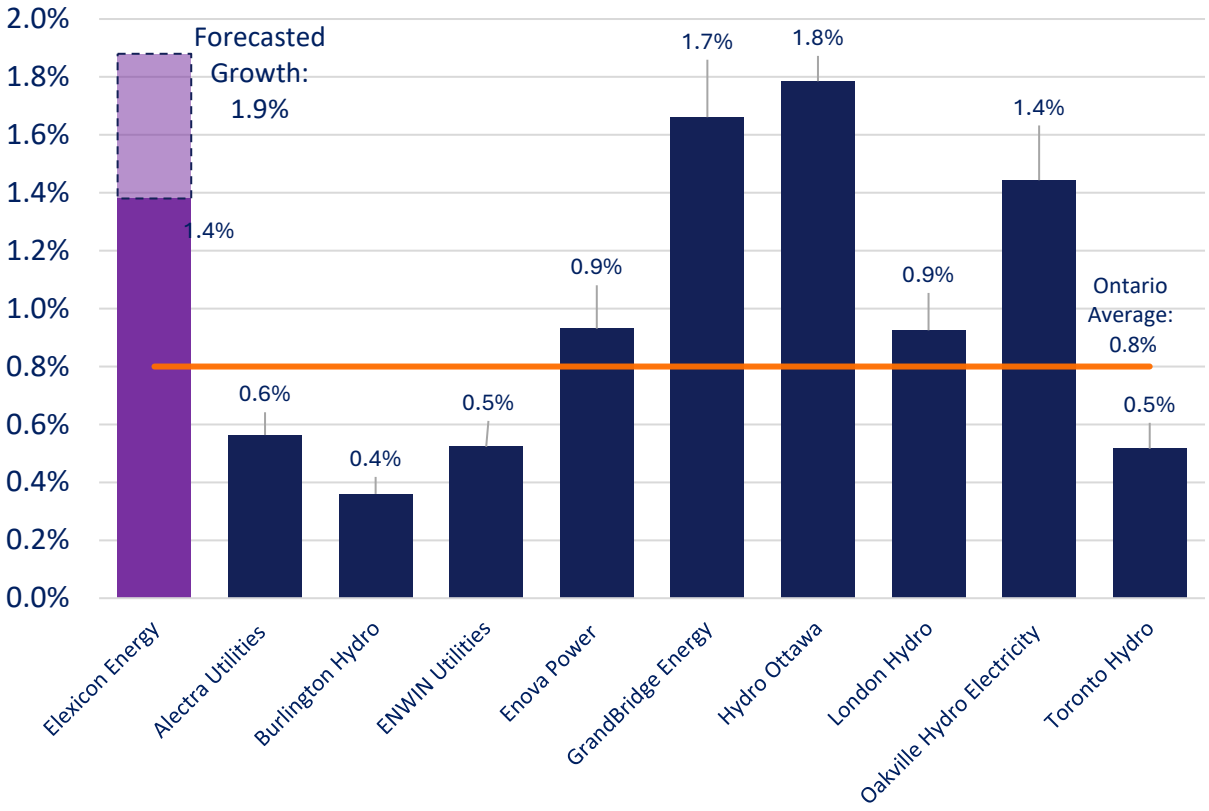
The environment in which Elexicon operates is undergoing significant and rapid change. At the time of the merger in 2019, Elexicon was anticipating relatively stable levels of infrastructure investment for the coming decade. Since then, Elexicon has experienced accelerated growth in its service territories driven by economic and policy factors while, simultaneously, Elexicon's assets are aging and deteriorating. The increasing impact of severe weather adds to reactive costs. Elexicon is also contending with cyber threats in addition to unprecedented inflation. All of these factors, as described further below, drive the need for investment to ensure Elexicon can deliver on outcomes that customers need and value.

3.1 Customer and Community Growth:

Elexicon Energy's serves a diverse mix of urban, suburban, and rural communities, each with distinct patterns of development and demand. Across these areas, the pace of population and economic expansion has exceeded the average levels of growth across Ontario.

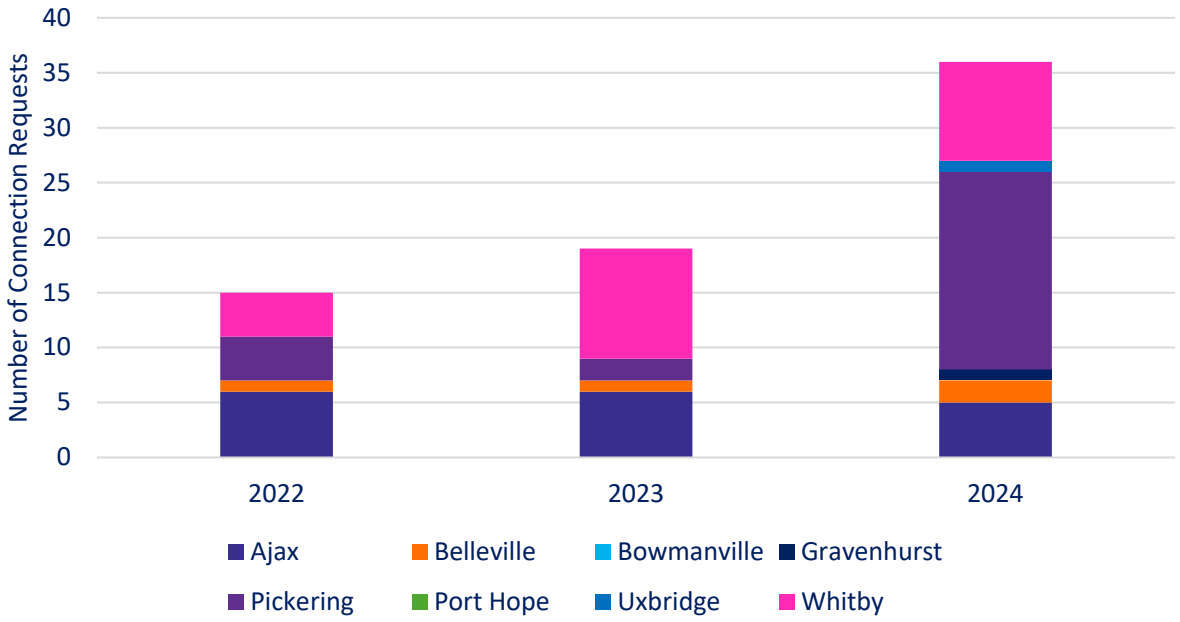
As illustrated in Figure 1, the customer growth rate in Ontario was 0.8% from 2020 to 2024. Over that same period, Elexicon's customer growth rate was approximately 1.4%; 75% higher than the provincial rate. Elexicon is forecasting its customer growth to accelerate to 1.9% per year making Elexicon the fastest growing of Ontario's large distributors.

Figure 1: Customer Growth: Elexicon, Similar-sized Distributors and Provincial Average (2020 to 2024)



This growth is reflected in the number of and size connections requests received by Elexicon. Between 2022 and 2024, Elexicon's connection requests over 1MW increased nearly 150% and more notably the total load requirements (capacity needed for connections) increased by nearly 500%. At the same time, 76% of Elexicon's municipal substations do not have enough available capacity to connect a customer over 1MW.

Figure 2: Number of Connection Requests >1MW – 2022 to 2024 by region



The acceleration of growth in Elexicon's service territory is driven by the unprecedented growth occurring across the communities Elexicon serves. For example, Durham Region, which accounts for approximately 82% of Elexicon's customer base, is projected to double its population to approximately 1.3 million over the next 25 years.[7] In North Whitby and North Pickering, the local municipalities have plans for new communities with over 30,000 homes in 'greenfield' areas which have no or limited infrastructure to serve them, nor capacity to connect future load growth. To address the lack of capacity available and prepare for this growth, Elexicon is planning to invest in a new transformer station in Durham which will be ready by 2031 alleviating both existing capacity constraints and ensuring that capacity is available to serve these future communities.

Elexicon's customer and load growth is not exclusively residential. Economic development features prominently in Elexicon's service territory. In Pickering alone, the Innovation Corridor along Highway 7 is made up of approximately 800 acres of employment land that is being developed for commercial

[7] https://www.durham.ca/en/living-here/planning-for-growth.aspx

and industrial customers. Similarly, the City of Belleville is experiencing rapid growth, with an expanding industrial and manufacturing sector requiring additional electrical capacity and infrastructure to support continued economic activity.

For more information about Elexicon's customer and community growth, see Exhibit 2B - Tab 1 - Schedule 1, and Exhibit 2B - Tab 4 - Schedule 3, Appendix I.

3.2 Electrification and Changing Customer Preferences

Elexicon must be able to reliably serve customers as demand related to electrification escalates. Recent data indicates customers are adopting new technologies, such as EVs and heat pumps, adding to existing load demands. As of 2024, Elexicon accounts for 2.4% of the total EVs in Ontario. EV adoption in Elexicon's service territory is up 595% since 2020, outpacing Ontario's total adoption of 467%.

Customers are also installing more distributed energy resources (DERs). These are devices such as solar panels and battery storage which both provide economic and sustainability benefits to customers and are also capable of injecting power back into the energy system. Table 1, below, shows the acceleration in generation connection requests over the last five years.

Table 1: DER Connections from 2020 to 2024 by Type of Device

Generation Type[8]	2020	2021	2022	2023	2024	Total # Units	Total Capacity (kW)
BESS	1	4	1	1	0	7	20,483
CHP	0	2	0	0	0	2	2,095
PV	1	3	2	1	3	10	2,498
Sync Gen	1	0	0	0	0	1	800
Roof top Solar	5	9	13	57	46	130	1,081
Total	**8**	**18**	**17**	**58**	**49**	**150**	**26,957**

Elexicon must invest in traditional infrastructure such as stations and feeders, as well as in digital technologies (Operational Technology like SCADA[9], and SCADA-enabled field devices) to manage the grid and ensure sufficient capacity is available to accommodate the increasing adoption of customer generation and storage.

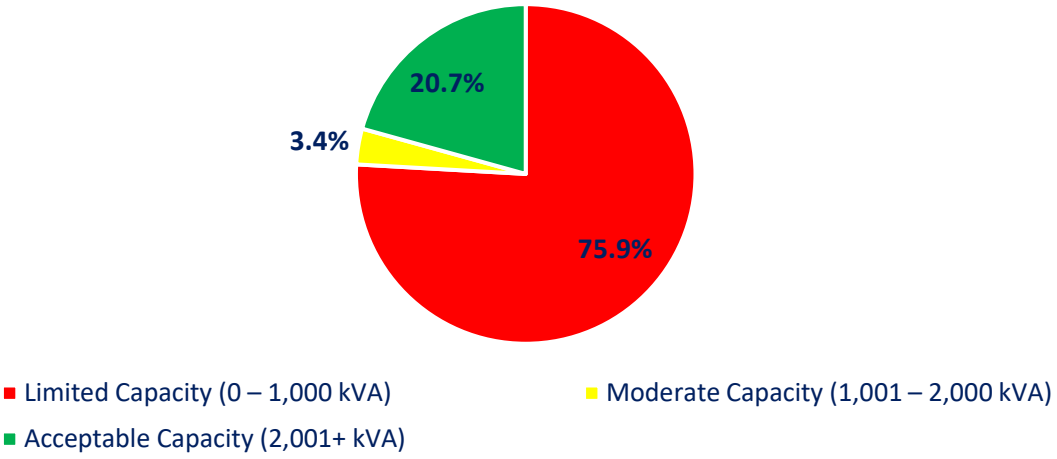
[8] Battery Energy Storage System (BESS). Combined Heat and Power (CHP). Photovoltaic (PV).
[9] SCADA stands for Supervisory Control and Data Acquisition it's a type of control system for the electricity grid that allows operators to monitor, analyze, and control the grid from a central location.

3.3 System Needs

3.3.1 Need to invest in capacity to address constraints and prepare for growth

The sustained community growth discussed in detail at section 2.1, above, has resulted in widespread utilization of Elexicon's available capacity leaving capacity constraints throughout the system. Figure 3 shows the available capacity across Elexicon's 58 stations[10] - 76% of Elexicon's existing stations have less than 1MW of available capacity.

Figure 3: Current available capacity at Elexicon-owned stations (2025)



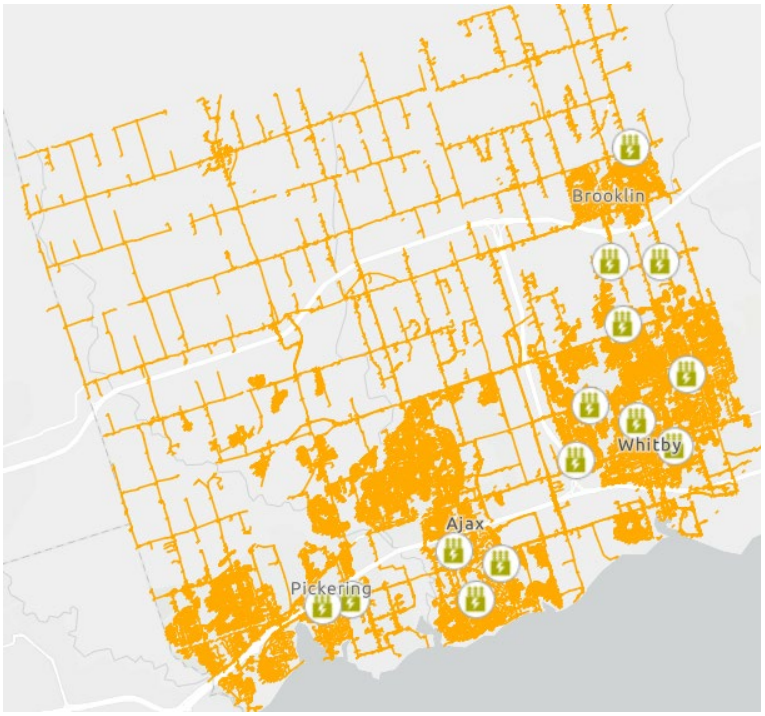
This limited capacity is insufficient to connect or power a commercial/industrial customer nor a significant housing development. If not addressed through investment, these constraints will prevent further housing and economic development from proceeding within Elexicon's service territory. Without targeted investment in new infrastructure, such as substations, feeders, and system automation, Elexicon will be unable to connect new customers in a timely manner or sustain reliability for those already served. These significant capacity constraints exist across Elexicon's system. In north Pickering, for example, current loading shows that all feeders are operating at approximately 80% of capacity, with less than 500 kVA of available capacity remaining per feeder. This leaves minimal capacity to serve new subdivisions or commercial projects. This limitation is exacerbated by legacy

[10] There are 62 stations connected to Elexicon's grid, 4 of which are customer owned.

voltage levels in some parts of Elexicon's system which limit the size of customer that can be connected.[11]

Elexicon's latest capacity map, Figure 4, below, shows the extent of system constraints in the Durham region. The orange lines and sections represent feeders with less than 500kW of capacity, and the yellow station icons denote stations with less than 1000kW of capacity. The prevalence of orange across the map provides a visual representation of scale of capacity limitations across Elexicon's system in the Durham region where its load growth needs are most urgent.

Figure 4: Elexicon's Capacity Map – Whiby, Ajax, Pickering and Brooklin[12]



For more information about an Elexicon's need to invest in capacity, see Exhibit 2B - Tab 1 - Schedule 1, section 2.2.

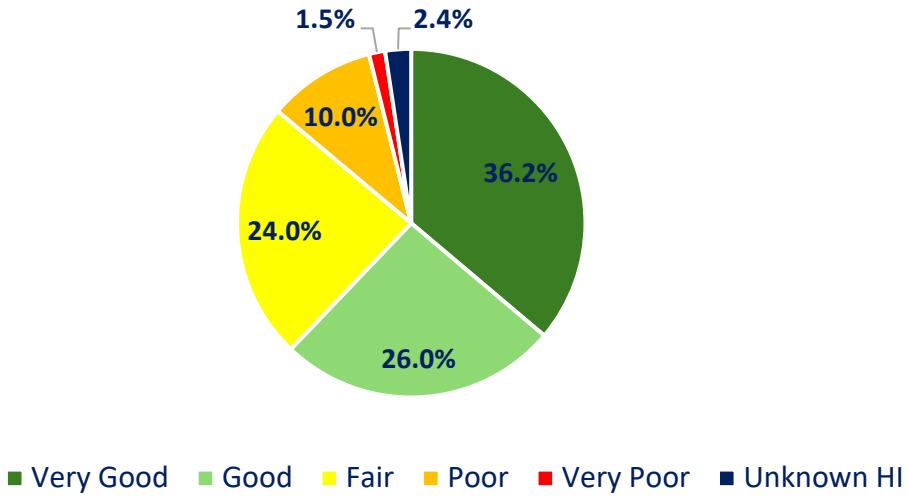
[11] The limitation is exacerbated by the maximum transformer size (500 kVA) that is used on the parts of Elexicon's system with a voltage level of 8.32 kV, which offers substantially lower capacity than compared to more common voltage levels, such as 27.6kV. The 27.6kV system uses a transformer size of 3,000 kVA. These limitations restrict the ability to connect larger customers and developments.
12 Elexicon Energy, Distribution System Capacity Map, September 15, 2025, accessed online at https://elexiconenergy.com/contractors-developers/resources/distribution-system-capacity-map#.

3.3.2 Need to Invest in replacing deteriorating assets

Elexicon plan includes investments to replace deteriorating assets that pose the highest risk of failure. In developing its plan Elexicon proposed varying levels of investment to customers and the trade-offs and risks of those scenarios. The final plan was informed by customer preference for a balanced scenario that prevents further performance degradation but does not fundamentally improve asset demographics. The proposed timing and level of investment, and the types of assets targeted for investment will mitigate the severest risks. This pacing in system renewal, coupled with system service investments such as grid modernization, will help to improve system reliability and resiliency.

Current State of Elexicon's Assets: The distribution system is aging, and the condition of many of its core assets requires significant investment. Approximately 35% of Elexicon's assets are in very poor, poor or fair condition and will require replacement in the next 10 years, as shown in Figure 5 below.

Figure 5: Current Asset Demographics by Condition (2025)



These demographics signal imminent risk to reliability performance. Without immediate investment such risks will worsen. Customers are already experiencing the negative effects of poor condition assets as the number and length of customer interruptions due to failed equipment continues to rise. This is reflected in Elexicon's current reliability indicators that show the average length of outages

(SAIDI, shown in Figure 6) and average number of outages (SAIFI, shown in Figure 7) has been increasing since 2020 and are forecast to continue that trend in 2025 and 2026. [13]

Figure 6: Elexicon's SAIDI (2020 to 2026)

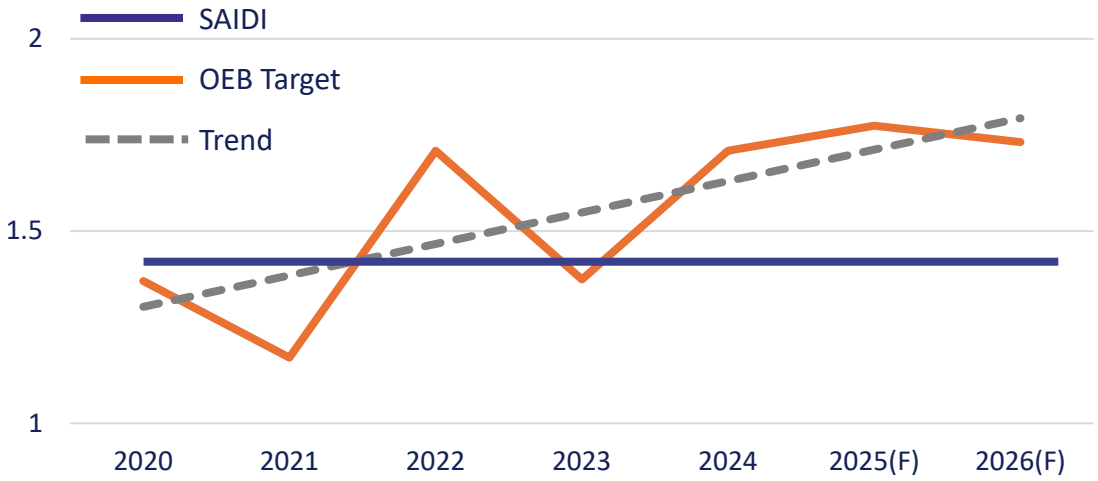
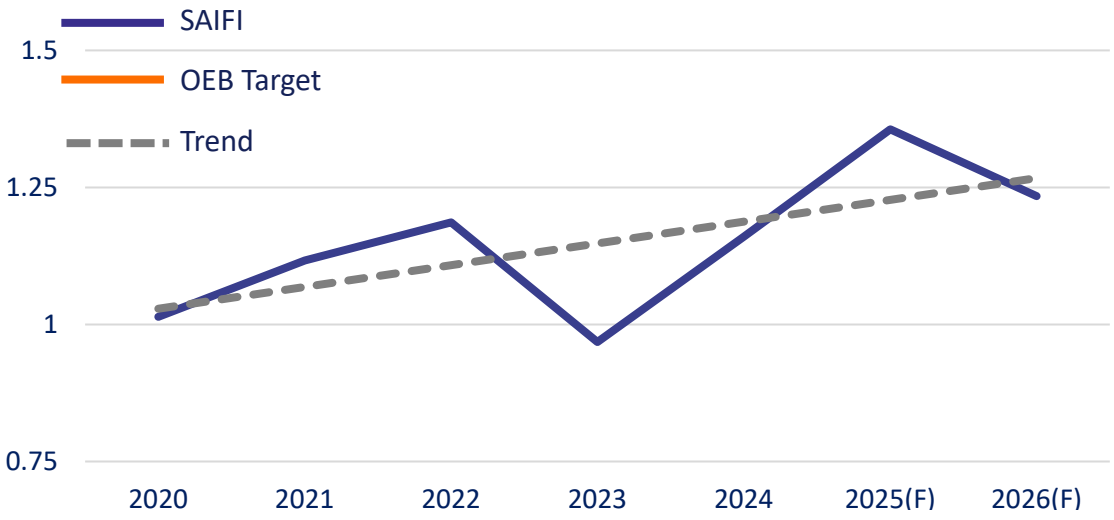


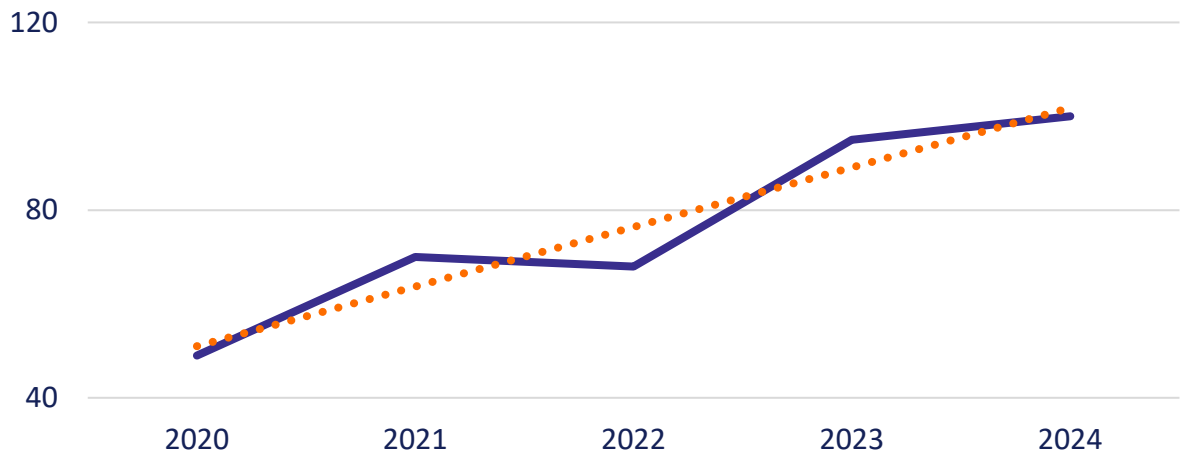
Figure 7: Elexicon's SAIFI (2020 to 2026)



[13] System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI), which respectively, track the length and number of outages.

As illustrated by Figure 8 below, equipment failures are a growing contributor to Elexicon's declining reliability performance. The number of customer hours interrupted from defective equipment has more than doubled from 2020 to 2024.

Figure 8: Customer Hours Interrupted by Defective Equipment (2020 to 2024)



Elexicon's asset data indicates that its biggest areas of equipment failure reside in its underground system assets, particularly underground cables (of which 43% are in poor or very poor condition), its stations assets, and its overhead assets (e.g. poles, transformers, conductors, etc.).

Elexicon's Plan for Addressing Declining Performance: To keep the costs of addressing degrading reliability manageable for customers, Elexicon's renewal spending must be highly targeted and carefully paced.

Elexicon's renewal program requires balancing spending with the equipment failure risk posed by assets in poor and very poor condition. Elexicon's renewal program will not reduce the proportion of assets in poor and very poor condition as this would require a level of investment that results in untenable bill impacts. Rather, it will direct spending to those assets which are most likely to fail and result in outages for customers. Elexicon's balanced approach to restoring reliability also depends on making investments in Grid Enhancements and Operational Technology (collectively, "grid

modernization") to meaningfully address degrading performance. This is accomplished by increasing the number of grid-connected devices so that faults can be addressed remotely, and devices can better signal the location of faults to the control centre for more efficient deployment of crews responding to trouble calls.

Absent sufficient investment in renewal, Elexicon expects both the frequency and duration of outages will worsen until a sustainable level of renewal investment and related grid modernization investment is made. Elexicon's Plan prioritizes renewal of the most critical and highest-risk assets, replacing those that pose the greatest safety and reliability risks in the event of failure.

For more information about an Elexicon's need to invest in grid renewal, see Exhibit 2B - Tab 4 - Schedule 3, Appendices E through H.

3.3.3 Need to invest in modern grid infrastructure

Elexicon's Plan includes both investments in upgrading legacy equipment (associated with lower voltage levels), as well as installing more grid-connected devices across its system to improve visibility and automation in the service of better system reliability. These investments both address reliability performance today, as well as build a foundation on which more advanced grid control and automation can be built in the future when DER penetration increases and the need for high degree of automation and visibility is critical to operate the grid.

Grid Modernization: Elexicon is planning to address reliability and improve grid functionality through grid modernization which broadly entails the use of devices attached to grid assets that can remotely communicate with Elexicon's system control centre. Grid modernization technologies provide Elexicon with the ability to remotely address outages (i.e. no need to deploy trucks/crews) if the asset is in working condition, but a fault was detected, triggering a switch.

Elexicon's grid modernization plan focuses on investments that deliver value for customers today by unlocking capabilities to remotely control field devices, detect and address incidents remotely. Such investments also help it prepare for the future as it will be able to assess the impact of connected

generation and consumption as it prepares for a greater proportion of customer-side generation and storage equipment. Without foundational operational technology, and connected field devices, Elexicon risks being unable to leverage such technologies to address current challenges.

Through incremental capital funding,[14] Elexicon was able to begin to implement grid modernization technology investments such as a SCADA (supervisory control and data acquisition) and ADMS (advanced distribution management system) which are foundational operational technologies needed to operate the grid more efficiently. However, urgent system access and reactive spending have resulted in limited funding for necessary grid modernization investments. Less than one-third of Elexicon's feeders have switches that are SCADA-enabled. Elexicon needs to deploy more SCADA-enabled field devices to acquire the grid visibility and automation capabilities to cost-effectively improve reliability performance and restore power faster.

Voltage Conversion for Reliability and Growth: Elexicon is also contending with legacy voltage levels in parts of its service territory. Some regions of the system still operate at voltages of 4.16 kV and 8.32 kV. These legacy systems are functionally obsolete and cannot accommodate larger customer connections or support modern system standards. As a result, they represent a barrier to growth. Through voltage conversion projects, these systems can be upgraded and standardized to more common voltage levels (e.g., 13.8 kV and 27.6 kV systems), allowing larger customers to be served, and improving compatibility with new infrastructure. Legacy system configurations also impact Elexicon's reliability performance. In Pickering, customers supplied by the 8.32 kV feeders experience significantly higher outage durations (7.26 hours) compared to those on the 27.6 kV system (1.16 hours). These longer outages reflect limited capacity and redundancy, which restrict fault isolation, load transfer, and efficient restoration.

For more information about Elexicon's need to invest in modern grid infrastructure and voltage and system conversion see Exhibit 2B - Tab 3 - Schedule 3, Appendix A, and Exhibit 2B - Tab 4 - Schedule 3, Appendix K.

[14] Referred to as the "Whitby Smart Grid" project, partially approved in EB-2022-0024.

3.3.4 Need to invest in technology and security

Mitigating Cyber Security Risks: Elexicon's information technology applications and data management systems cannot keep pace with current security requirements, nor do they enable efficient and productive operations. The digital infrastructure needed for daily operations has become increasingly complex, especially as software requirements are migrating to cloud-based solutions and cyber security threats are rising in frequency and severity. Over the past five years Elexicon has experienced an increase in the level of activity as well as the nature of cyber attacks.[15] More passive internal approaches such as phishing campaigns are not enough to protect sensitive customer and operational data as well as to ensure the continuity of operations, and Elexicon must prepare for more targeted, personalized approaches using AI.[16] These evolving threats require dedicated investments in robust cloud management platforms as well as sophisticated tools and a sufficient level of internal expertise to protect Elexicon's operations and sensitive customer information.

Elexicon has a suite of unintegrated applications and systems that individually served their purpose during their time, but most are either no longer supported, or unable to be integrated with other systems, posing the need for manual processes and data integrity issues. Some of these applications are ineligible for vendor support, pose security risks, and pose prohibitive operational inefficiencies in procurement, inventory management, financial reporting and analysis, accounting transactions, month-end and year-end statement reporting, billing, work management, and asset data analytics. Elexicon has managed this disparity with manual processes and limited data visibility, but these compromises inhibit the scalability of operations, impair efficiency, and are subject to human error. As Elexicon's operations have grown in size and complexity, these operational limitations quickly became untenable, necessitating urgent investment in modern tools to address cyber security risks and support growing capital and maintenance work programs.

[15] National trends reinforce this shift: the Canadian Centre for Cyber Security ("CCCS") has reported a 26% average increase year-over-year in ransomware incidents since 2021, with attackers increasingly moving from traditional encryption-based methods to data-theft and extortion tactics aimed at sensitive customer information. CCCS, National Cyber Threat Assessment 2025 – 2026. https://www.cyber.gc.ca/en/guidance/national-cyber-threat-assessment-2025-2026#fn56-rf.

[16] Threat actors are increasingly employing sophisticated methods to steal login information, including techniques that allow them to intercept and reuse session tokens to circumvent multi-factor authentication. As a result, attackers can more easily impersonate legitimate users and bypass many of the safeguards organizations have traditionally relied upon.

To this end, Elexicon's Plan includes the Dx NEXT project, which is Elexicon's shift to an industry standard, cloud-based Customer Information System ("CIS") and Enterprise Resource Planning ("ERP") solution that will enable Elexicon to adopt common, modern, and industry-standard tools that are continuously updated, monitored, and supported. Elexicon is also investing in modern business tools through its Modern Workplace project, to mitigate cyber security risks, and enhance how data is shared, secured, and governed across the organization by transitioning from traditional file shares and on-premises SharePoint to a secure, cloud-based environment leveraging tools like SharePoint Online, Microsoft Purview, the Power Platform, and other Microsoft 365 capabilities.

Elexicon must also mitigate the security risks associated with its physical locations and assets, as the potential for theft and vandalism is higher given the types of assets and materials Elexicon must maintain in its inventory. As the resale value of materials such as copper wire increase, potential thieves are attracted to electrical infrastructure that is isolated and unmanned. These trends can drive up operational costs for the utility, and importantly, also pose safety concerns as those risk exposure to high-voltage electricity and other heavy-duty equipment. To mitigate such risks, Elexicon is investing in proper monitoring and tracking technologies which can remotely alert of potential breaches and also deter would-be perpetrators from theft.

For more information about Elexicon's need to invest in technology, cyber security, and physical security, see Exhibit 4 - Tab 1 - Schedule 6.

3.4 Macroeconomic Conditions

The persistence of historically high inflation and supply chain disruption continues to impact Elexicon's costs. These pressures have increased the costs of operations and have extended the lead-times to obtain critical materials and equipment (e.g. transformers, poles, etc.). Above-average annual cost increases for construction, materials, commodities, and services remain. Increasing demand for electricity infrastructure to support economic growth and electrification has outpaced the supply and availability of components and materials pushing costs upwards, as captured in Table 2, below, which shows Elexicon's recent materials and equipment prices. As shown in Table 2, with minimal exception, materials costs are increasing annually by more than 10%, with no indication such prices will stabilize or fall in the near-term.

Table 2: Materials and Equipment Price Increases – 2021 to 2024 (Total Increase and Compound Annual Growth Rate)

Materials and Equipment	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Hardware/Connectors ($)	58.57	78.70	34.38%	10.35%
Wire & Cable ($)	7.42	24.43	229.24%	48.77%
Wood Poles ($)	1,737.08	2,561.90	47.48%	13.83%
Arresters ($)	83.51	106.69	27.76%	8.51%
Switches ($)	1,316.16	1,780.17	35.25%	10.59%
Switchgear ($)	21,454.73	23,164.36	7.97%	2.59%
Transformers ($)	1,551.52	2,690.48	73.41%	20.14%

These challenges impact both the cost of constructing grid assets and the length of time between planning and construction. Larger projects, such as stations, entail procurement lead times of multiple months, or as much as two years, especially for critical components such as transformers. Elexicon must proactively plan investments and time the ordering of materials well in advance, which requires certainty of funding and sufficient staffing to plan and execute projects. For more information about Elexicon's cost pressures due to inflation, see Exhibit 1 - Tab 5 - Schedule 2.

3.5 Extreme Weather

As outlined in the table below, Elexicon has experienced a significant number of severe weather events with lengthy durations for large numbers of customers. For example, Elexicon's service area was hit by a high-impact windstorm in May of 2022 (Derecho) which left over 126,000—nearly 70%—of Elexicon's customers without power for more than 70 hours (nearly three full days).

Table 3: Summary of Elexicon's Major Events – 2020 to 2025

Year	Number of Events	Number of Customers Impacted	Types of Events/Range of Outage Duration[17]
2020	3	2,600 to 22,000	Windstorms – 7.5 to 18 hours
2021	1	30,000	Windstorm – 22 hours
2022	4	9,700 to 126,000	Windstorms and Snowstorms – 9 to 70 hours
2023	1	13,000	Snowstorm – 5 hours
2024	1	8,800	Snowstorm – 100 hours
2025	1	11,000	Ice Storm – 25 hours

[17] Approximate number of hours to restore 90% of customers. Some customers experienced hours in excess of the durations captured in this table.

While Elexicon has implemented numerous measures following these weather events, additional investments are urgently needed to further increase the resilience of its infrastructure. These include hardening of assets by using materials and configurations that are more likely to withstand inclement weather, improving vegetation management practices, building additional feeders/stations to improve redundancy, as well as grid modernization investments to enable reconfiguration of segments of the local grid to improve safety and reduce the frequency and duration of outages.

3.6 Length of Time Since Rebasing

Elexicon's predecessor utilities, Veridian Connections and Whitby Hydro, last rebased in 2014 and 2011, respectively. Elexicon's current rates are based on cost forecasts that are already more than a decade old and not reflective of its current reality. At the time Elexicon's predecessor utilities consolidated, rates were set on the basis relatively low and stable capital funding program, and inflation was less than 2%.

Elexicon's current rates fund approximately $34M in capital, and $49M in OM&A expenses.[18] In 2025, Elexicon is forecasting to spend about $65M in capital, $30M of which is related to meeting its obligations to connect customers and restore power following outages. By 2027, the amount of capital spending related to obligations to connect customers and restore power alone will increase to $40M, exceeding the current total amount of capital funding in rates entirely. Similarly, Elexicon's 2025 OM&A expenditures are $58M, exceeding the amounts in rates by $9.2M. If Elexicon only spent what was it was funded for in rates there would be no capital funding available for asset renewal and Elexicon would be unable meet the current service levels. The gap in funding between Elexicon's current rates and its capital and OM&A requirements is illustrated in figures 9 and 10, below.

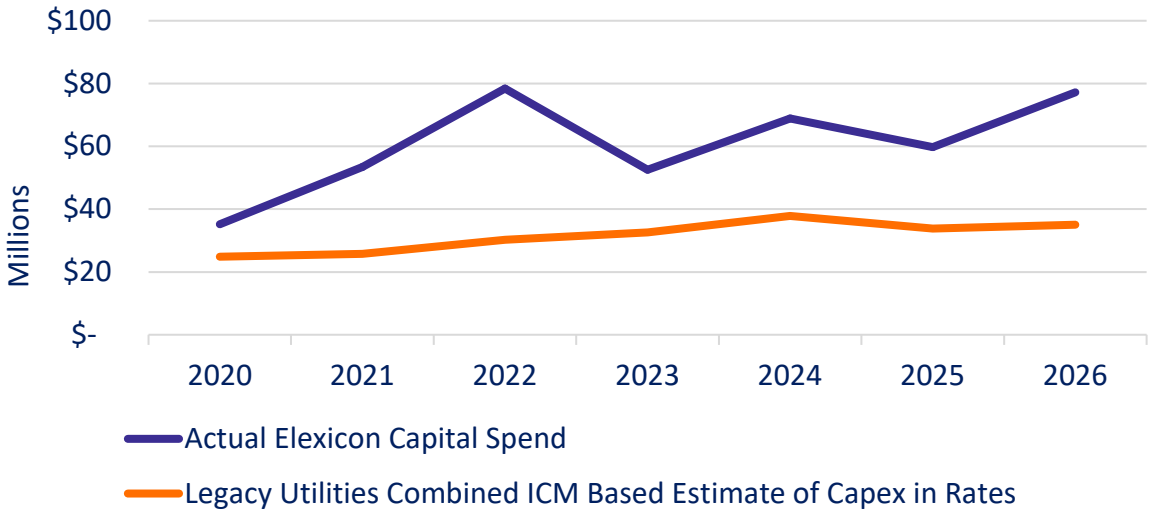
To ensure the continued provision of safe and reliable power, Elexicon has self-funded system renewal, connected new customers, invested in its technology and workforce, and developed core functions and capabilities that its predecessor utilities did not have. Such investment was essential to meet the challenges of the historical period, and to prepare for the level of capital investment and maintenance programming required now and in the immediate future. Although Elexicon successfully achieved

[18] See Appendix A to Early Rebasing Business Case (Exhibit 1 - Tab 4 - Schedule 1) for an estimate of the amount of capital and OM&A funded through existing rates.

post-merger annual synergy savings of $5.2M, external factors such as price escalation for materials and equipment, urgent and emerging cyber security risks, and more frequent extreme weather events put undue pressure on costs that cannot be offset by these synergies, nor productivity.

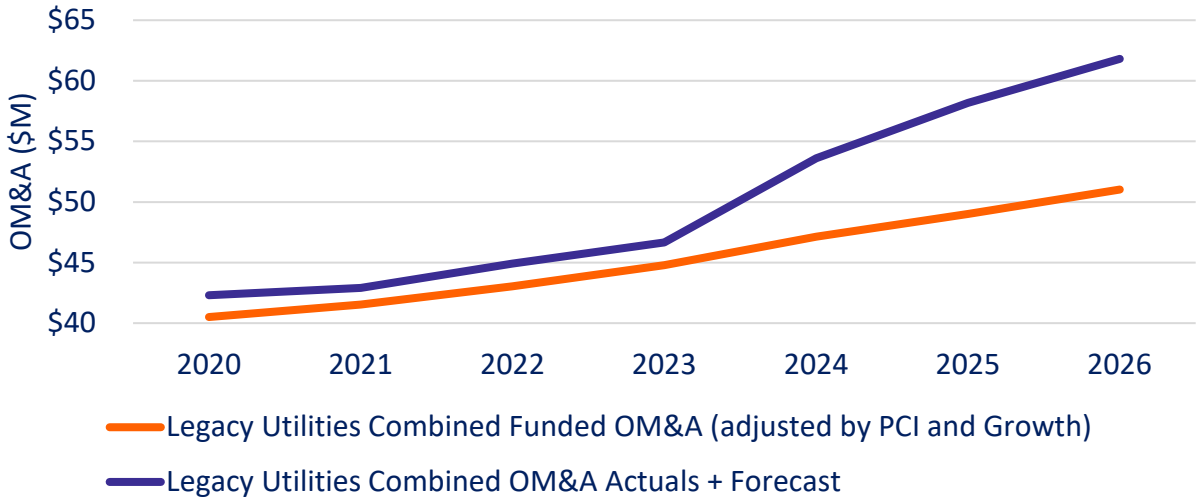
These urgent incremental investments necessary to deliver safe and reliable electricity were funded through shareholder earnings and additional borrowing. While this approach enabled Elexicon to meet immediate needs since merger, it is no longer sustainable. Elexicon must rebase in 2027 to avoid detrimental long-term impacts to its financial viability, including its balance sheet and borrowing metrics, and fund the prudent and necessary investments required for economic growth and housing development in the communities its serves, while preventing further degradation of reliability performance for its customers.

Figure 9: Elexicon's Actual Capital Spend Compared to Estimates of Available Capital Funded In Rates[19] ($M)



[19] Elexicon used the OEB's Incremental Capital Module to calculate the level of capital funding available in its current rates.

Figure 10: Elexicon's Actual OM&A Compared to Estimates of OM&A Funded in Rates[20] ($M)



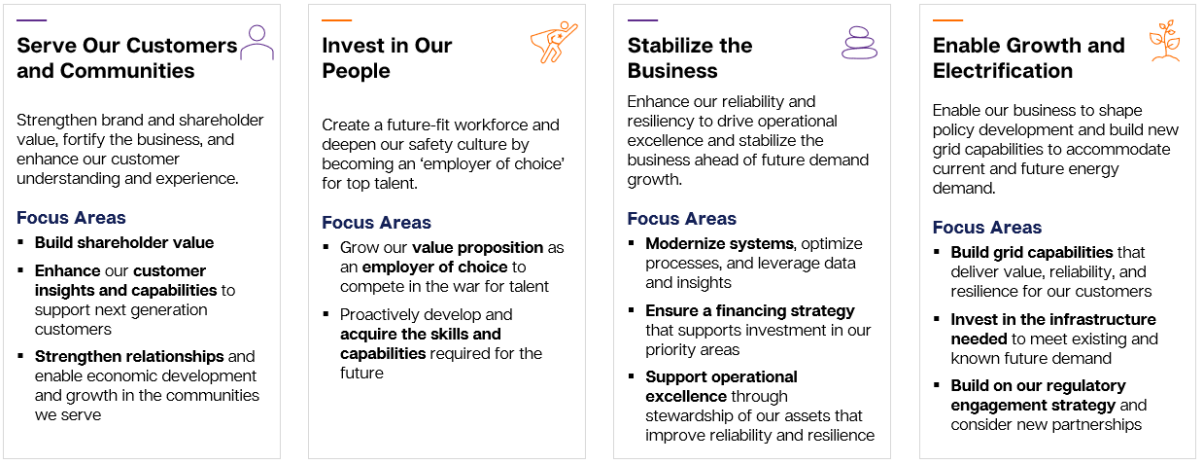
For more information on Elexicon's need to reset its rates in 2027, see Exhibit 1 - Tab 4 - Schedule 1.

4. ELEXICON'S 2026-2031 STRATEGIC PLAN

Informed by the business context noted above at Section 3, Elexicon developed its consolidated corporate strategy to guide the utility through a period of significant growth and transformation. The strategy focuses on the customers and the communities Elexicon serves, and establishes a unified direction for the organization. Elexicon recognizes that it must execute on near-term initiatives to provide the organization with a stable foundation on which to scale its operations and evolve to meet the future needs of its fast-growing service territory, and this strategy orients the utility around these goals. At its core, the strategy is built on four strategic planks shown in Figure 11 below. Each strategic plank features underlying focus areas to guide initiatives and prioritization.

[20] PCI = "Price Cap Index", the method by which annual inflationary adjustments are applied to rates.

Figure 11:The Planks and Focus Areas of Elexicon's Current Corporate Strategy



Each plank provides organizational direction and focus on key outcomes: strengthen system reliability and resilience, evolve Elexicon's operations to meet increasing customer expectations, manage accelerating electrification, and support the rapid development of some of the fastest-growing municipalities in Ontario.

5. ELEXICON'S BUSINESS PLANNING PROCESS

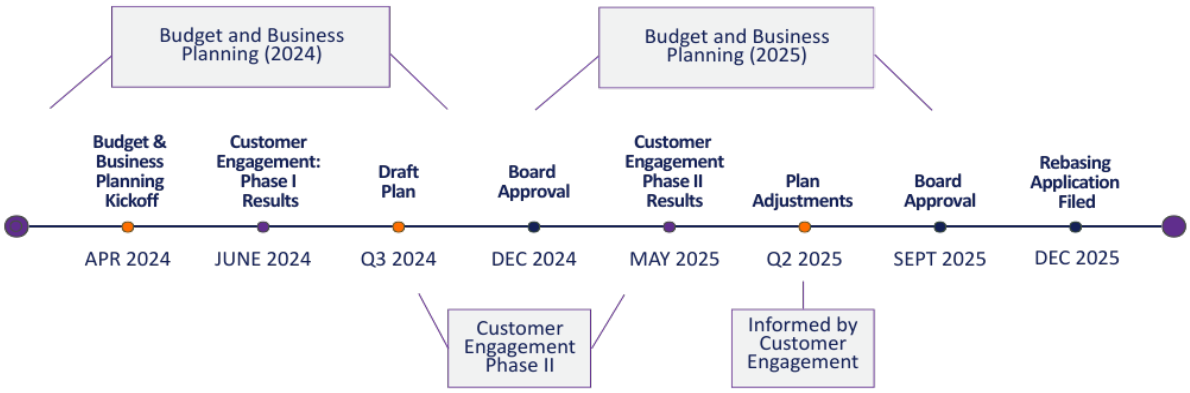
5.1 Background

Elexicon has developed this Plan to ensure the utility can address the constraints and reliability issues of today, while also being prepared for the connections and capacity requirements of the next six years. In developing its Plan, Elexicon evaluated a range of investment scenarios and trade-offs. These included balancing short-term cost pressures against the risk of deferring critical work, weighing the pace of modernization against the need to maintain affordability, and determining how best to allocate limited resources between system renewal, growth, and resilience. The resulting Plan reflects the minimum prudent level of investment required to maintain reliability and service quality, while addressing capacity constraints, preparing for continued regional growth and delivering on outcomes that customers value.

5.2 Customer Engagement and Elexicon's Business Planning Process

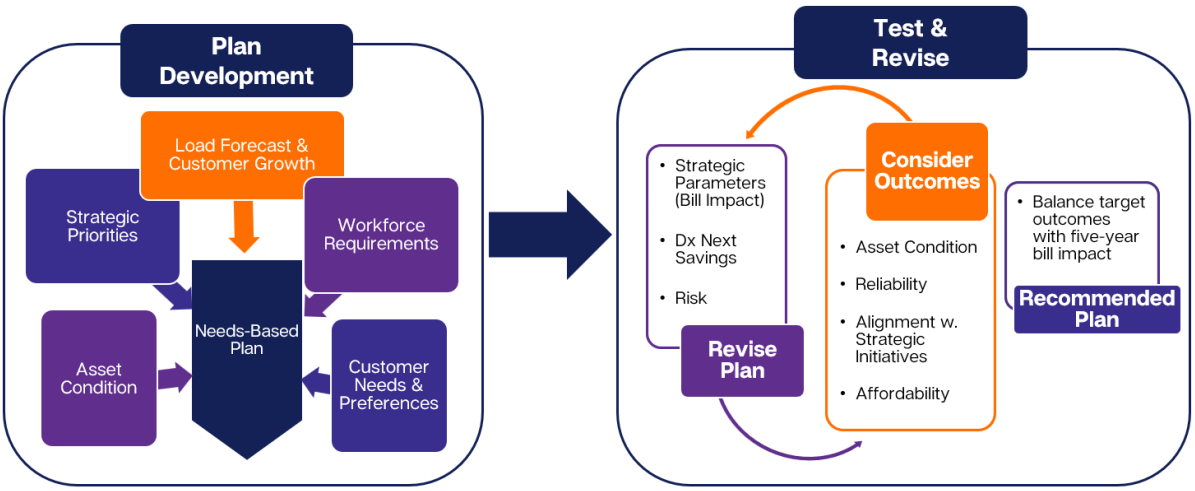
Elexicon conducted a two-phase customer engagement process to inform and validate its business planning process, resulting in 79% of customers supporting this Investment Plan. The engagement was designed to gather direct input on investment priorities and trade-offs between system performance, risk, and bill impacts. Customers were given clear information about the nature of proposed investments, the expected service outcomes, and the associated bill impacts, and their input was reflected in Elexicon's final Plan.

Figure 12: Elexicon's Business Planning Timeline



As shown in Figure 12, Elexicon began its business planning process for this Plan in 2024, with qualitative customer engagement focussing on customer needs and preferences (Phase 1), the results of which were shared across the business to guide planners. The initial Phase 1 customer feedback indicated that Elexicon's customers were primarily concerned about reliability of service, affordability, and ensuring the grid can withstand severe weather events. Ensuring the grid had sufficient capacity was also a top priority for customers. Elexicon also undertook a bottom-up needs-based assessment of integrated capital and OM&A requirements across the organization, informed by inputs including load and customer growth expectations, asset condition assessments, current and anticipated regulatory requirements and initiatives, and workforce requirements. This work in 2024 enabled Elexicon to develop an unconstrained, needs-based draft Plan which was then refined. Figure 13 illustrates this planning process and the inputs and refinements to Elexicon's Plan.

Figure 13: Elexicon's Business Plan Development Cycle for 2024



As informed by customer feedback, Elexicon adopted three top-down strategic parameters to guide the Plan revision stage (beginning in Q3 of 2024). These parameters ensured the resulting Plan meaningfully balanced affordability with the key outcomes that customers need and want. These parameters were: 1) address capacity constraints and meet forecast customer demand; 2) restore reliability to historic levels of performance; and 3) maintain a five-year annual average distribution rate impact of less than 10%.[21] Following receipt of the Phase I customer engagement results and reviewing its needs-based draft Plan, Elexicon observed that the costs associated with the needs-based draft Plan resulted in an estimated annual distribution bill impact of greater than 10% for residential customers.

To balance against rate impacts, Elexicon evaluated investment scenarios and weighed the outcomes of each scenario against the cost and risks. Through this exercise Elexicon was considered which programs included investments that are mandatory given the utility's obligations to connect customers and plan for long-term capacity needs, and which programs required risk-informed pacing to optimize the balance between outcomes and cost. The latter programs are those in system renewal, as well as grid enhancements, voltage and system conversion, metering (specifically, the AMI 2.0 project), and general plant investments. The pacing and optimization for those programs was informed by analysis

[21] On the Subtotal A portion of residential customer bills. Subtotal A represents the portion of the bill related to Elexicon's costs.

of asset age and condition, historical system performance, and risk-informed projections of targeted improvement.

The programs that were paced on a risk-informed basis are aligned to what Elexicon identifies as a 'balanced' investment approach. This 'balanced' approach considers where pacing of investments could be adopted to balance bill impacts against the intended outcomes of the investments. By Q4 of 2024, Elexicon had developed a revised Plan (the 'recommended' draft investment plan, also dubbed the "balanced plan") with an expected annual average bill impact of slightly less than 10%. In revising its Plan, Elexicon weighed the risks of deferring OM&A spending across the 2027 to 2031 period, moved certain maintenance spending to the second year of plan and also staggering hiring across the first four years of the plan to mitigate the step-up of costs in 2027. As noted in Section 3.6, the length of time since Elexicon's last rebasing has resulted in a significant gap between the current levels of rates and the costs of providing service today which will result in a "catch-up" of rates at rebasing. Through these revisions, Elexicon accepted a temporary increased level of operational risk to offset the degree of the rate change in 2027. Elexicon also considered the impact the cloud-based CIS/ERP solution ("Dx NEXT") would have on its workforce requirements. The utility identified that the solution conferred productivity in particular functions that meant additional planned hiring could be deferred based on anticipated efficiencies from the Dx NEXT solution.

In order to ensure Elexicon had found an appropriate balance between the outcomes of its investment plan and the associated cost, Elexicon presented the draft investment plan to customers in Phase II of the customer engagement process in early 2025. Through a detailed online survey, customers were presented with the costs, risks, and trade-offs of its draft balanced plan and its needs-based plan (presented as the "spend more" option in the survey) as well as a "spend less" option. The spend more option provided to customers included additional spending on renewal investments, grid enhancement for resiliency, a concentrated deployment of AMI 2.0 meters and communication systems, as well as additional operational technology investments to advance grid modernization capabilities. The "spend less" option proposed reduced spending in areas where less spending was feasible but negated or slowed the accrual of improvements or benefits in the draft plan.

Elexicon's 'draft plan' (based on the recommended plan approved by the board of directors), was supported by its customers receiving a social permission score of 79%, confirming the validity of Elexicon's strategic parameters and its ability to assess and meet customer needs and expectations.

For more information about Elexicon's customer engagement and how it informed this Application and the Investment Plan, see Exhibit 1 - Tab 7 - Schedule 1.

5.3 Summary of Elexicon's revisions to the recommended plan in 2025

Following the conclusion of Phase II of Elexicon's customer engagement, Elexicon updated its plan to reflect the latest information and reviewed the results of the survey to determine what changes, if any, were required to align Elexicon's Plan with customer expectations. Elexicon committed to finding and exhausting other avenues of bill impact mitigation while ensuring the plan could still address the most pressing capacity constraints and growth requirements, and address reliability.

Updated Capital Cost Assumptions: Upon reviewing the cost inputs from 2024 that were used to develop the draft plan, and comparing those to Elexicon's anticipated 2025 project costs, the planning team updated its assumptions regarding materials costs and vendor costs for work execution. This re-assessment of the inflationary assumptions for capital work programs resulted in an increase of approximately $63M to Elexicon's capital plan. The planning team also identified $26M in additional capacity projects required to alleviate constraints and $10M in newly identified connection requests expected to be in-serviced by 2027 that Elexicon was not aware of at the end of 2024. Anticipated reactive capital costs were increased by $9M to reflect more recent trends of reactive replacement. To offset these increases, Elexicon reduced some reliability related programs by $14M. Elexicon determined these changes to the capital plan, although material, did not directionally change the proposed plan and aligned with the outcomes presented to customers in its Phase II customer engagement survey. Also, as some of the additional expenditures related to capacity constraints and new connection requests, the additional mandatory costs needed to be incorporated into the plan to ensure Elexicon can meets its obligations under the DSC.

Deferral of Cloud Computing Implementation Costs: Elexicon also made revisions to its Plan given the cloud-based nature its ERP solution. Upon further assessment of the Dx NEXT project, the implementation costs were determined to be OM&A expenses and not capitalizable. Elexicon revised its plan to reclassify all implementation costs as expenses which would be tracked through the Cloud Computing Implementation Account, with a fixed recovery period of ten years starting in 2027. This revision removed the implementation costs from 2027, which lowered the bill impact for that year. (for further details on the proposed recovery period for this cloud project, see Exhibit 9 - Tab 3 - Schedule 5, section 7).

Refined Costing Assumptions: Elexicon's draft plan included some high-level costing assumptions which were updated for the final plan. These more refined assumptions included the working capital allowance, cost of capital parameters, load forecast, productivity assumptions, more detailed tax calculations, and updated labour costing to reflect outcomes of labour negotiations.

The net impact of the changes made to cost assumptions post-customer engagement had no material impact on rates and the anticipated average annual distribution bill impact, which remained less than 10%, ensuring that the updated plan was delivering the same outcomes as the balanced plan presented to customers at similar cost. As a result, Elexicon finalized its plan reflecting these updated assumptions.

6. 2027-2031 INVESTMENT PLAN & OUTCOMES

Elexicon's proposed capital and OM&A costs in Tables 4 and 5 below, reflect approximately $1.2B in system investments (740M in capital and 426.6M in OM&A) over five years. This level of investment is critical to meet demand for customer connections, for the necessary relief of system capacity constraints, to address declining reliability performance, to improve and enhance customer experience, and to ensure Elexicon has secure and efficient core operations which permit scaled growth, manage risk, and confer productivity.

Table 4: Forecast Capital Expenditures – 2027 to 2031 (Gross and Net) ($M)

	2027	2028	2029	2030	2031
System Access					
Gross ($M)	99.89	66.09	63.38	70.2	74.59
Contributions ($M)	66.17	40.27	33.28	37.87	41.15
Net ($M)	33.73	25.82	30.1	32.33	33.44
System Renewal					
Gross ($M)	31.31	53.66	56.03	68.76	70.23
Contributions ($M)	-	-	-	-	-
Net ($M)	31.31	53.66	56.03	68.76	70.23
System Service					
Gross ($M)	44.57	39.84	46.8	35.39	72.17
Contributions ($M)	-	-	-	-	-
Net ($M)	44.57	39.84	46.8	35.39	72.17
General Plant					
Gross ($M)	13.73	10.42	16.81	12.53	12.31
Contributions ($M)	-	-	-	-	-
Net ($M)	13.73	10.42	16.81	12.53	12.31
Total Gross ($M)	**189.5**	**170**	**183.02**	**186.88**	**229.29**
Total Contribution ($M)	**66.17**	**40.27**	**33.28**	**37.87**	**41.15**
Total Net ($M)	**123.34**	**129.73**	**149.74**	**149.01**	**188.14**

Table 5: Forecast OM&A Costs – 2027 to 2031 ($M)

2027	2028	2029	2030	2031	Total
77.26	84.05	86.00	88.45	90.84	**426.6**

The plan will achieve critical outcomes for customers and the communities Elexicon serves, namely:

- Providing capacity relief and restored reliability
- Better Customer Experience
- Enhanced Security and Productivity
- Managed Growth and Mitigated Risk

6.1 Capacity Relief and Restored Reliability

6.1.1 Relieving capacity through investing in stations and feeders

Elexicon's capacity constraints present immediate challenges to providing timely and economic connections. In 2025, 76% of Elexicon's stations have 1000kVA or less available capacity. Without investment Elexicon will be unable to meets it obligations as a distributor.

Through investments in Substations, Elexicon aims to add approximately 180 MVA of new station supply capacity and 109 MVA of distribution system capacity, including the construction of GTA East TS and new municipal stations in North Whitby (Brooklin North MS), Belleville (Foster MS), Port Hope (Port Hope MS), and Uxbridge (Uxbridge North MS). These investments alleviate current capacity constraints and enable the system to serve future load growth.

To realize the full benefit of these station investments Elexicon also plans to invest in corresponding feeder-level enhancements to distribute the added capacity and provide some resiliency in the form of power system redundancy.

By 2031, Elexicon intends to reduce the proportion of stations with 1000kVA or less of capacity from 76% to 36%, resolving these constraints and preparing for growth in the parts of its service territory where the pace of load growth and new customer connections (both residential and commercial) are greatest and expected to accelerate.

6.1.2 Addressing reliability through targeted asset replacements

Elexicon's reliability has declined over the historical period, as equipment failures increase due to the deteriorating age and condition of assets. Without investment in asset replacements in stations, as well as the underground and overhead systems, Elexicon cannot address the lengthening duration of outages, however, advancing replacement of all assets at risk of failure would require levels of investment that poses affordability risks to customers. Elexicon has capped its level of investment with affordability in mind. Even with the planned $280M in spending to renew deteriorating assets, Elexicon anticipates that the overall age and condition of its assets will decline by 2031.

Given the proportion of assets in fair, poor, and very poor condition, Elexicon recognizes that investments in renewal must be paced and prioritized to address those assets which most contribute to worsening SAIDI. Therefore, to address assets at highest risk of failure, Elexicon's proposed renewal investment scenario detailed in Exhibit 2B - Tab 4 - Section 3, Appendices E to H, is aimed at decelerating this growing proportion of aging and deteriorating assets as practicably as possible, but also carries a sustained level of risk of declining performance in the earlier years of the plan before renewal programs and grid modernization investments are scaled up. It is through the combination of targeted strategic asset replacement, grid modernization and increased maintenance activities that Elexicon will restore reliability to historical levels of performance. Elexicon's spending plan focuses on the replacement of a subset of worst performing assets earlier in the rate term for both overhead and underground asset classes and then scales up spending over the term to more broadly tackle assets which pose the greatest risk, and can affect wider groups of customers for lengthier periods of time (e.g. a stations outage can impact hundreds of customers).

6.1.3 Addressing reliability through better maintenance

Through its OM&A investments, Elexicon can tackle system performance challenges through better maintenance planning and sufficient levels of maintenance to mitigate the impact of deteriorating assets across its system.

Cost-effective maintenance and vegetation management through appropriate levels of investment and better planning:[22] By increasing maintenance program levels, Elexicon can better manage its aging infrastructure portfolio, and implement enhanced practices targeting improved vegetation management with the objective of controlling its reactive spend on maintenance and restoration activities over the forecast period.

Over the forecast period, Elexicon aims to undertake more predictive and preventative stations maintenance to remedy issues prior to failures, and where possible, extend the life of assets. The utility expects this approach will lead to an increased volume of deficiencies identified during maintenance

[22] Elexicon's maintenance programs are detailed in Exhibit 4 - Tab 1 - Schedule 4.

cycles. This approach will improve reliability, reduce the risk of unplanned outages, and avoid costly emergency repairs and replacements. These circumstances are becoming more frequent as station infrastructure continues to age and deteriorate. While investments in rebuilding stations are expected to improve targeted asset condition, it will take time to fully execute these capital investments and address the underlying issues across the system. Also, as new stations are scheduled to enter service during the forecast period, this increases the number of assets included in maintenance cycles which requires more investment in maintenance to preserve assets and ensure new stations are operating as intended.

Additional maintenance funding will also support increased levels of programming for poles, transformers, switches, as well as insulator washing and system patrol inspections. This increased cadence of activities will help to identify and address assets at risk of failure and mitigate safety and environmental risks through reducing incidents such as fires and contamination.

Over the forecast period, Elexicon plans to make enhancements to its tree trimming program that include mid-cycle spot trimming on Worst Performing Feeders, which are typically located in heavily treed rural and mature urban areas, allowing the targeting of spot feeder trimming. Elexicon will also shift to a feeder-based trimming cycle. By focusing on individual feeders under this updated approach, Elexicon can better prioritize high-risk areas, and optimize scheduling and resource deployment, which is expected to reduce tree-related incidents and lower off-cycle spot trimming costs over time. The development of optimized cycle lengths is expected to also extend the current three-year cycle to up to five years for feeders with lower tree contact incidents. This enhanced approach will result in more efficient use of resources without compromising reliability and safety.

Stations-focused programs & additional focus on Transformer Staton (TS) cycles: as noted, Elexicon has an aging portfolio of station assets, with many at the end of their life and/or outdated, making maintenance more difficult to perform due to incompatibility with current equipment. The oldest of the utility's transformer stations date back to the 1950s and many were installed in the 1970s and 1980s, typically with a useful life of approximately 40 years. As the volume of Elexicon's aging station assets grow, Elexicon must fund more stations-focused maintenance activities. Stations assets typically

require more extensive maintenance. In addition to maintaining aging station assets, Elexicon has and will continue to acquire transformers stations to meet its system needs, (e.g. the commissioning of the Seaton TS in 2022) and larger scale stations at higher voltages require specific maintenance cycles and detailed inspections on a wider range of components.

Overall, Elexicon will increase its cadence of maintenance performed which better aligns with the needs of its distribution system, and with industry best practices, improving service quality and minimizing safety risks.

6.2 Better Customer Experience

Improved customer portal: Through transitioning to a modern customer information system, customers will have improved access to self-service, so they don't need to call in to make simple account changes, pay bills, check consumption data. Customers will have access to online bills, and clear channels for accessing information about payment plans and low-income support. Elexicon's new portal will also offer SMS texting during outages to provide more timely and relevant communication through channels customers prefer.

High quality digital channels for information and communication: Elexicon will continue to improve its website, and outreach through social media platforms, which customers rely on for outage information, billing questions, changes to policies and programs, as well as finding out about Elexicon's operations and rates.

Advanced communication on planned outages and better coordination: Elexicon has improved its communication on planned and unplanned outages with customers, including its outage map and information that it circulates on its social media channels when outages do occur. Elexicon's website also includes dedicated web pages for updates during widespread outages after severe weather, as well as customer surveys to evaluate the effectiveness of communications.

6.3 Enhanced Security and Productivity

Advancing grid modernization[23] for reliability performance and to prepare for the future: Elexicon plans to invest in Operational Technology, such as upgrading and expanding its ADMS and SCADA platforms, as well as more field-connected devices through its Grid Enhancement program. Elexicon's operational technology allows the control centre to manage increased load growth and provide more effective outage management using a systematic approach to resolve disruptions in service, equipment or operations while minimizing down time. This core infrastructure addresses reliability while also ensuring Elexicon can lay the foundation for future grid technologies, and an era of greater DER penetration and customer participation.

Better cyber security: as cyber security threats have grown over the historical period and are forecast to continue intensifying, Elexicon has improved its cyber security posture through investments in its modern software applications, data management, office technologies for hybrid work as well as investing in enterprise risk management, information management and privacy expertise. The addition of a modern cloud-based customer information system (through the Dx NEXT project) addresses the risk of legacy systems and unsupported programs.

Modern business architecture to tackle the growing capital program Elexicon's ERP solution will also unlock the ability to scale its work program. Elexicon can execute more projects and pursue urgent investments with a modern business solution that integrates planning, work management, asset registry, procurement, human resources, and financial systems. This integrated system allows Elexicon to perform greater volumes of work, mitigate the need for additional hiring in customer care and finance (by reducing manual processes) and improve integration across business processes such as procuring vendors and materials, updating asset records, handling greater volumes of financial transactions and projects, and executing field work.

Access to data: implementing a cloud-based ERP also improves the efficiency and decision-making of business operations at Elexicon by providing better visibility to data including metering data and information about outages and asset failures to improve restoration times, workflow data including

[23] Elexicon's Grid Mod Plan is detailed at Exhibit 2B - Tab 3 - Schedule 2, Appendix A.

scheduling, billing, invoicing, accounting and customer service data, and implementing a comprehensive data governance framework that ensures data integrity and security, and supports reliable analytics.

6.4 Managed Growth and Mitigated Risk

6.4.1 Building capital-related support functions for scaled execution

Elexicon's procurement team will increase its staffing complement in the bridge period to manage the inventory levels of growing operational needs and accommodate longer lead times for key equipment. These additional resources will ensure Elexicon can execute greater volumes of work to address urgent system needs.

Elexicon must also increase the staffing in its control centre. Proper grid operations require a sufficient complement of qualified System Operators to support both current operations as well the anticipated load growth and its corresponding increase in operational demands. Building and replacing assets means more activity in the control centre to switch, isolate, and maintain grid operations as capital work increases, which places urgency on Elexicon to address gaps in trained operators.

6.4.2 Ensuring sufficient levels of regulatory support and internal legal capacity

Elexicon is prepared to support and deliver on the increasing obligations of distributors[24] in Ontario by adding additional internal expertise to its regulatory team to support policy and compliance work as well as manage the additional requirements and expanded volume of work associated with larger-scale rate applications. Over the historical and bridge periods, Elexicon also saw increasing need for in-house expertise to operate as a merged utility of increased scale and fulfil its legal, cyber security, governance and privacy obligations within an increasingly complex and demanding operating landscape. The addition of in-house counsel is crucial to providing support for legal and regulatory compliance, commercial transaction volumes and risk management.

[24] The volume of consultations, policy statements, updates to rules and codes, and initiatives have accelerated over the historical period and are expected to continue. Initiatives include: direction on cyber security requirements, new requirements for locates dictated by the Getting Ontario Connected Act, the Green Button initiative, the Optional Enhanced and Ultra-Low Overnight Time of Use Rates, the Ontario Electricity Support Program & LEAP, the Market Renewal Program, Distribution System Code changes related to housing expansions, Distributed Energy Resources and Electric Vehicle connections processes, enhanced reliability reporting and benchmarking from the Reliability and Power Quality Review.

7. CUSTOMER RATE IMPACTS

Elexicon's total bill impacts, as captured in Table 7 below, reflect Elexicon's balanced approach to the pacing of funding required to address Elexicon's current challenges. Elexicon is also proposing to harmonize rates in 2027 across its rate zones so that similar customers across its service territory will pay the same charges for the service they receive. Historically, Elexicon had operated two separate rate zones (the Veridian Rate Zone and the Whitby Rate Zone).[25] These total bill impacts on a monthly bill are shows for a typical customer in each rate class for the existing rate zones for 2027 to 2031.[26] See Exhibit 8 – Tab 1 – Schedule 1 for further details.

Table 6: Total Bill Impact – Summary

Veridian Rate Zone	2027		2028		2029		2030		2031		Average
	$	%	$	%	$	%	$	%	$	%	$
Residential	4.20	2.9%	5.60	3.8%	3.58	2.3%	3.30	2.1%	4.72	2.9%	4.28
Seasonal Residential	6.88	4.2%	11.33	6.6%	7.61	4.2%	7.36	3.9%	10.25	5.2%	8.68
GS <50	6.22	1.7%	12.92	3.5%	9.01	2.4%	8.56	2.2%	11.41	2.9%	9.62
GS 50 - 2,999 kW	-848.25	-5.8%	266.17	1.9%	211.02	1.5%	215.56	1.5%	263.61	1.8%	21.62
GS 3,000 - 4,999 kW	-23,463.65	-6.3%	4,519.85	1.3%	4,137.39	1.2%	3,709.81	1.0%	4,555.83	1.3%	-1,308.15
Large Use >5MW	-1,285.38	-0.1%	2,068.21	0.2%	4,421.83	0.5%	8,354.97	0.9%	11,427.28	1.2%	4,997.38
Unmetered Scattered Load	1.94	2.3%	4.05	4.7%	2.75	3.0%	2.73	2.9%	3.62	3.8%	3.02
Sentinel	0.63	3.4%	1.66	8.7%	1.15	5.6%	1.16	5.3%	1.59	6.9%	1.24
Streetlight	-7,600.43	-9.1%	3,844.52	5.1%	1,742.69	2.2%	1,723.56	2.1%	2,412.31	2.9%	424.53
Whitby Rate Zone	**2027**		**2028**		**2029**		**2030**		**2031**		**Average**
	$	%	$	%	$	%	$	%	$	%	$
Residential	2.50	1.7%	5.60	3.8%	3.58	2.3%	3.30	2.1%	4.72	2.9%	3.94
GS <50	-2.61	-0.7%	12.92	3.5%	9.01	2.4%	8.56	2.2%	11.41	2.9%	7.86
GS 50 - 2,999 kW	3.13	0.0%	266.17	1.9%	211.02	1.5%	215.56	1.5%	263.61	1.8%	191.90
GS 3,000 - 4,999 kW	5,397.06	1.6%	4,519.85	1.3%	4,137.39	1.2%	3,709.81	1.0%	4,555.83	1.3%	4,463.99
Unmetered Scattered Load	-5.52	-6.0%	4.05	4.7%	2.75	3.0%	2.73	2.9%	3.62	3.8%	1.53
Sentinel	1.65	9.5%	1.66	8.7%	1.15	5.6%	1.16	5.3%	1.59	6.9%	1.44
Streetlight	-38,199.05	-33.6%	3,841.24	5.1%	1,847.96	2.3%	1,829.82	2.3%	2,580.64	3.1%	-5,619.88

[25] Elexicon proposes to harmonize distribution rates across its two legacy rate zones effective January 1, 2027, by applying the Veridian Rate Zone rate class structure to Whitby Rate Zone customers, along with aligned rate riders, RTSRs, low voltage charges, and loss factors.
[26] Rates in later years will be finalized through annual update applications under the Custom IR framework.

8. CUSTOM PERFORMANCE SCORECARD

To ensure Elexicon holds itself accountable to deliver on the outcomes customers value and need, Elexicon will implement a relevant and detailed set of measures to both help establish a baseline of performance, and ensure its investments deliver the appropriate results for customers. Elexicon recognizes the scale of investment proposed is significant relative to the historical period, and this Plan must be accompanied by explicit commitments of performance and service levels commensurate with the funding required.

Elexicon's custom performance measures, captured in the Table 7 below correspond to its core objectives of addressing capacity constraints, enabling growth, and restoring reliability to historical levels of performance, while also setting appropriate measures for cost control, customer experience, and safety. For further details see Exhibit 1 - Tab 6 - Schedule 1.

Table 7: Custom Performance Scorecard

Performance Outcome	Performance Category	Metrics	Targets
Operational Effectiveness	System Reliability	SAIDI SAIFI FESI-7	1.49 – 1.52 (by end of 2031) 1.14 – 1.16 (by end of 2031) ≤ 10% (by end of 2031)
	Asset Management	Incremental Station Supply Capacity Incremental Distribution System Capacity Stations with Limited Capacity Asset Condition Assessment Distribution Assets TUL Substation Assets TUL	180 MVA (by end of 2031) 101 MVA (by end of 2031) 21 (by end of 2031) Monitor ≤ 28% (by end of 2031) ≤ 32% (by end of 2031)
Financial Performance	Cost Control	Planned Vegetation Management	Monitor
Customer Focus	Satisfaction and Experience	Telephone and Email Interactions Portal Experience Enrollment and Self Service eBill Enrollment	Monitor Feedback Monitor Feedback 15% Increase (by end of 2031) 15% Increase (by end of 2031)
Employee Safety	Health and Safety	Completion rate of logged actions in Elexicon's Health and Safety Management System and completion rate of target # of annual inspections.	95% Completion Rate (annual target)

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ADMINISTRATION

This Schedule provides information relating to the administration of the Application.

IN THE MATTER OF the *Ontario Energy Board Act, 1998,*

Schedule B to the *Energy Competition Act, 1998,*
S.O. 1998, c.15;

AND IN THE MATTER OF an Application by

Elexicon Energy Inc. for an Order or Orders

approving or setting just and reasonable distribution rates

and other charges, effective January 1, 2027 to December 31, 2031

1. LIST OF REQUESTED APPROVALS

Elexicon Energy Inc. (the "Applicant", "Elexicon Energy", "Elexicon", "the Company" or "the Utility"), is a corporation incorporated under the Ontario Business Corporations Act, and licenced by the Ontario Energy Board (OEB) to own and operate electricity distribution facilities under licence number ED-2019-0128. Elexicon hereby applies to the OEB pursuant to section 78 of the Ontario Energy Board 13 Act, 1998, as amended (the OEB Act), for the following approvals:

1. Approval of Elexicon's proposed rate harmonization for the Whitby and Veridian rate zones, including the methodology for rate calculations and the proposed tariff schedule, to integrate its two legacy rate zones into a consolidated rate zone effective January 1, 2027, specifically:
    a. Approval of harmonized distribution rate classes and distribution rates (Exhibit 8 - Tab 1 - Schedule 1, Sections 2 and 5, respectively)
    b. Approval of harmonized rate riders (Exhibit 9 - Tab 3 - Schedule 7)
    c. Approval of harmonized Retail Transmission Service Rates, Low Voltage charges, and loss factors (Exhibit 8 - Tab 1 - Schedule 1, Sections 6, 12 and 13, respectively)
    d. Approval of harmonized Specific Service Charges (Exhibit 8 - Tab 1 - Schedule 1, Section 10)
2. Approval of 2027 revenue requirement as proposed in Exhibit 6 - Tab 1 - Schedule 1.
3. Approval of Elexicon's 2027-2031 Custom Incentive Rate Framework based on cost of service rebasing in 2027, followed by a Custom Revenue Cap Index (CRCI) applied in each of years two through five (2028-2031), as proposed in Exhibit 1 - Tab 5 - Schedule 1.

4. Approvals related to deferral and variance accounts, as proposed in Exhibit 9, including:
    a. Approval to dispose of Group 2 deferral and variance account balances (Exhibit 9 - Tab 3 - Schedule 2);
    b. Approval to dispose of Group 1 deferral and variance account balances once audited Group 1 balances for 2025 become available (Exhibit 9 - Tab 1 - Schedule 1);
    c. Approval of the continuation and termination of certain deferral and variance accounts (Exhibit 9 - Tab 3 - Schedule 3); and
    d. Approval of the new deferral and variance accounts and draft accounting orders provided in Exhibit 9 - Tab 4 - Schedule 2.
5. Other items of amounts that may be requested by Elexicon in the course of this proceeding, and as may be granted by the OEB.

This Application is prepared in accordance with the OEB's: Chapter 2 Cost of Service *Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications,* issued May 7, 2025 (the Chapter 2 Filing Requirements); Chapter 5 Distribution System Plan *Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications*, issued December 9, 2024 (the Chapter 5 Filing Requirements); Report of the Board: *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach,* dated October 18, 2012; and *Handbook for Utility Rate Applications*, dated October 13, 2016.

This Application is supported by pre-filed written evidence which may be amended from time to time. For the reasons set out in this Application, Elexicon submits that the proposed distribution rates and other charges are just and reasonable.

2. PRIMARY CONTACT FOR THE APPLICATION

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4. INTERNET ADDRESS

Elexicon's main webpage can be found at the following URL:

https://elexiconenergy.com/

Elexicon's Cost of Service 2027 to 2031 Rates application can be found at the following URL:

https://elexiconenergy.com/regulatory

5. MEDIA ACCOUNTS

Please see below for a list and link to Elexicon Energy's Social Media Accounts:

Website: elexiconenergy.com
X: twitter.com/ElexiconEnergy
LinkedIn: https://ca.linkedin.com/company/elexicon-energy
Instagram: https://www.instagram.com/elexiconenergyofficial/

6. NOTICE OF HEARING PUBLICATION

Elexicon will follow the OEB's instructions regarding the Publication of Notice in relation to this Application. Elexicon proposes to publish the Notice of Application in the Toronto Star and Belleville Intelligencer publications, and to its website noted above.

7. FORM OF HEARING REQUESTED

Elexicon requests that this Application be disposed of by way of an oral hearing. It is Elexicon's view that this would be the most efficient means to reach a decision.

8. PROPOSED EFFECTIVE DATE

Elexicon is requesting approval of the proposed distribution rates and other charges set out in this Application effective January 1, 2027. Elexicon requests that its 2026 rates be declared interim effective January 1, 2027, as necessary, if the requested approvals cannot be issued by the OEB in time to implement final rates effective January 1, 2027; and that it be permitted to establish an account to recover any differences between the interim rates and the actual rates effective January 1, 2027 based on the OEB's Decision and Order.

9. MATERIALITY THRESHOLD

Elexicon has established a materiality threshold for operating expenditures at $707,946 (calculated as 0.5% of the proposed 2027 base revenue requirement of $141,589,208).

10. CHANGES TO METHODOLOGIES

Section 2.1.3 of the Chapter 2 Filing Requirements states that a distributor must identify and describe any changes to methodologies as used in previous applications. This Application is Elexicon's first rebasing application as an amalgamated entity. The company's predecessor utilities last rebased in 2010 (Whitby Hydro - EB-2009-0274), 2014 (Veridian Connections Inc. - EB-2013-0174). As a result of the amalgamation, there are changes to methodologies as compared to each predecessor utilities' previous applications. These are outlined in detail in the evidence and include:

- A 2027 to 2031 custom incentive rate-setting framework which includes cost of service rebasing in 2027, followed by a Custom Revenue Cap Index applied in each of years two through five (2028-2031) (Exhibit 1 - Tab 5 - Schedule 1).
- A rate harmonization plan to harmonize customers of the former Whitby Hydro into the existing rate classes of the Veridian Rate Zone. This includes the harmonization of distribution rates, Retail Transmission Service Rates, Low Voltage Charges and Specific Service Charges (Exhibit 8 - Tab 1 - Schedule 1).
- Cost Allocation Study based on Elexicon's proposed harmonization of rate classes noted above along with updated density factors for the allocation of costs to the Seasonal Rate class (Exhibit 7 - Tab 1 - Schedule 1).

- 5-year load forecast that includes electrification assumptions (Exhibit 3 - Tab 1 - Schedule 1).
- Working Capital Allowance based upon a Lead-Lag Study (Exhibit 2A - Tab 3 - Schedule 1).
- A revised asset planning and load forecasting process (Exhibit 2B - Tab 3 - Schedule 1).
- Payment-in-lieu-of-taxes (PILs): Elexicon is proposing a return to customers of its balance in Account 1592 over one-year, and also has unique tax circumstances which result in no PILs forecast amounts in its 2027 to 2031 rate period, see Exhibit 6 - Tab 2 - Schedule 1, and Exhibit 9 - Tab 3 - Schedule 5.
- A custom level of funding for the Low-Income Energy Assistance Program (LEAP) tied to recent historical funding requirements and anticipated need (Exhibit 4 - Tab 1 - Schedule 6).

In addition, Elexicon notes that it has used the year 2020 as the last OEB-approved year for the purpose of meeting the OEB's Filing Requirements. 2020 marks the first full year of operations for the merged entity and provides appropriate comparable data to establish a five-year historical actual baseline, consistent with other major custom incentive rate applications.

11. OEB DIRECTIONS FROM PREVIOUS OEB DECISIONS

In its MAADs decision (EB-2018-0236) the OEB ordered Elexicon to:

a) File an ESM proposal, and
b) File a consolidated Distribution System Plan within 24 months of the closing of the proposed transaction.

Elexicon confirms that a consolidated DSP was provided to the OEB in April of 2021, and forms part of the record of EB-2018-0236. Elexicon also confirms that an ESM proposal was initially filed in EB-2021-0015, and was deferred by the OEB to be heard at Elexicon's 2024 IRM. The proposal was approved by the OEB in its decision pertaining Elexicon's 2024 IRM (EB-2023-0014).

In preparing this application, Elexicon identified one direction from a previous cost of service application that was not addressed in either the MAADs decision (EB-2018-0236) or any other matter related to Elexicon that was previously heard by the OEB.

<u>EB-2013-0174 Cost of Service (Veridian Connections):</u>

The settlement proposal for Veridian's previous cost of service application established an obligation for Veridian to assess the relative customer density of its Residential and Residential-Seasonal customer classes.

In the settlement proposal parties agreed that:

> Veridian undertakes to assess the relative customer density of its Residential and Residential-Seasonal customer classes in order to establish whether there is a material difference and, if so, to review the appropriateness of the density factors used in its Cost Allocation study. This assessment/review will be completed prior to Veridian's next Cost of Service or Custom IR application and filed with the Board as part of that application. Veridian will review with Intervenors its plans for the density assessment/review prior to formally undertaking the work.[1]

Elexicon conducted this assessment and consulted with Intervenors in preparation for the completion of its Cost Allocation model. An engagement was conducted with intervenors that were party to Veridian's 2014 settlement on July 23, 2025. Details of the plan for updating density factors was discussed at this session. The outcomes of the approach taken and the outcome of Elexicon's assessment are detailed at Exhibit 7 - Tab 1 - Schedule 1 at Section 2.4.

12. CONDITIONS OF SERVICE

Elexicon's conditions of service are available on its website at the following URL:

https://elexiconenergy.com/files/2025/11/Elexicon-Energy_Conditions-of-Service-November_1_2025.pdf

Elexicon Energy's first consolidated conditions of service as a merged entity came into effect on October 19, 2020, and incorporated elements from both legacy utilities' prior conditions of service. Since the inaugural Elexicon Energy Conditions of Service, there have been two subsequent versions. Version 2, posted on May 27, 2024, added Appendix B - Electric Vehicle Charging Connection Procedure per the OEB's direction.

Elexicon updated its conditions of service effective November 1, 2025. The updated conditions were posted to Elexicon's website for extended public comment from May 5, 2025 to October 20, 2025 to ensure all customers had an opportunity to provide their feedback during the potential Canada Post service interruptions. No comments were received.

[1] Ontario Energy Board, EB-2013-0174, "Decision and Order", (April 10, 2014), Appendix A - Settlement Proposal, page 13 of 54.

1 The following table summarizes the changes to its conditions of service from its prior version:

2 **Table 1: Changes to Elexicon's Conditions of Service**

Section(s)	Title of Section	Summary of Revision(s)
1.5	Contact Information	Removed Emergency Contact Number no longer in service.
1.7.1	Access to Customer Property	Added further wording from Section 40 of the *Electricity Act, 1998* for clarity on purposes for Elexicon access to customer property.
1.7.3	Operating Control	Expanded wording to clarify customers must use equipment within its established limitations to ensure the safety and reliability of the equipment and system.
1.7.5	Repairs of Customer's Physical Structures	Expanded wording to clarify civil infrastructure that has the potential to affect Elexicon equipment (beyond civil infrastructure already noted) must be inspected and accepted by Elexicon.
1.7.10	Number of Services to a Property	Expanded wording to include additional exception to limit of one service per property and to clarify customers may not split or divide service behind Elexicon's equipment unless they are, or use, an OEB-licensed unit sub-metering provider.
1.8 / 1.8.1	Disputes / Dispute Resolution Process	Amended wording to reflect current practice of adhering to the OEB's Guide to Addressing Electricity Distribution Power Quality Issues for disputes – change reference from former licence section to Distribution System Code (DSC) section.
2.1.2	Expansions / Offer to Connect	Expanded wording to provide additional context on use of expansion deposits. Replaced "contestable works" with "Eligible for Alternative Bid Work" Added wording on Unforecasted Customers to provide additional context for customers on requirements to contribute to expansion costs incurred by initial contributors as per the DSC.
2.1.3	Connection Denial	Removed circumstances no longer in use or not aligned with regulatory expectations.
2.1.5	Relocation of Plant	Added language requiring the asset to be in compliance with Elexicon's specifications, previously removed in error.
2.1.7	Contracts	Removed reference on liability for implied contracts not aligned with regulatory expectations. Updated wording on current process for failure to contract for service.

Section(s)	Title of Section	Summary of Revision(s)
2.2 and 2.2.1.6	Disconnection and Unauthorized Energy Use	Amended wording to clarify circumstances under which Elexicon has the right to disconnect a customer, ensuring it aligned with regulatory requirements.
2.2.1	Non- Payment Disconnection Policies	Amended wording to reflect current practices, align with regulatory expectations and provide additional clarity for customers.
2.2.1.4	Reconnection	Added clarity that the customer may be required to obtain ESA approval before reconnection where damage to Elexicon's equipment is suspected.
2.3	Load Control Devices	Added new section allowing Elexicon, at its own discretion, to install a load control device in lieu of disconnection.
2.4.1	Limitations on the Guarantee of Supply	Expanded wording to clarify where submarine cable is used (i.e. to an island), Elexicon may not be able to restore interrupted supply where access or safety issues are present.
2.4.2.1	Power Quality	Amended wording to clarify current practice in adhering to the OEB's Guide for Addressing Electricity Distribution Power Quality Issues for power quality complaints.
2.4.7	Metering	Clarification of current practice that metered market participants must own and maintain their own metering equipment.
2.4.7.3	Metering Requirements for Generating Facilities	Expanded wording to clarify thresholds that attract Gross Load Billing.
2.5.3	Security Deposits	Amended wording to align with DSC requirement to accept cash as a form of payment for security deposits. Clarified a bulk-metered residential condominium that has declared itself as residential, will be treated as a residential customer for the purposes of security deposit payment method and good payment history.
2.5.3.2	Security Deposit Reviews / Adjustments	Added clarity on when a security deposit may be required after it has been waived.
3.2	General Service	Removed "(Below 50kW)" in title to clarify 3.2 applies to all general service classifications.
3.4	Distributed Energy Resources	Amendments to the former Embedded Generation and Energy Storage section to incorporate existing practices regarding Distributed Energy Resources. Updated references to "generator or energy storage" to "DER" throughout.

Section(s)	Title of Section	Summary of Revision(s)
4.0	Glossary of Terms	Addition of definitions for: - Distributed Energy Resources - DER Connection Procedures - Electric Vehicle Supply Equipment - EV Charging Connection Procedures - Generation Facility - Large Embedded Generation Facility - Load Control Device - Micro-Embedded Generation Facility - Mid-Sized Embedded Generation Facility - Small Embedded Generation Facility

Elexicon does not expect that any proposals in this Application will require changes to its Conditions of Service.

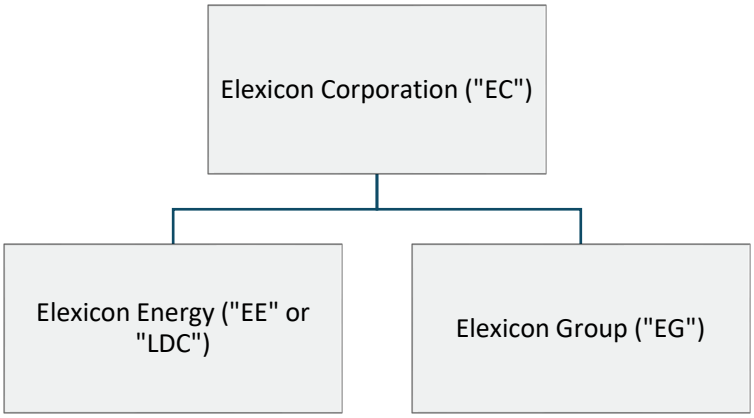
13. NO RATES NOT ON TARIFF SHEET

Elexicon confirms that there are no rates or charges listed in the Conditions of Service that are not in its Tariff of Rates and Charges.

14. CORPORATE AND UTILITY ORGANIZATIONAL STRUCTURE

Elexicon Corporation ("EC") is a holding company, owned by the Town of Ajax, the City of Belleville, the Municipality of Clarington, the City of Pickering, and the Town of Whitby. EC wholly owns two subsidiaries (see Figure 1 below): Elexicon Energy, which distributes electricity and carries on certain solar generation activities; and Elexicon Group, an unregulated affiliate which no longer carries on business (but which previously carried on unregulated energy services businesses relating to rate switch, energy management, energy efficiency consulting, and other miscellaneous services). In 2024 and 2025 EC wound-up Elexicon Group refocusing on its regulated business. Elexicon Group will continue to exist (but not carry on business) until all outstanding wind-up matters have been finalized.

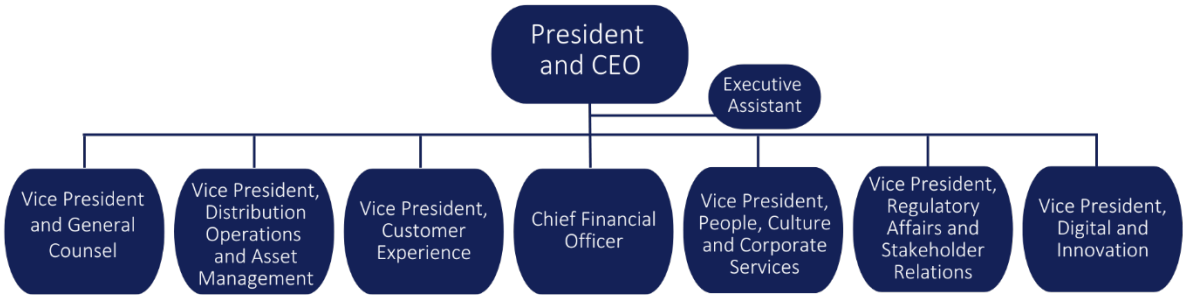
Figure 1: Corporate Structure (2025)



In 2025, the shareholders of Elexicon Corporation amended the shareholders' agreement to, among other things, impose new requirements on the board structure of the regulated entity, Elexicon Energy. Resulting from these changes Elexicon Energy now has a five-member Board of Directors, composed of three members from the EC Board of Directors and two independent members. The committees that had previously existed under the Elexicon Energy board have been dissolved, and certain of their accountabilities for oversight will be handled through committees at the EC board level. This new structure aligns with industry best practices and enables the EC Board to focus on overall governance of the regulated distribution business following the wind-up of the business of the unregulated affiliate, Elexicon Group.

Elexicon Energy is led by an executive management team as outlined in Figure 2 below:

Figure 2: Elexicon Energy's Organizational Structure (2025)



As of May 2025, the President and CEO sits within Elexicon Corporation and serves as the President and CEO of both the LDC and the parent company. The Vice President and General Counsel, and the Chief Financial Officer, sit within Elexicon Energy Inc. and serve in such roles at both the LDC and the

parent company. The costs for each of these three officers are allocated between the LDC and parent company in accordance with the OEB's Affiliate Relationships Code for Electricity Distributors and Transmitters.

15. USE OF AI IN PREPARATION OF APPLICATION

Generative artificial intelligence was used to support editing, refining, and proofreading of content within this filing. Elexicon confirms that such content has been verified for accuracy by the appropriate authors of the evidence, without the assistance of generative artificial intelligence.

16. LIST OF ATTACHMENTS

- Attachment 1: Certification of Application

EXHIBIT 1 - TAB 3 - SCHEDULE 1A: ATTACHMENT 1
"CERTIFICATION OF EVIDENCE"
(REFER TO ATTACHMENT IN PDF FORMAT)

CERTIFICATION OF APPLICATION

I, Cynthia Chan, Chief Financial Officer of Elexicon Energy Inc., certify the following:

1. That to the best of my knowledge, the evidence filed, including the models and appendices, is accurate, consistent and complete; and complies with the Board's Filing Requirements for Electricity Distribution Rate Applications, 2025 Edition for 2026 Rate Applications – Chapter 2 Cost of Service, dated December 9, 2024 and Corrected May 7, 2025; and

2. That to the best of my knowledge, the evidence filed in support of this Application does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules of Practice and Procedure (and the Practice Direction on Confidential Filings, as applicable).

3. That to the best of my knowledge, Elexicon Energy Inc. has robust processes and internal controls in place for the preparation, review, verification and oversight of account balances being disposed of.

4. That the Board of Directors of Elexicon Energy Inc. is aware of and approves the submission of Elexicon Energy Inc.'s 2027-2031 Custom Incentive Rate-setting application to the Ontario Energy Board.

Cynthia Chan

Digitally signed by Cynthia Chan
DN: cn=Cynthia Chan, c=CA, o=Elexicon Energy, ou=Finance, email=cchan@elexiconenergy.com
Date: 2025.12.12 13:55:40 -05'00'

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Cynthia Chan
Chief Financial Officer
Elexicon Energy Inc.

APPLICATION SUMMARY

1. INTRODUCTION

This schedule summarizes the main requests of Elexicon's 2027-2031 Custom Incentive Rate-setting (Custom IR) Application, in accordance with section 2.1.2 of the Ontario Energy Board's (OEB's) Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications, dated December 9, 2024. Elexicon confirms this application has been prepared in accordance with the Filing Requirements noted above. All necessary certifications are provided as Attachment 1 to this schedule.

In this Application, the years 2020-2024 are referred to as the historical period, years 2025 and 2026 are the bridge period, or "bridge years", and years 2027 to 2031 are the forecast period or "test years". Elexicon notes that it has used the year 2020 as the last OEB-approved year for the purpose of meeting the OEB's Filing Requirements. 2020 marks the first full year of operations for the merged entity and provides appropriate comparable data to establish a five-year historical actual baseline, consistent with other major custom incentive rate applications.

2. REVENUE REQUIREMENT

As presented in Table 1 below, Elexicon's Service Revenue Requirement is $146.5 million for the 2027 Test Year. Elexicon has calculated a gross revenue deficiency of $33.4 million in 2027. Further details regarding Elexicon's revenue requirement are provided in Exhibit 6 - Tab 1 - Schedule 1.

Table 1: Service Revenue Requirement[1]

	OEB Approved	Test Year	Change		Drivers
	2020	2027	$	%	
Return on Rate Base ($M)	15.8	22.5	6.6	42%	Time since rebasing (over 10 years), driven by incremental capital investments
Distribution Expenses ($M)	42.3	77.3	35.0	83%	Time since rebasing, investment in cloud computing projects and cyber security, maintenance of an expanding asset base, along with scaling up operations to meet customer growth and demands
Deemed Interest Expense ($M)	12.3	17.4	5.1	41%	Driven by capital investment increase due to customer growth and requirements
Depreciation ($M)	18.3	28.5	10.3	56%	Corresponding increase in depreciation due to increase in capital investment
Payment in Lieu of Taxes ($M)	0.0	0.0	0.0	-	Nil PILs requirements
Other Expenses – PILS ($M)	0.7	0.8	0.2	23%	Property tax increases primarily driven by inflation
Service Revenue Requirement ($M)	89.4	146.5	57.1	64%	

3. REVENUE LOAD FORECAST SUMMARY

Elexicon's 2027 to 2031 forecast energy sales, demand sales, and monthly average metered customer counts is provided in Table 2. Elexicon's service territory includes many growing communities, and this growth is reflected in the revenue load forecast described in Exhibit 3. The load forecast includes forecasted growth in Residential customer counts that is higher than the historic growth rate and additional General Service and Large Use customers and load that materially exceeds historical growth trends in these classes. Additional loads from EVs and electric heating that are incremental to the forecasts based on historical volumes and load growth are also included.

[1] Numbers may not sum due to rounding.

Table 2: Revenue Load Forecast Summary

Year	Total Sales (MWh)	Total Sales Demand (kW)	Average Metered Customers
2025	3,747,675	4,088,703	181,188
2026	3,918,947	4,404,873	184,644
2027	4,074,560	4,677,734	188,190
2028	4,229,959	4,935,858	191,668
2029	4,347,847	5,124,558	195,231
2030	4,422,917	5,219,742	198,915
2031	4,494,069	5,310,696	202,661

The additional General Service and Large Use customers represent a significant portion of Elexicon's total forecast loads throughout the rate period. By 2031, the additional customers are responsible for 15% of total kWh consumption and 25% of total billed kW demand. Details regarding Elexicon's load forecast are provided in Exhibit 3 - Tab 1 - Schedule 1.

4. RATE BASE AND DISTRIBUTION SYSTEM PLAN SUMMARY

4.1 Distribution System Plan

Elexicon's DSP outlines an increase in capital investments compared to the historical period anchored on three primary objectives:

- Address capacity constraints
- Enable growth
- Restore reliability to historical levels of performance

Each objective is underpinned by Elexicon's commitment to cost-effective execution of this DSP and balancing affordability concerns with crucial investments in grid assets and modern technologies. Table 3 below summarizes the major drivers underlying the utility's capital investment program for the 2027-2031 rate period.

Table 3: 2027 to 2031 Capital Expenditure Drivers by OEB Investment Category

Investment Category	Drivers	Description
System Access	Mandatory obligations to connect customers; modernization (AMI 2.0).	System Access investments to enable customer connections; accommodate relocations for third-parties; system expansion to accommodate future load growth; begin the modernization of advanced metering infrastructure (AMI).
System Renewal	Safety, Reliability, Resiliency	System Renewal investments are to replace aging and degraded assets to ensure continued safety, reliability, and resiliency of electricity supply.
System Service	Capacity, Reliability, Resiliency, Grid Modernization	System Service investments to support capacity upgrades, feeder enhancements, reliability improvements and grid resiliency, including the construction of a new transformer station (i.e. GTA East TS)
General Plant	Fleet and facility condition; cyber security; operational support continuity; grid modernization.	General Plant investments to support the continued day-to-day operation and growth of Elexicon's internal capabilities, including upgrades to fleet, IT/OT systems, tools, buildings, and equipment.

Table 4 provides a summary of the total capital expenditures that are planned for 2027 to 2031. For an overview of Elexicon's capital expenditures see Exhibit 2B - Tab 1 - Schedule 1.

Table 4: Summary of 2027 to 2031 Capital Expenditures[2]

Investment Category	Test Years					Average
	2027	2028	2029	2030	2031	
System Access ($M)	99.9	66.1	63.4	70.2	74.6	74.8
System Renewal ($M)	31.3	53.7	56.0	68.8	70.2	56.0
System Service ($M)	44.6	39.8	46.8	35.4	72.2	47.8
General Plant ($M)	13.7	10.4	16.8	12.5	12.3	13.2
Total Capital Expenditures ($M)	189.5	170.0	183.0	186.9	229.3	191.7
Capital Contributions ($M)	66.2	40.3	33.3	37.9	41.1	43.7
Net Capital Expenditures ($M)	123.3	129.7	149.7	149.0	188.1	148.0

[2] Numbers may not sum due to rounding.

Table 5, below, provides a summary of the change in capex between the 2022 to 2026 historical and bridge years, and the 2027 to 2031 Test Year and Forecast period.

Table 5: 2022 to 2026 Net Capital Expenditures v. 2027 to 2031 Test and Forecast Years

	Historical/Bridge	Forecast	Change	
	2022-2026	2027-2031	$	%
Capital Expenditures ($M)	336.8	740.0	403.2	120%

4.2 Rate Base Summary

Table 6 below detailed the proposed changes to rate base in 2027. Elexicon's Test Year rate base for 2027 is projected to be $617.3M. The increase from 2020 rate base is attributable to capital additions and ICM-funded additions over the historical period. Details on the proposed rate base for 2027 to 2031 can be found in Exhibit 2A - Tab 1 - Schedule 1.

Table 6: Historical Rate Base v. 2027 Test Year Rate Base

	OEB-Approved[3]	Test Year	Change	
	2020	2027	$	%
Rate Base ($M)	420.2	617.3	197.1	47%

5. OPERATIONS, MAINTENANCE, AND ADMINISTRATION EXPENSE SUMMARY

Elexicon is seeking $77.3M in OM&A funding in the 2027 test year with further increases over the test period. This level of funding is essential to:

- maintain safe and reliable operations,
- support expanding capital and maintenance programs to address economic growth and deteriorating asset condition,
- modernize technology platforms to provide a scalable foundation for efficient operations while mitigating cyber security risk,
- meet evolving customer expectations through enhanced service offerings and communication,

[3] Elexicon has adopted 2020 to serve as the historical baseline. The legacy utilities had differing "OEB-Approved" rebasing years (Veridian, 2014, Whitby, 2011).

- ensuring compliance with complex and rapidly evolving regulatory requirements,
- and manage rising external cost pressures.

As part of its budgeting process, Elexicon strategically paced its OM&A spending in 2027 and 2028, delaying certain necessary operating expenditures over multiple years to distribute costs and align recovery with customer affordability objectives and ensure a more gradual impact on rates. This approach avoids concentrated upfront rate-changes but introduces higher near-term operational risk. The resulting OM&A plan is a constrained, targeted investment strategy that prioritizes core business and operational functions while managing rate impacts. It aligns with customer feedback and supports long-term service delivery.

To deliver on its investment capital and maintenance plans, Elexicon must ensure it has a highly-skilled and experienced workforce to perform field operations, engineering and design, and system control centre functions, as well as modernized technology systems to enhance cyber security and operational effectiveness and foundational capabilities across corporate and customer service functions to support the workforce growth, expanded capital and maintenance activities and compliance requirements.

The OM&A forecasts in this application reflect the benefits of $5.2M in annual synergy savings achieved as part of the merger detailed in Exhibit 1 - Tab 4 - Schedule 2.

Table 7 below outlines Elexicon's historical, bridge, test year and forecast period OM&A expenditures.

Table 7: OM&A Expenditures & Variances

	Year	OM&A ($M)	Variance ($M)	Variance (%)
Historical Years	2020	42.3	N/A	N/A
	2021	42.9	0.6	1.4%
	2022	44.9	2.0	4.7%
	2023	46.7	1.7	3.9%
	2024	53.6	6.9	1.5%
Bridge Years	2025	58.2	4.6	8.5%
	2026	61.8	3.6	6.3%
Test Years	2027	77.3	15.4	24.9%
	2028	84.1	6.8	8.8%
	2029	86.0	2.0	2.3%
	2030	88.4	2.4	2.8%
	2031	90.8	2.4	2.7%

Table 8 below presents the difference in OM&A expenditures for the 2020 historic baseline year compared to the 2027 Test Year. For more information on OM&A, refer to Exhibit 4 - Tab 1 - Schedule 1.

Table 8: Historical Baseline versus Proposed Test Year

2020	2027	Change	
$42.3M	$77.3M	$35.0M	83.6%

6. COST OF CAPITAL SUMMARY

As shown in Table 9, Elexicon is proposing to use the OEB's cost of capital methodology for its capital structure. The short-term debt component uses the 2.72% rate from the OEB Cost of Capital Parameters update on October 31, 2025. Elexicon proposes a long-term debt rate of 4.83%, calculated as weighted average rate of existing embedded debt and forecast debt planned to be issued from 2026 to 2027, as described in Exhibit 5 - Tab 1 - Schedule 2. Elexicon's application uses the OEB approved ROE of 9.11% for the purpose of calculating revenue requirement for the five-year period covered by this application. Elexicon is proposing to update its cost of capital parameters for 2027 to 2031 based on the published rates for 2027, set in the fall of 2026, and that these parameters be locked-in for the term covered by this application. For further details, see Exhibit 5 - Tab 1 - Schedule 2.

Table 9: Deemed Cost of Capital

	2027	
	Weighting	Cost Rate
Short-Term Debt Rate	4.00%	2.72%
Long-Term Debt Rate	56.00%	4.83%
Return on Equity	40.00%	9.11%
Total Weighted Average Cost of Capital (WACC)	-	6.46%

7. COST ALLOCATION

This represents the first rebasing and cost allocation completed for Elexicon, following the merger of Whitby Hydro Electric Corporation ("Whitby") and Veridian Connections Inc. ("Veridian") on April 1, 2019. Elexicon has completed the OEB's 2026 Cost Allocation Model (posted on February 5, 2025) for the 2027 test year to determine the allocation of the revenue requirement across rate classes, in full compliance with the OEB's Filing Requirements for Exhibit 7 Cost Allocation, outlined in section 2.7. As part of this process, Elexicon applied density weighting factors to the costs of poles, overhead and underground conductors, and transformers for the Seasonal Residential rate class, and updated the inputs for the density factors underpinning that class.

Elexicon has adjusted revenue-to-cost ratios derived from the Cost Allocation Model for GS <50 kW, Street Lighting, and Unmetered Scattered Load rates classes to align with OEB-prescribed ranges. The Sentinel Lighting class ratio has been reduced as a mitigation measure to limit bill impacts to below 10%. Subsequently, the ratios for Residential, Large Use, and Seasonal Residential classes have been increased to 97.08% to maintain overall revenue neutrality. With these adjustments, all rate classes fall within the OEB-approved ranges and Elexicon is not proposing further adjustments for the balance of the rebasing period (2028–2031). The revenue-to-cost ratios are shown in Table 10, and further details are provided in Exhibit 7 - Tab 1 - Schedule 1.

Table 10: Revenue-to-Cost Ratios

Rate Class	Veridian 2014 Approved Ratios	Whitby 2013 Approved Ratios	2027 Cost Allocation Study	2027 Proposed Ratios	Policy Range
Residential	100.88%	103.65%	96.84%	97.08%	85% - 115%
GS < 50	115.33%	102.10%	120.16%	120.00%	80% - 120%
GS 50 - 2,999 kW	93.65%	93.53%	99.63%	99.63%	80% - 120%
GS 3,000 - 4,999 kW	80.00%		109.54%	109.54%	80% - 120%
Large Use >5MW	85.00%		93.24%	97.08%	85% - 115%
Street Light	80.96%	70.00%	167.65%	120.00%	80% - 120%
Sentinel Light	80.00%	70.00%	96.28%	91.87%	80% - 120%
USL	115.10%	98.00%	134.73%	120.00%	80% - 120%
Seasonal Residential	85.00%		93.82%	97.08%	80% - 120%

8. RATE DESIGN AND RATE HARMONIZATION

Elexicon proposes to harmonize all distribution rates across its two legacy rate zones effective January 1, 2027, by adopting the existing Veridian Rate Zone rate class structure for Whitby Rate Zone customers. Harmonized rate riders, RTSRs, low voltage charges, and loss factors are also included in the proposed plan. This proposal reflects customer feedback from the engagement surveys, which emphasized fairness by eliminating differences between rate zones. Elexicon's rate harmonization plan is detailed in Exhibit 8 - Tab 1 - Schedule 1, Section 2. Elexicon is also proposing the harmonization of Specific Service Charges (SSCs) across its service territory.

From 2028 to 2031, Elexicon will apply the Custom Incentive Rate-Setting ("Custom IR") framework annually to calculate the revenue requirement in each year as detailed in Exhibit 1 - Tab 5 - Schedule 1. For rate design, Elexicon will maintain the 2027 base revenue requirement allocations and fixed/variable splits by rate class and calculate rates using the charge determinants for the current year. Illustrative rates for these years are calculated to demonstrate the methodology in Exhibit 8 - Tab 1 - Schedule 1. Final rates will be set through annual update applications under the Custom IR framework in each of those years.

Details of Elexicon's rate design and SSCs are provided in Exhibit 8 - Tab 1 - Schedule 1, and the Custom IR Framework is filed as Exhibit 1 - Tab 5 - Schedule 1.

9. DEFERRAL AND VARIANCE ACCOUNTS

9.1 Group 1

Elexicon has not included a request for the disposition of Group 1 accounts given the timing of the filing of this application. Elexicon will be reviewing its accounts and determining if a threshold balance has materialized once its 2025 financials are available.

9.2 Group 2

As shown in Table 11, Elexicon is proposing a disposal of Group 2 accounts, of $45,443,472.

Table 11: Group 2 Proposed Dispositions

Rate Class	Group 2 Disposition Amount ($)
Residential	28,708,184
Residential Seasonal	471,155
GS<50	5,279,133
GS 50 - 2,999	7,918,018
GS 3,000 - 4,999	1,010,732
Large Use	1,449,835
Street Light	464,737
Sentinel Light	11,594
USL	130,083
Total	**45,443,472**

Elexicon is proposing all accounts, except for PILs (1592) and the Cloud Computing Implementation Account (1511), be disposed of over five years. For PILs (1592), Elexicon is proposing a return to rate payers over one year (2027), and for the Account 1511, Elexicon is proposing recovery over ten years (2027-2036).

Elexicon has used the cloud account to track implementation costs associated with its cloud-based Customer and Enterprise Resource Platform (named "Dx NEXT" see Exhibit 4 - Tab 1 - Schedule 6, Appendix A) the expected service term of which is expected to be ten years. A detailed discussion of this proposal is contained in Exhibit 9 - Tab 3 - Schedule 5.

The proposal in this application assumes the Group 2 disposition was approved as requested in Elexicon's 2026 IRM, EB-2025-0046. Given the timing of the release of that decision, Elexicon was unable to make any adjustments or revisions to Exhibit 9.

As shown in Table 12, Elexicon is proposing the introduction of the following Group 2 accounts, effective January 1, 2027:

Table 12: Proposed New Deferral and Variance Accounts

Proposed New Deferral and Variance Accounts
Earnings Sharing Mechanism Deferral Account ("ESMDA")
Capital In-Service Addition Variance Account ("CISAVA")
Demand-Related Variance Account ("DRVA")
Connection Cost Recovery Agreement Variance Account ("CCRAVA")
New Stations Deferral Account ("NSDA")
Non-Wires Solutions Deferral Account ("NWSDA")
Large Load Revenue Variance Account ("LLRVA")

As shown in Table 13, Elexicon is proposing the discontinuation of the following accounts, effective January 1, 2027:

Table 13: Accounts to be Discontinued

Account to be Discontinued	USoA #
Collection of Account Variance	1508
Locates	1508
Pole Attachments	1508
Change of Estimated Useful Lives	1508
Cloud Computing Implementation Account	1511
Retail Cost Variance Account - Retail	1518
Retail Cost Variance Account - STR	1548
IFRS-CGAAP Transitional PP&E	1575

10. BILL IMPACTS SUMMARY

Bill impact calculations for 2027 assume 2026 rates are approved as filed in Elexicon's 2026 rate application (EB-2025-0046) and include proposed changes to base distribution rates, RTSRs, LV rates, loss factors, and rate riders, with supporting calculations provided in the Bill Impacts Model, filed as Attachment 5 to Exhibit

8 - Tab 1 - Schedule 1. Bill impacts for 2028–2031 are based on rates calculated for illustrative purposes and will be updated annually through the Custom IR framework.

The summary of distribution bill impacts is provided in Table 14. The amounts are related to Subtotal A in the OEB Bill Impact Model and reflects the impact of charges directly related to Elexicon's operations. Table 15 provides a summary of the total bill impacts, which includes changes to Elexicon's distribution rates as well as rate riders, RTSRs, LV charges, and line losses which are related to pass-through charges that Elexicon settles on behalf of its customers.

Table 14: Distribution Bill Impacts – Subtotal A

Veridian Rate Zone	2027		2028		2029		2030		2031		Average
	$	%	$	%	$	%	$	%	$	%	$
Residential	5.95	15.6%	5.32	12.0%	2.91	5.9%	2.67	5.1%	4.11	7.5%	4.19
Seasonal Residential	11.55	17.1%	11.67	14.7%	7.37	8.1%	7.23	7.4%	10.32	9.8%	9.63
GS <50	9.06	11.8%	11.94	13.9%	7.37	7.5%	6.87	6.5%	10.05	8.9%	9.06
GS 50 - 2,999 kW	-27.21	-2.2%	140.50	11.8%	87.47	6.6%	91.20	6.4%	125.81	8.3%	83.56
GS 3,000 - 4,999 kW	-1,115.16	-4.4%	1,693.07	7.0%	1,251.81	4.8%	865.82	3.2%	1,423.31	5.1%	823.77
Large Use >5MW	-8,629.37	-12.4%	-3,843.57	-6.3%	-2,016.40	-3.5%	1,448.28	2.6%	3,692.44	6.5%	-1,869.72
Unmetered Scattered Load	3.13	14.6%	4.02	16.3%	2.46	8.6%	2.44	7.9%	3.44	10.3%	3.10
Sentinel	1.19	11.5%	1.79	15.6%	1.22	9.2%	1.23	8.5%	1.70	10.8%	1.42
Street Light	-2,786.33	-14.7%	3,065.04	18.9%	1,189.99	6.2%	1,171.97	5.7%	1,753.44	8.1%	878.82
Whitby Rate Zone	**2027**		**2028**		**2029**		**2030**		**2031**		**Average**
	$	%	$	%	$	%	$	%	$	%	$
Residential	3.61	8.9%	5.32	12.0%	2.91	5.9%	2.67	5.1%	4.11	7.5%	3.72
GS <50	0.04	0.0%	11.94	13.9%	7.37	7.5%	6.87	6.5%	10.05	8.9%	7.25
GS 50 - 2,999 kW	-118.77	-9.0%	140.50	11.8%	87.47	6.6%	91.20	6.4%	125.81	8.3%	65.24
GS 3,000 - 4,999 kW[4]	-172.03	-0.7%	1,693.07	7.0%	1,251.81	4.8%	865.82	3.2%	1,423.31	5.1%	1,012.40
Unmetered Scattered Load	-5.92	-19.4%	4.02	16.3%	2.46	8.6%	2.44	7.9%	3.44	10.3%	1.29
Sentinel	1.73	17.7%	1.79	15.6%	1.22	9.2%	1.23	8.5%	1.70	10.8%	1.53
Street Light	-34,611.24	-65.9%	3,079.55	17.2%	1,301.34	6.2%	1,284.25	5.8%	1,922.10	8.2%	-5,404.80

[4] As part of the harmonization plan, three WRZ customers with demand above 3,000 kW will move to the harmonized General Service 3,000 - 4,999 kW class, resulting in a distribution bill decrease in 2027.

Table 15: Total Bill Impact - Summary

Veridian Rate Zone	2027		2028		2029		2030		2031		Average
	$	%	$	%	$	%	$	%	$	%	$
Residential	4.20	2.9%	5.60	3.8%	3.58	2.3%	3.30	2.1%	4.72	2.9%	4.28
Seasonal Residential	6.88	4.2%	11.33	6.6%	7.61	4.2%	7.36	3.9%	10.25	5.2%	8.68
GS <50	6.22	1.7%	12.92	3.5%	9.01	2.4%	8.56	2.2%	11.41	2.9%	9.62
GS 50 - 2,999 kW	-848.25	-5.8%	266.17	1.9%	211.02	1.5%	215.56	1.5%	263.61	1.8%	21.62
GS 3,000 - 4,999 kW	-23,463.65	-6.3%	4,519.85	1.3%	4,137.39	1.2%	3,709.81	1.0%	4,555.83	1.3%	-1,308.15
Large Use >5MW	-1,285.38	-0.1%	2,068.21	0.2%	4,421.83	0.5%	8,354.97	0.9%	11,427.28	1.2%	4,997.38
Unmetered Scattered Load	1.94	2.3%	4.05	4.7%	2.75	3.0%	2.73	2.9%	3.62	3.8%	3.02
Sentinel	0.63	3.4%	1.66	8.7%	1.15	5.6%	1.16	5.3%	1.59	6.9%	1.24
Street Light	-7,600.43	-9.1%	3,844.52	5.1%	1,742.69	2.2%	1,723.56	2.1%	2,412.31	2.9%	424.53
Whitby Rate Zone	**2027**		**2028**		**2029**		**2030**		**2031**		**Average**
	$	%	$	%	$	%	$	%	$	%	$
Residential	2.50	1.7%	5.60	3.8%	3.58	2.3%	3.30	2.1%	4.72	2.9%	3.94
GS <50	-2.61	-0.7%	12.92	3.5%	9.01	2.4%	8.56	2.2%	11.41	2.9%	7.86
GS 50 - 2,999 kW	3.13	0.0%	266.17	1.9%	211.02	1.5%	215.56	1.5%	263.61	1.8%	191.90
GS 3,000 - 4,999 kW	5,397.06	1.6%	4,519.85	1.3%	4,137.39	1.2%	3,709.81	1.0%	4,555.83	1.3%	4,463.99
Unmetered Scattered Load	-5.52	-6.0%	4.05	4.7%	2.75	3.0%	2.73	2.9%	3.62	3.8%	1.53
Sentinel	1.65	9.5%	1.66	8.7%	1.15	5.6%	1.16	5.3%	1.59	6.9%	1.44
Street Light	-38,199.05	-33.6%	3,841.24	5.1%	1,847.96	2.3%	1,829.82	2.3%	2,580.64	3.1%	-5,619.88

11. LIST OF ATTACHMENTS

- Attachment 1: Certification of Evidence

DISTRIBUTION SYSTEM OVERVIEW

Elexicon Energy is the fourth largest municipally owned electricity distributor serving more than 180,000 homes and businesses across ten municipalities in east-central Ontario: the City of Pickering, the Town of Ajax, the Town of Whitby, the City of Belleville, the Municipality of Clarington, the Townships of Brock, Scugog, and Uxbridge, the Town of Gravenhurst, and the Municipality of Port Hope.

Elexicon was formed in 2019 following the merger of Whitby Hydro and Veridian Connections.

As shown in Figure 1, the non-contiguous service territory encompasses dense suburban centres, fast-growing urban communities, rural townships, and remote island areas, each with distinct infrastructure requirements and operating conditions.

Figure 1: Elexicon Energy Inc. Service Territory Map

This diversity shapes investment priorities and long-term planning, ensuring the system remains capable of supporting continued growth, customer needs, and reliable service. The majority of Elexicon's customer base are residential (72%). The remainder of the customer base is comprised of small business (7%), Commercial & Industrial Customers and Large Users (~1%), and unmetered loads such as street lighting.

Elexicon's system must support some of the fastest-growing communities in the province with annual customer growth set to accelerate from 1.4% over 2020-2024 to 1.9% from 2025-2031. Durham Region is one of the highest-growth regions in Ontario, with population projected to double to approximately 1.3 million over the next 25 years. Belleville is experiencing substantial growth as well, forecasting a 34 percent increase over the same period. While Durham's growth is primarily residential and mixed-use, Belleville and parts of the eastern service area are experiencing accelerated industrial and employment expansion. These differing growth profiles drive distinct system needs, ranging from local capacity expansion and feeder extensions to new large-capacity industrial connections.

In Pickering, both greenfield and infill development are occurring simultaneously. The Seaton community—one of Ontario's largest master-planned communities—is expected to accommodate approximately 70,000 residents and 35,000 jobs by 2031. The development includes low-, medium-, and high-density housing supported by commercial and employment uses. Pickering continues to significantly exceed annual housing start targets: in 2024, the City initiated construction on 1,880 new residential units, achieving 174 percent of its provincial housing pledge for the year. Pickering is also experiencing substantial commercial growth. The Pickering Innovation Corridor along Highway 7 encompasses more than 800 acres of employment-ready land intended to attract manufacturing, logistics and commercial development.

Whitby is experiencing similar sustained growth. The Town has committed to supporting the development of 18,000 new homes by 2031 under provincial housing pledges. Growth is concentrated in west Whitby, north Brooklin, and the Whitby GO Station corridor. Long-term municipal forecasts anticipate approximately 39,000 new housing units by 2051. This level of expansion will require new subdivision servicing, feeder extensions, and system upgrades to support higher load densities and maintain reliability.

While Durham Region's growth is largely residential and mixed-use, Belleville exhibits a different pattern: sustained industrial and employment expansion. The City continues to attract new and expanding manufacturing, logistics, and food-processing operations. Industrial customers typically require higher-capacity feeders, increased redundancy, and in some cases, customized electrical solutions to ensure reliable and continuous production. These requirements place different and often more concentrated demands on the distribution system than residential developments.

Elexicon's service area also includes remote and heavily forested regions, particularly in Brock Township and Gravenhurst. These areas have dense tree coverage, challenging terrain, and in the case of Gravenhurst, island and seasonal communities accessible only by water. These characteristics increase both the operational complexity and cost of maintaining reliable service. Rural and remote parts of the system are more vulnerable to wind, ice, and vegetation-related outages, requiring proactive vegetation management, storm-hardening investments, and tailored asset renewal strategies. The unique needs of these customers must be balanced alongside the requirements of rapidly growing suburban centres.

Together, these characteristics underscore the complexity and diversity of Elexicon's service territory. From high-growth urban centres driving large-scale residential and industrial development to rural and remote communities with unique reliability challenges, the system must adapt to a wide range of conditions. This diversity requires a balanced approach to planning and investment—one that supports rapid growth while maintaining resilience and reliability across all areas of the network.

EARLY REBASING BUSINESS CASE

INTRODUCTION

Elexicon is applying to establish cost-based distribution rates two years prior to the end of its 10-year deferred rebasing period. This deferred rebasing period was selected by Elexicon in its application for approval to amalgamate its two legacy utilities Veridian Connections Inc. and Whitby Hydro Inc. ("Merger Application") and is set to expire on December 31, 2028.[1] Veridian Connections Inc. last rebased its distribution rates in 2014 and Whitby Hydro Inc. last rebased its rates in 2010. For the reasons detailed herein, including an unprecedented rate of system and customer growth, insufficient funding to address renewal needs for aging assets, inflation, new technology requirements and increases in staffing to address engineering, legal, regulatory and policy drivers of business at the utility, Elexicon submits that the OEB should approve its request to truncate its deferred rebasing period and rebase distribution rates effective January 1, 2027.

As of 2026, Elexicon will have operated under its deferred rebasing period for eight years of its approved ten-year deferral period, and customers will benefit from the sustainable synergies the utility has achieved during this time.[2] However, external and non-discretionary circumstances have emerged and intensified over this post-merger period. This trend has been exacerbated by the impact of high inflation on the cost of assets and materials. These circumstances have required Elexicon to increase its capital investments and spending above available funding through rates to levels that are unsustainable without rebasing.

As a result of these external drivers, Elexicon's circumstances have materially changed since its merger, such that the OEB's Price Cap rate framework no longer provides sufficient funding through distribution rates.[3] For example, Elexicon's spending in 2024 on mandatory, customer-driven system access investments and reactive capital to retore power following an outage alone exceeded the Merger Application's total capital forecast for the same year, which leaves no funding for any other system needs at a time when Elexicon is forecast to be one of the fastest-growing utilities in the Province of Ontario over the 2027-2031 period. Elexicon has invested at levels above what is funded

[1] Ontario Energy Board, EB-2018-0236, pages 4, 10
[2] Exhibit 1 - Tab 4 - Schedule 2
[3] See Appendix A

in rates to try and keep up with these needs however this is no longer sustainable. Due to this underfunding and the length of time since its legacy utilities last rebased, Elexicon's return on equity has fallen below the 300-basis point off-ramp deadband every year since 2022. These current business conditions require Elexicon to seek additional funding through a Custom IR framework and warrant filing the utility's rebasing application for its 2027 rates.[4] As further detailed in this evidence, Elexicon satisfies the requirement for early rebasing as the off-ramp conditions have been met, and the utility's circumstances necessitate early rebasing to safeguard the interests of both the utility and its customers.

ELEXICON MEETS THE OFF RAMP THRESHOLD

The ROE performance results detailed in Table 1 below demonstrate that Elexicon meets the threshold for early rebasing as plainly set out in section 2.0.4 of the OEB's *Filing Requirements for Electricity Distribution Rate Applications*:

> *A distributor planning to file a cost of service application earlier than scheduled must justify, in its cost of service application, why an early rebasing is required. This requirement only applies if the "off ramp" conditions have not been met. In particular, the distributor must demonstrate why and how it cannot adequately manage its resources and financial needs during the remainder of its IRM plan period. [Emphasis added]*

Pressure from system growth and declining reliability required Elexicon to make necessary investments to grow and renew its system beyond available funding from rates, which has caused its return on equity to fall below the OEB's 300 basis point deadband since 2022. The utility's financial picture is deteriorating, and Elexicon does not have the ability to further fund spending requirements that continue to increase as its deferred rebasing period proceeds. Elexicon's shareholders have effectively funded this shortfall through earnings over the deferred rebasing period however, financing investment without associated revenue has impacted Elexicon's credit metrics. Elexicon's credit rating was also downgraded from A to A (low) in October 2025, with ratings issuer Morningstar DBRS

[4] Ontario Energy Board, "Filing Requirements for Electricity Distribution Rate Applications", Chapter 2, section 2.0.4

expecting Elexicon's cash flow-to-debit ratio to "remain weak through the medium term until revenues and costs align under future regulatory determinations."[5]

Elexicon, in conjunction with its shareholders, has taken steps to support the financing of future investments. In the fall of 2025, Elexicon's Board and shareholders agreed via a Memorandum of Understanding to suspend dividend payments through to 2031, and to use those amounts that would have been paid as dividends to instead finance investment. Shareholders have further agreed to convert $62M of their debt as contained in promissory notes into equity, forgoing predictable, guaranteed interest payments to support Elexicon's balance sheet. However, these actions require a realignment of rate funding with investment levels in the form of rebasing in order to prevent a further downgrade of Elexicon's credit metrics and higher borrowing costs for Elexicon and its customers.

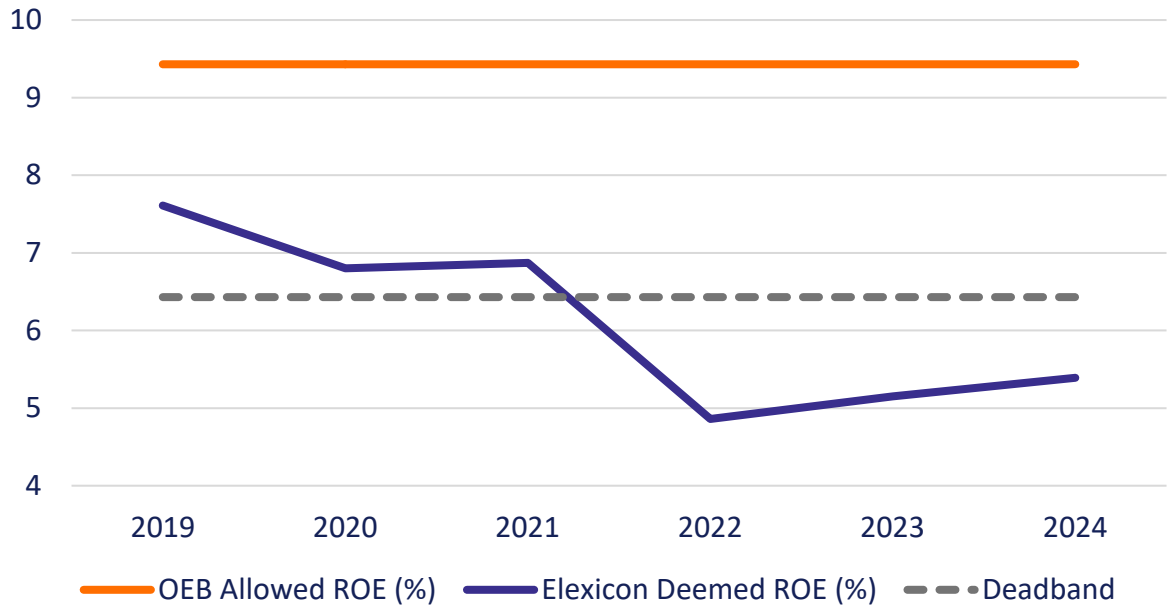
The impact of incremental investment needs on Elexicon's Return of Equity ("ROE") is shown in Table 1 and Figure 1 below.

Table 1: Elexicon Deemed and OEB Allowed Return on Equity (%)

Year	2019	2020	2021	2022	2023	2024
OEB Allowed ROE (%)	9.43	9.43	9.43	9.43	9.43	9.43
Elexicon Deemed ROE (%)	7.61	6.80	6.87	4.86	5.15	5.39
Variance	-1.82	-2.63	-2.56	-4.57	-4.28	-4.04

[5] Exhibit 1 - Tab 8 - Schedule 1 - Attachment 5

Figure 1: Elexicon Deemed and OEB Allowed Return on Equity (%)



Although the OEB's Filing Requirements do not impose a burden on the applicant to file additional information to justify early rebasing if the off ramp conditions have been met, Elexicon nonetheless believes it is important to provide additional context to help the OEB understand this request in more detail.[6] Elexicon is providing this additional information with due regard to the OEB's MAAD's Handbook which notes an expectation for the applicant to explain in the early rebasing application "*why and how [it] cannot adequately manage its resources and financial needs during the remaining years of its current rate term.*" The following evidence details the circumstances and business drivers that have altered Elexicon's investment requirements and resulting cost profile, leading it to spend beyond its funding from rates.

THE NEED FOR EARLY REBASING

This section summarizes (i) the efficiencies that Elexicon has achieved during its deferred rebasing period and evidence of the utility's strong cost performance relative to its peers, (ii) the exogenous factors and business drivers that have altered the utility's investment requirements and resulting cost

[6] This is also evidenced in the April 10, 2010 OEB guidance letter referenced in the MAAD's Handbook, which describes the requirement to justify an early rebasing as a conditional in circumstances where the off-ramp is not met.

profile, and (iii) the risks to Elexicon's performance outcomes associated with managing the utility within these challenging circumstances.

Elexicon's Efficiencies and Synergies

Customers have benefitted from a low rate of inflation in their distribution rates during the deferred rebasing period while Elexicon worked diligently to consolidate operations and implemented synergies and efficiencies. These results were primarily achieved through workforce reduction efforts in line with the Merger Application projections. The Merger Application business case projected that staff retirements and attrition would enable Elexicon to reduce its staffing complement from 289 FTEs pre-merger to a complement of 254 FTEs over its deferred rebasing period.[7]

By 2021, Elexicon's staffing level was lower than projected in the Merger Application as the utility reassessed its core staffing needs following consolidation and as business disruption from the Covid-19 pandemic temporarily slowed Elexicon's hiring pipeline.

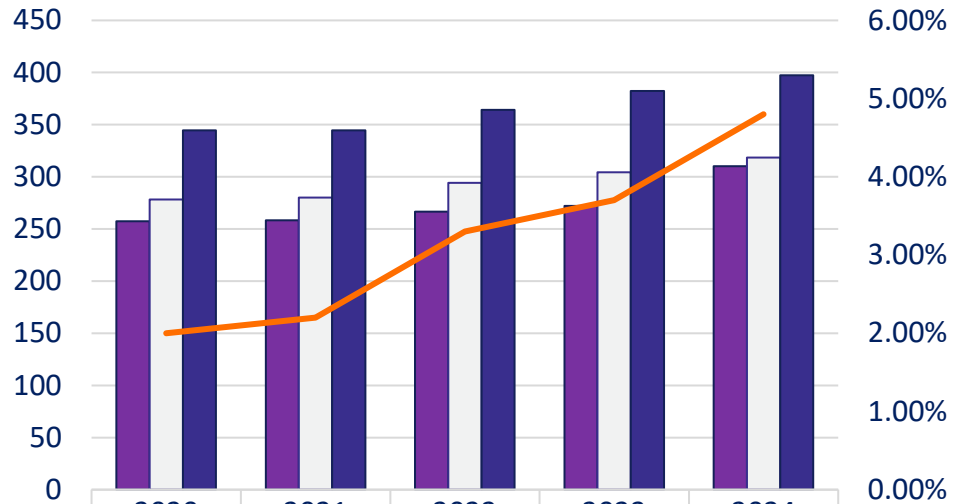
As a result of Elexicon's diligent efforts to consolidate the operations of its two legacy utilities, Elexicon has generated annual sustained labour savings of $3.25 million dollars as of 2025, achieving 78% of the forecasted labour savings in the Merger Application. In addition to FTE reductions, Elexicon realized approximately $8.8 million dollars in non-labour synergies from 2019-2025 by consolidating key systems, avoiding duplicative software upgrades, and reducing redundant service costs. The non-labour synergies translate to annual sustained savings of $1.9 million dollars as of 2025, achieving 100% of the forecasted non-labour savings in the Merger Application. Further detailed in Exhibit 1 - Tab 4 - Schedule 2, these savings are sustainable and have been incorporated into Elexicon's financial forecast for the period of 2027 to 2031. Elexicon's labour and non-labour synergies together meet 85% of its Merger Application forecast for 2025. The consolidated utility has realized $31M in synergies during the 2020 to 2025 portion of its deferred rebasing rate period.[8]

Elexicon has been an efficient cost performer relative to its peers from the time of merger and through its deferred rebasing period. The OEB has put Elexicon into Cohort III with a stretch factor of 0.3 in reflection of its cost performance.[9] As shown in Figure 2, Elexicon's OM&A costs per customer were

[7] Ontario Energy Board, EB-2018-0236, Application, p. 33
[8] Ontario Energy Board, EB-2019-0236, Decision and Order, p. 8
[9] Ontario Energy Board, EB-2018-0236, Application, p. 27 OEB Reporting and Record Keeping Requirements

lower than a peer group of Ontario utilities with comparable characteristics to Elexicon over the 2020-2024 period, as discussed in further detail in Exhibit 1 - Tab 5 - Schedule 3, which contains Elexicon's Benchmarking Analysis.

Figure 2: Elexicon vs. Industry and Peer Group OM&A Costs Per Customer with OEB Inflation (2020-2024)



	2020	2021	2022	2023	2024
Elexicon	258	258	266	272	310
Peer Group Avg.	278	280	294	304	318
Ontario Average	344	345	364	382	397
OEB Inflation	2.00%	2.20%	3.30%	3.70%	4.80%

This benchmarking highlights Elexicon's performance in managing cost increases from increased investment needs, business drivers and inflation relative to the peer group and to the Ontario average over the post-merger transition period.[10]

Summary of Changes to Elexicon's Cost Profile

Despite the realization of cost efficiencies during the deferred rebasing period, the circumstances facing Elexicon began to vary substantially from the business conditions anticipated in the Merger Application. Onwards from the initial impact of the Covid-19 pandemic, Elexicon faced the following changes in its circumstances over its deferred rebasing period:

[10] For description of peer group see Exhibit 1 - Tab 5 - Schedule 3, footnote 3

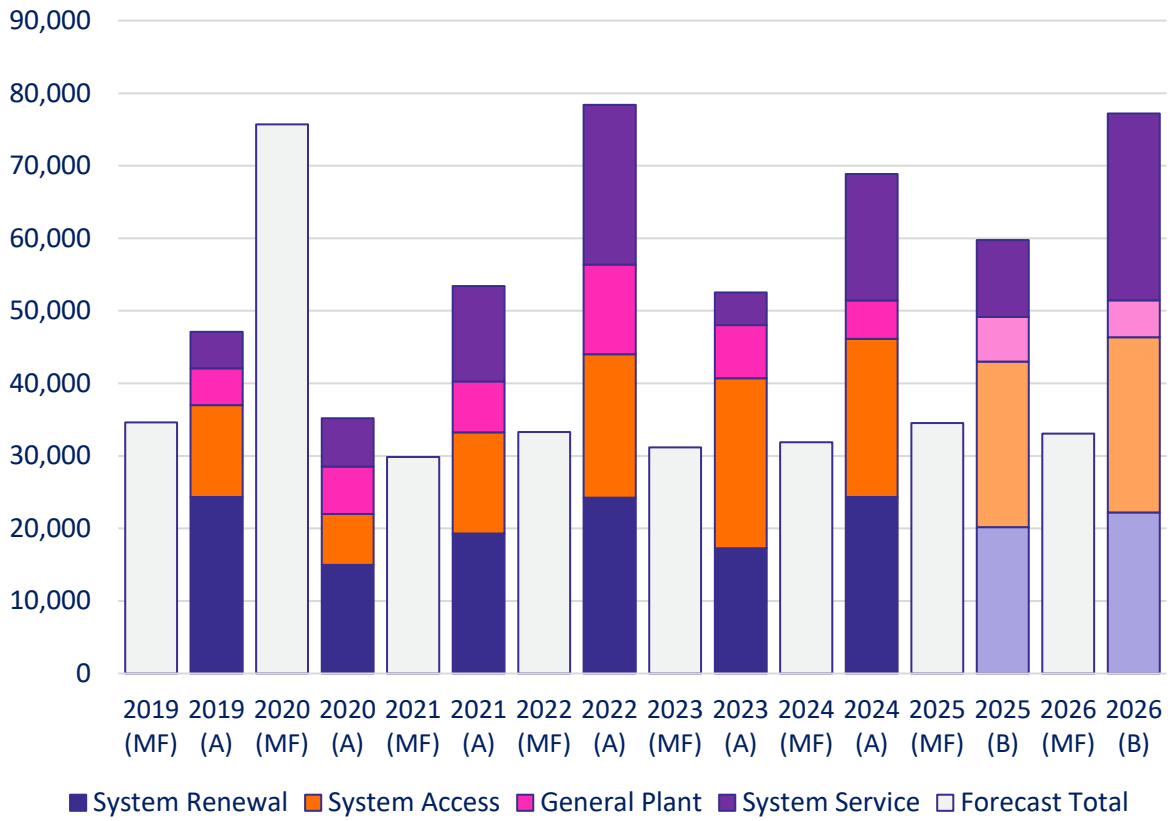
- Elexicon experienced a high rate of growth as need for new system assets to support new demand for electricity from housing, economic development and electrification, was driven by policy goals in the province. Demand for system expansion investments began to climb rapidly, resulting in a 323% increase in net average annual system expansion investment costs between 2018 prior to the merger and the 2019-2024 period.
- Annual expenditures on relocations of Elexicon's infrastructure driven by externally initiated infrastructure projects (e.g. transit, road works and other city-building projects) grew by 217% between 2018 and the 2019-2024 average.
- Elexicon's successful consolidation and improvement of asset data has generated more complete asset condition assessments (ACA) and asset past typical useful life (TUL) results. These results revealed that the utility's asset health is in a deteriorating state. Notably, the utility's improved data and analytics showed that Elexicon's system health was declining, including that approximately 22% of Elexicon's system assets have already exceeded their typical useful life or will exceed their typical useful life over the next five years.
- Inflation for commodities, equipment, and system components increased dramatically over the historical period because of supply chain constraints, demand for investment in distribution assets raising the cost of performing and financing necessary capital work to meet system growth and renewal needs.
- New drivers of business beyond normal course utility growth imposed OM&A requirements on Elexicon that required additional funding to address, including an increase in engineering and operational capacity to support the volume of customer growth, system access and renewal work taking place, an increasing cyber security threat landscape and changing technology requirements, and new mandatory corporate, compliance, regulatory and legislative obligations imposed by the OEB and the Ontario Ministry of Energy that required participation at the consultation and policy development stage as well as changes to Elexicon's business processes.

To keep pace with these rapid changes in the external environment and address their consequential impacts on Elexicon's grid, operations and customers, the utility had to make significant additional investments that were not contemplated at the time of Elexicon's Merger. These capital investments, which are further detailed below, are summarized in Figure 3 below. Elexicon's cost profile has changed

due to these additional investments, resulting in a significant and unsustainable shortfall between the utility's revenues being collected through rates and its actual costs.

DRIVERS OF INCREASED CAPITAL INVESTMENTS

Figure 3: Merger Forecast (MF) vs Actual (A) and Bridge (B) Capital Spend by Category ($k)[11]



Unforeseen and mandatory increases to capital expenditures of up to 100% above the Merger Application's forecasted capital budgets are a core reason why Elexicon requires early rebasing to readjust its underlying cost structures. Figure 3 above compares the capital forecast at the time of merger with Elexicon's actual and forecast spend over the 2019-2026 period. As shown in the above figure, Elexicon's capital expenditures exceeded the forecast from the Merger Application business case.

[11] The merger application's net capex forecast for 2020 included the Seaton TS transformer station. Ontario Energy Board, EB-2018-0236, page 20. Seaton TS was approved in Ontario Energy Board, EB-2022-0015 and in-serviced in 2022.

Elexicon has submitted Incremental Capital Module ("ICM") applications to the OEB, but these are not sufficient to accommodate its required capital spending. The ICM mechanism is oriented towards discrete projects and does not provide utilities with the opportunity to seek broad-based funding for a general escalation of capital requirements. As such, ICMs have not been sufficient to alleviate Elexicon's financial constraints, which stem from significant constraints on the utility's typical annual capital expenditures. The OEB's Handbook to Electricity Distributor and Transmitter Consolidations recommends rebasing rates in this scenario, stating: "If, during its deferred rebasing period, a consolidated utility finds that it has significant capital needs not easily accommodated by an ICM, it should consider rebasing."[12]

The following sub-sections describe the discrete drivers behind Elexicon's increased capital investment requirements. Elexicon requires early rebasing to bridge its existing funding gap and meet the following drivers of investment:

- Load growth within Elexicon's service territory driven by population growth, residential development, commercial and industrial development, and electrification requiring system expansions and enhancements;
- A growing volume of required system renewal work to address the utility's aging and deteriorating assets to halt declining reliability performance; and
- Preliminary investments in grid modernization technologies to address base causes of the utility's reliability decline.

The increases in capital required to meet these drivers and sustain outcomes for customers are far beyond available funding from rates.

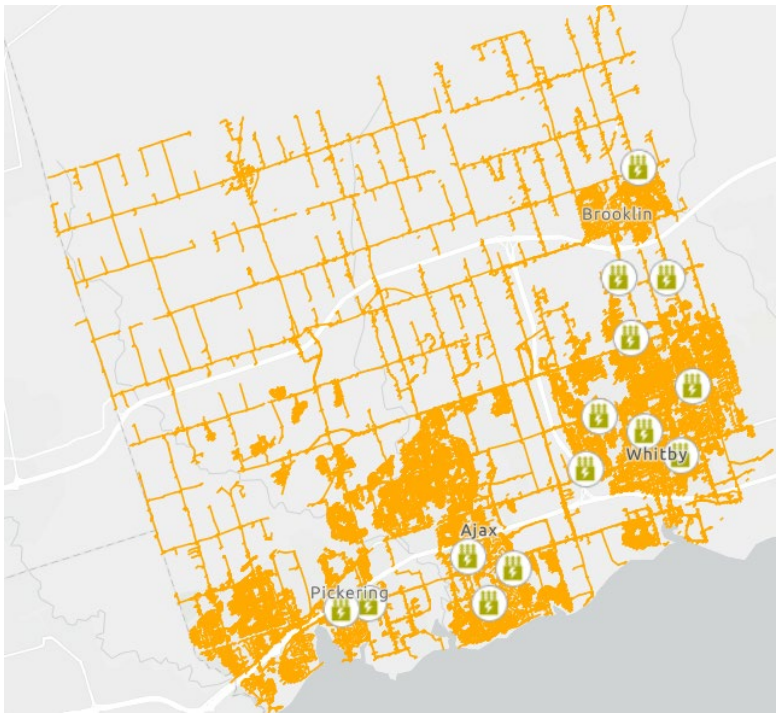
Load Growth in Elexicon's Service Territory

Figure 4 shows Elexicon's capacity map in the Ajax, Pickering and Whitby regions. The map below shows the extent of system constraints in the Durham region. The orange represents feeders with less than 500 kW of capacity, and the yellow station icons denote stations with less than 1,000 kW of capacity. Across Elexicon's entire system, 76% of municipal substations have less than 1,000 kVA of

[12] Ontario Energy Board, "Handbook to Electricity Distributor and Transmitter Consolidations", page 28

available capacity, and 70% of transformer station feeders supplying Elexicon substations have less than 1,000 kVA of available capacity.

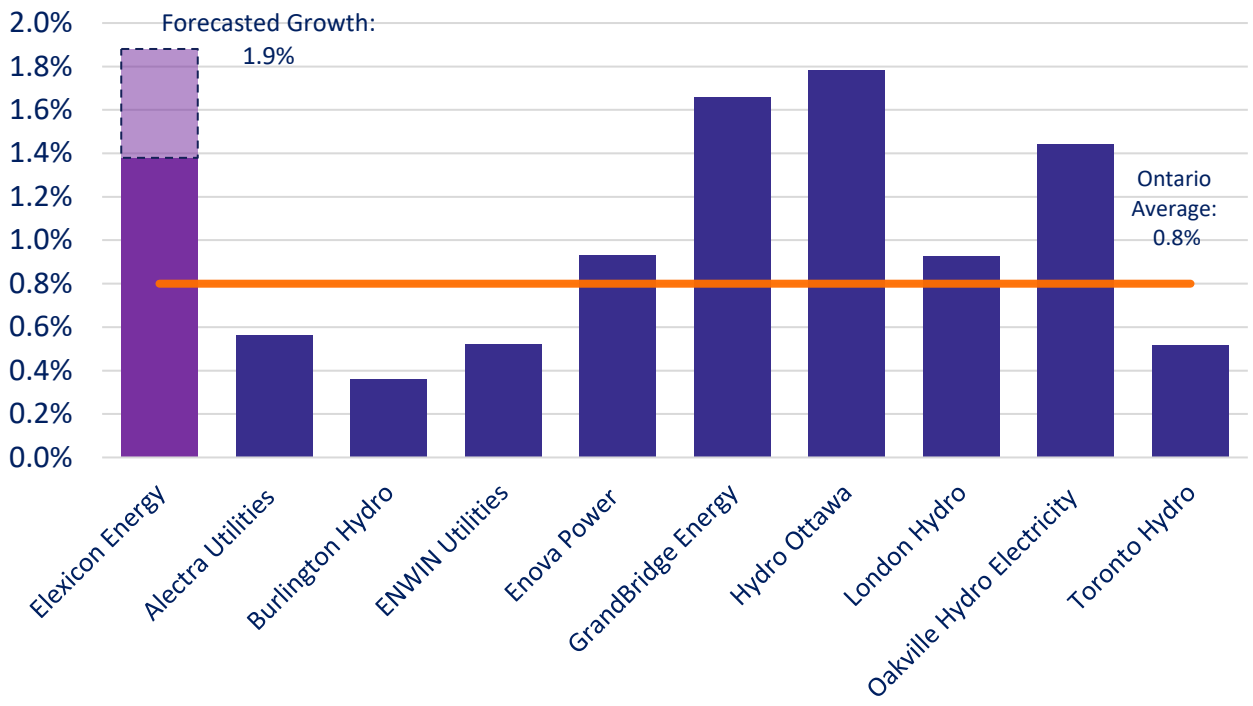
Figure 4: Map of Available Capacity in Elexicon's Service Territory



Elexicon's system in its fastest growing regions is approaching the limits of its ability to meet demand for system access investments and requires additional investment to be prepared for current and forecasted growth in line with the utility's obligation to connect customers and facilitate customer-driven work per the Distribution System code.[13] Elexicon was required to outlay higher than anticipated levels of capital investments to accommodate customer growth in the historical period. As shown in Figure 5 below, Elexicon's customer growth of 1.4% was among the fastest for large utilities in Ontario (shown by the solid bar) from 2020-2024. Over the 2027-2031 period Elexicon is anticipating that growth to accelerate to 1.9% (shown by the outlined bar) per year which would make Elexicon the fastest-growing of the large utilities in the province during the upcoming rate period. Additional details regarding Elexicon's customer and load forecast can be found in Exhibit 3 - Tab 1 - Schedule 1.

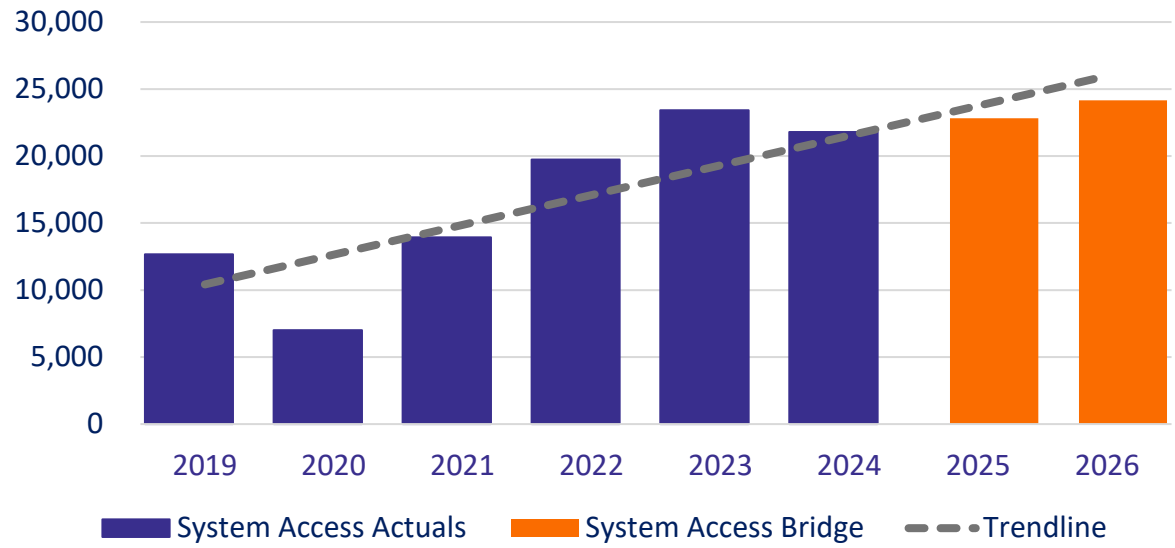
[13] For example, sections 3.1, 3.2 and 3.3 of the DSC.

Figure 5: Elexicon Customer Growth Rate vs Peer Group



The growth across Elexicon's system is significant, escalating, and requires Elexicon to generate a higher volume and wider complement of investments than contemplated at the time of the Merger Application to meet its mandatory obligations. These external circumstances required Elexicon to increase its investments in key areas in order to merely connect and serve customers, including an 82% increase in its system access expenditures between the period pre-merger in 2018 and the average annual spend 2019-2024 to address this mandatory customer-driven work. This segment includes a 217% increase in spending on externally initiated plant relocations from 2018 to the average yearly spend 2019-2024 and a 323% increase in spending on system expansions from 2018 to the average yearly spend in the 2019-2024 post-merger period. The growth in Elexicon's system access budget as seen in Figure 6 below shows how increasing system access expenditures have put significant and escalating pressure on the utility's capital budget throughout its deferred rebasing period.

Figure 6: Actual and Forecast Capital Expenditures in the System Access Segment ($k)



Load Growth from Housing, Population and Economic Growth and Electrification

Significant residential, commercial and industrial growth have occurred within Elexicon's service territory and especially the Region of Durham during the deferred rebasing period. Customer connection requests have increased due to population growth, housing growth and continued investments in employment lands, including zones for manufacturing, distribution centres, warehousing and office facilities. Major residential developments are further occurring at Seaton in Pickering and Brooklin in Whitby, along with developments in Ajax, Pickering, Clarington and Whitby set for the 2027-2031 period. This increase in development within Elexicon's service territory is driven by a combination of population growth, regional development patterns, and the Government of Ontario's commitment to build 1.5 million homes by 2031.[14] The Region of Durham, where the majority of Elexicon's service territory is located, grew 9.3% between 2018-2023.[15] The Region forecasts that it will accommodate a further doubling of population from 2021-2051, from 725,000 residents to 1.3 million.[16] These developments align with provincial housing targets and economic

[14] Government Announcement, "More Homes Built Faster", (October 2022), https://www.ontario.ca/page/more-homes-built-faster
[15] Region of Durham, "2023 Economic Development and Tourism Annual Report", page 3, https://www.durham.ca/en/economic-development/resources/PDF/Economic-Development-and-Tourism-Annual-Report-2023.pdf
[16] Region of Durham, "Envision Durham Regional Official Plan", page 9, https://www.durham.ca/en/doing-business/resources/Documents/PlanningandDevelopment/Envision-Durham/Approved-Durham-ROP-2024.pdf

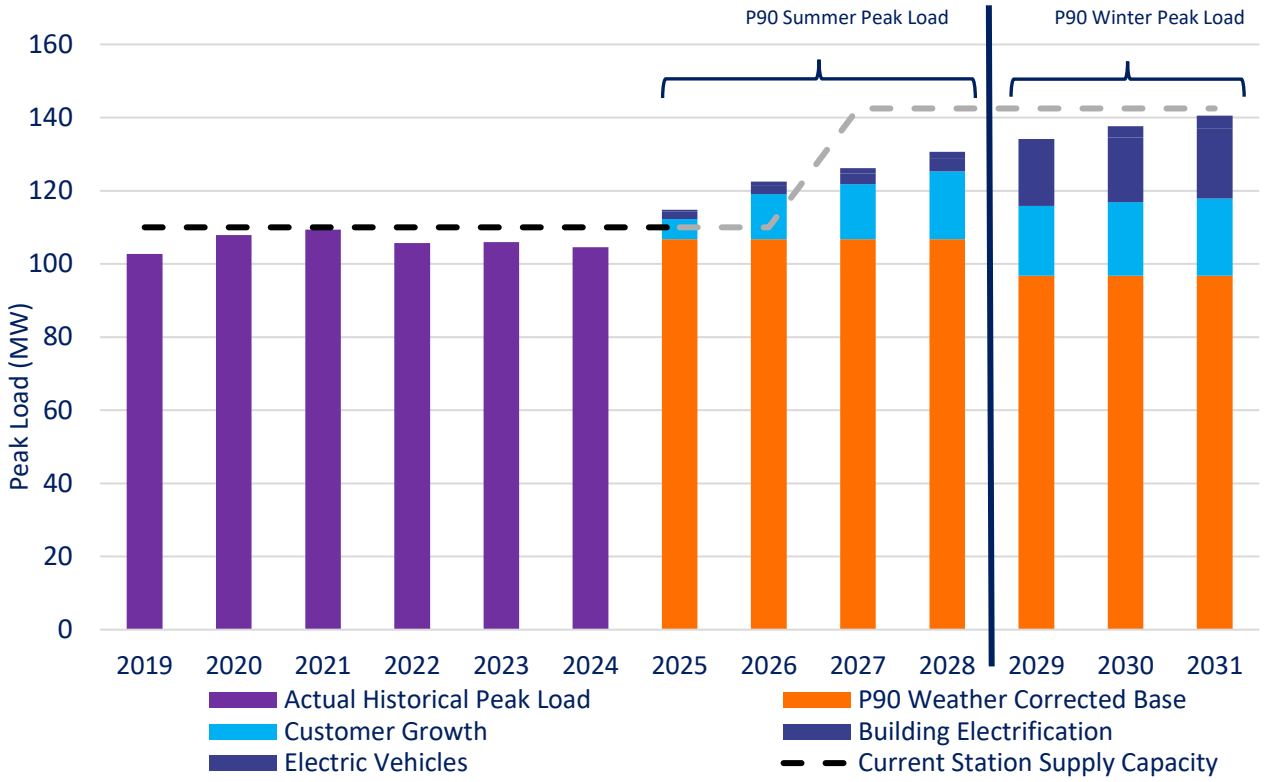
policies, including Ontario Regulation 580/22 (“Provincial Priorities”) and the 2024 Provincial Policy Statement.

In addition to the specific drivers of load growth articulated above, Elexicon is preparing for load growth from electrification. As discussed further in Exhibit 3 - Tab 1 - Schedule 1, the utility expects the electrification of customers’ heating and transportation to drive an increase in load growth from both its existing customer base and from new customers.

Load Growth in Belleville

Increasing requests from large customers have put particular pressure on Elexicon’s infrastructure in Belleville, where load is already facing capacity constraints, as seen in Figure 7, and is forecasted to grow 28% by 2031 from its historical peak as seen in Figure 7 below. Elexicon will not be able to serve this increase in load without funding from 2027 onwards for feeder enhancements and ties from between the existing Belleville DESN 1 Transformer Station and the DESN 2 station project, expected to come into service at the end of 2026, to maximize the new station’s output and enable effective load balancing across Belleville.

Figure 7: Belleville 44 kV System Peak Load Forecast 2019-2031



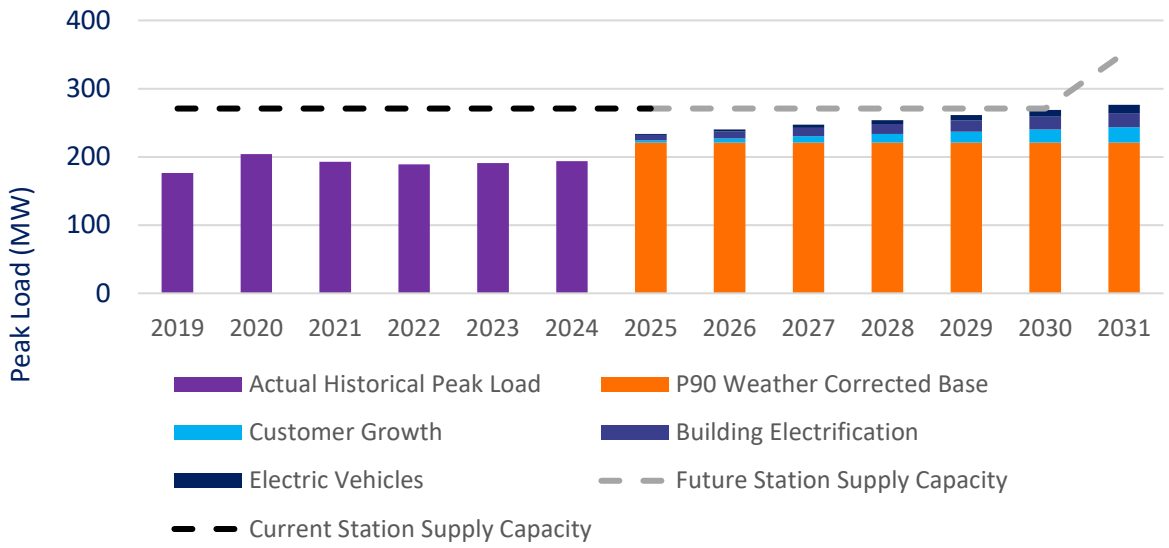
Load Growth in Whitby and Ajax-Pickering

Development is also occurring in locations such as North Whitby and North Pickering that are not serviceable by current infrastructure. Pickering's 44kV system has reached its capacity, necessitating that additional large connection requests during the period prior to capacity relief will be addressed by feeder expansions and connecting new loads to the 27.6kV system. Once the GTA East TS is energized in 2031[17], subsequent load transfers and feeder expansions are expected to relieve the capacity constraints on the 44 kV transformer stations in Ajax-Pickering and Whitby.

As shown in Figure 8, the historical peak of Whitby's 44kV system is forecasted to grow approximately 25% by 2031 compared to the 2024 P90 weather corrected base peak load. This forecasted load growth on the Whitby 44kV system will be accommodated by the new GTA East TS.

[17] For further details see Exhibit 2B - Tab 4 - Schedule 3 - Appendix I and Appendix I-1

Figure 8: Whitby 44kV Load and Capacity 2024-2031



Planning and constructing a new TS, along with the associated distribution infrastructure, can take well over half a decade or more from the time that planning commences to the time when new customers are connected. To meet this anticipated need, Elexicon requires funding in its upcoming rate period for this new Transformer Station, GTA East TS, planned to be in service in 2031, to serve the 44kV system in both Ajax-Pickering and Whitby. The utility has already begun planning this substantial investment given the time required to ensure it can meet this schedule. Elexicon's recently completed Seaton Municipal Transformer Station required more than five years to complete construction and included steps to coordinate with Hydro One and the Independent Electricity System Operator ("IESO"), purchase land, order necessary materials like transformers with sufficient lead time to account for slow supply chains, execute station construction and an additional four to five years to connect required feeders and connect customers. Station and feeder project timelines mean that Elexicon requires additional funding beginning in 2027 to execute its ongoing and planned projects before a critical need is reached and customers have a delayed or diminished ability to connect to the utility's grid.

The pace of growth described above was unforeseen by Elexicon at the time of the Merger Application and is taking place in areas and on systems that do not currently have the capacity to meet it.

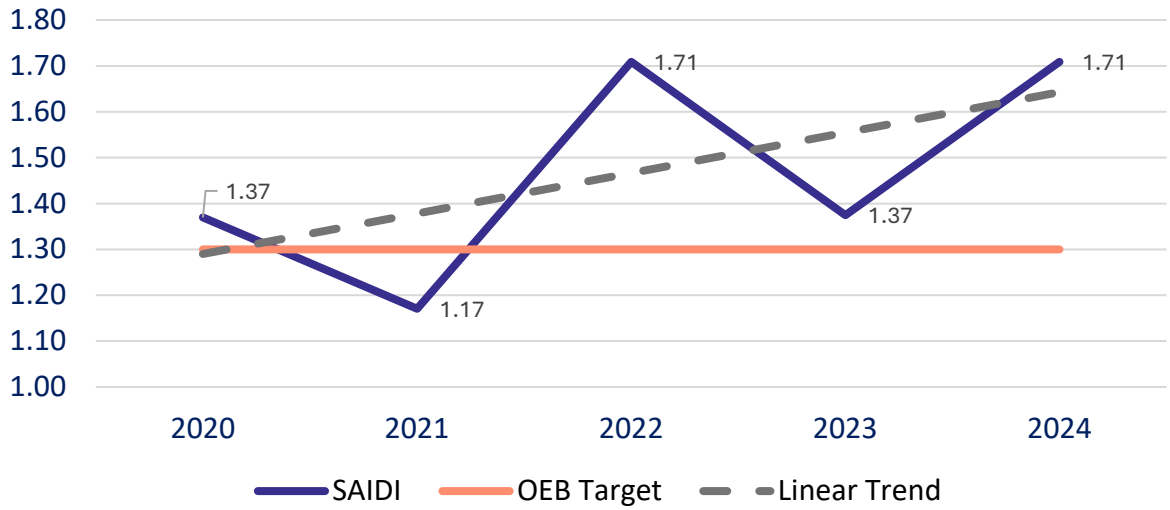
Externally Initiated Plant Relocations

An increase in the volume of externally initiated plant relocations from $1.7 million in 2018 to an average of $5.5 million in the period from 2019-2024 has also put pressure on Elexicon's capital budget. The increased scale of external relocations was not foreseen at the time of Elexicon's Merger Application. The increase in external plant relocations was due to heightened activity from road improvement projects including road widening, residential developments, industrial commercial and institutional projects, and public transportation projects within Elexicon's service territory that further put pressure on its system access budget during Elexicon's deferred rebasing period. Elexicon anticipates that it will continue to require an average of $5.8M in annual investments for externally initiated plant relocations from 2027-2031.

Elexicon's Declining Reliability

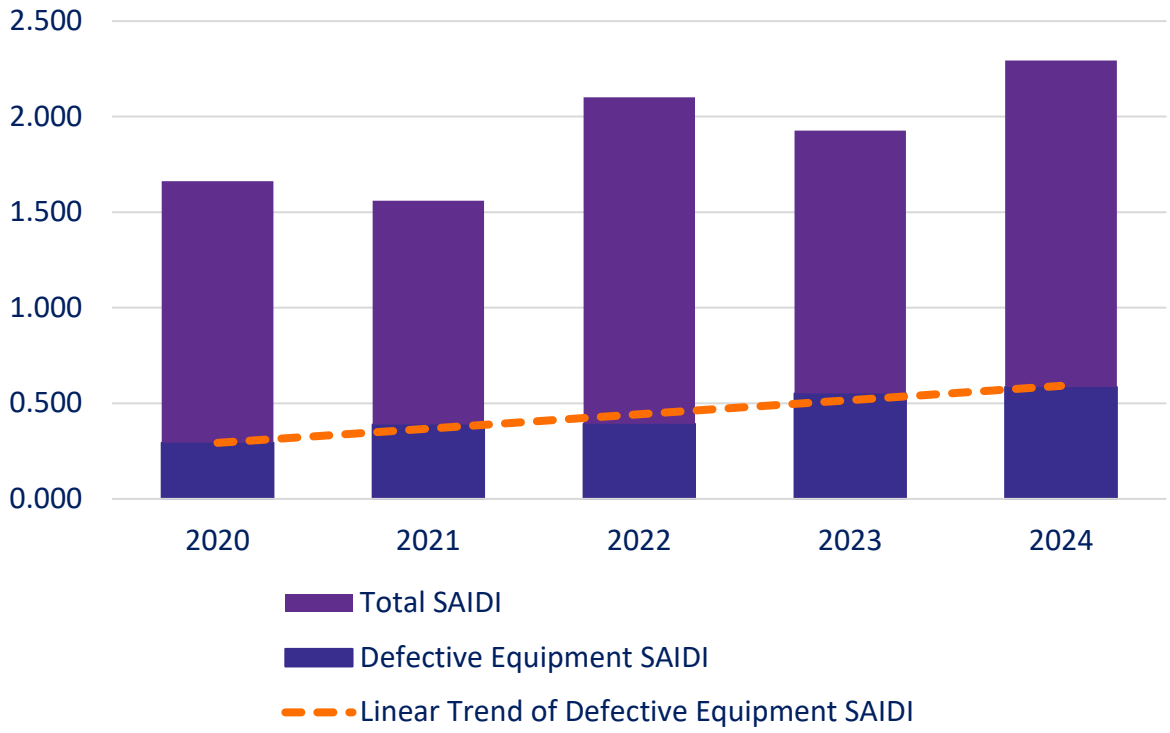
In addition to investments to address growth in its service territory, Elexicon requires increased funding to address the declining reliability of its distribution system. Since the merger, Elexicon has consistently been investing approximately $20M per year in the renewal of its assets. This funding level is consistent with the amounts in its forecast DSP. However, these investments have not kept up with the need of Elexicon's assets and competing priorities from mandatory investments to meet Elexicon's obligations to connect customers have prevented Elexicon from allocating additional resources to system renewal. Elexicon's reliability has deteriorated as a result of these reallocations and the utility has been unable to meet the requirements of the system renewal investment in 2024, 2025 and 2026, even as the reliability of the distribution system started declining in 2022 and the magnitude of necessary work requiring additional funding became apparent. This declining trend is evident in Elexicon's SAIDI score, which has exceeded the OEB target in four of the previous five years (2020, 2022, 2023, and 2024). See Figure 9 below.

Figure 9: Elexicon's SAIDI Performance 2020-2024



Elexicon does not expect its SAIDI score to improve without funding to address the base causes of the decline in reliability. Defective equipment is the leading contributor to SAIDI, excluding major event days and loss of supply. Figure 10 shows the growing contribution of defective equipment to SAIDI over time. Elexicon has had insufficient funding to renew its aging and deteriorating assets to address this factor, even as the number of outages caused by defective equipment has continued to increase in absolute terms.

Figure 10: Elexicon's Share of SAIDI from Defective Equipment 2016-2024



Per Elexicon's 2025 asset data analysis, approximately 22% of Elexicon's system assets have exceeded typical useful life (TUL) or will exceed TUL in the next five years, and approximately 36% of Elexicon's system assets are in fair, poor or very poor condition. Assets in poor, very poor and fair condition will require intervention in the next ten-year period to restore reliability to historical levels of performance.

Under its current distribution rates, Elexicon has limited funding for the planned replacement of aging and deteriorating distribution and station equipment, including defective assets that have failed, caused prolonged outages, and were major contributors to SAIDI. These failures originate from distribution infrastructure such as overhead connections and quick sleeves, overhead in-line switches, underground primary cables, and substation equipment. Constrained renewal funding has forced the utility to defer critical system renewal investments for assets in poor to very poor condition. This has increased the risk of failure across the distribution system and led to higher reactive spending and overall reduced reliability.

Critical components of Elexicon's infrastructure are aging, in poor condition and require significant renewal investment to an extent that was unforeseen at the time of the Merger Application. Elexicon's successful consolidation and improvement of asset data has generated more complete asset condition assessment (ACA) and asset past typical useful life (TUL) results. These results revealed that the utility's asset health was in a deteriorating state. Elexicon's financial constraints and inability to increase planned renewal investment levels historically have also increased the proportion of work performed reactively. Reactive work is costly and disruptive as it often entails overtime to respond to customer outages and damaged equipment. Elexicon requires additional funding beginning in 2027 to halt its decline in system reliability and address its growing amount of necessary system renewal work.

Backbone Grid Modernization Investments

Elexicon has had insufficient funding during its deferred rebasing period to replace end-of-life metering technology and make backbone investments in field devices and AMI 2.0 that are required to fully utilize grid modernization technologies such as SCADA and ADMS. These technologies improve reliability by reducing the number of customers impacted by outages and providing the ability for remote restoration. Without new funding, the utility risks falling behind its peers and being unprepared for an increased volume of distributed energy resource penetration. The need for these technologies is urgent and Elexicon cannot wait until 2029 to begin to implement these upgrades. The OEB directed Elexicon to fund grid modernization investments as part of its rebasing business plan in its partial approval of Elexicon's 2023 ICM to fund its proposed Whitby Smart Grid project. The OEB approved $8.6 of a requested $43.1 million dollars, stating that Elexicon's proposed ICM in support of the project should instead be "proposed with a cost of service application supported by a current DSP."[18] Grid modernization investments are a critical area which will assist in improving Elexicon's reliability performance.

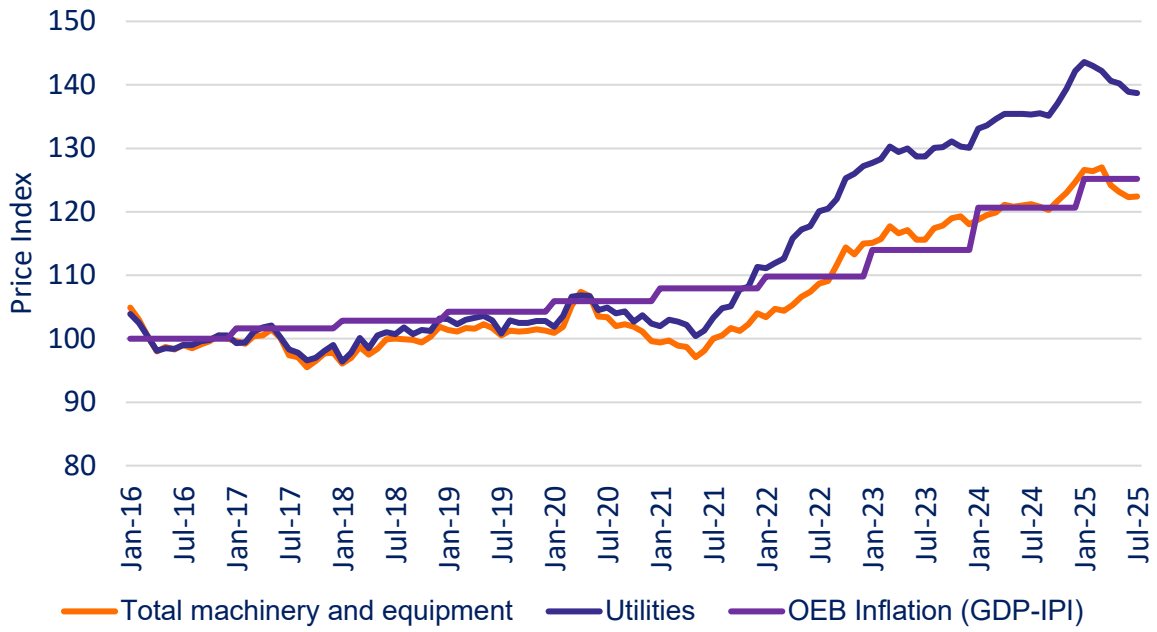
Cost Pressures from Inflation

In addition to the business drivers noted above, Elexicon's ability to make necessary investments and meet its business requirements has been compromised by an increase in its baseline cost of doing business due to the inflationary increases that occurred from 2021-2025. Elexicon's experience is reflected in results of the machinery and equipment price index from Statistics Canada, as seen in

[18] EB-2022-0024, Decision and Order, ps. 14-15, 16.

Figure 11 below, and discussed further at Exhibit 1 - Tab 5 - Schedule 2. Inflation in the prices of machinery and equipment across all industries have broadly tracked with the GDP-IPI inflation parameter that is used by the OEB to measure non-labour inflation. However, inflation of machinery and equipment purchased by utilities has increased at a higher rate.

Figure 11: Machinery and Equipment by Industry Price Index (2016-2025)



Elexicon has experienced year-over-year inflationary increases in the cost of its goods and services above and beyond the OEB-determined parameters for inflation in rates. Table 2 below shows how the unit costs of essential distribution equipment have sharply increased between 2021 and 2024. Elexicon must continue purchasing this equipment to maintain its distribution system. These price increases have greatly increased the utility's cost to invest in new distribution infrastructure and to maintain and repair its existing distribution infrastructure (Exhibit 1 - Tab 5 - Schedule 2).

Table 2: Unit Costs for Essential Distribution Categories from 2021-2024

Materials and Equipment	2021	2024	2021-2024 Increase	CAGR
Hardware/Connectors ($)	58.57	78.70	34.38%	10.35%
Wire & Cable ($)	7.42	24.43	229.24%	48.77%
Wood Poles ($)	1,737.08	2,561.90	47.48%	13.83%
Arresters ($)	83.51	106.69	27.76%	8.51%
Switches ($)	1,316.16	1,780.17	35.25%	10.59%
Switchgear ($)	21,454.73	23,164.36	7.97%	2.59%
Transformers ($)	1,551.52	2,690.48	73.41%	20.14%

The envelope costs of installing distribution equipment have also increased. For example, the capital cost of renewing the utility's wood poles increased by $11,638 dollars or 102% from 2020 to 2024 partially due to increased materials, labour and construction costs as shown by the OEB's APB metrics.

General project costs have escalated in addition to unit costs. In 2019, Elexicon completed a new single transformer Municipal Substation (MS) for approximately $2.5M, and in 2024 a similar MS was completed for approximately $4.5M due to increases across all project components including land, equipment and labour.

The cost increases that Elexicon has experienced are consistent with cost and supply pressures being felt across the broader energy industry in Ontario and elsewhere. Elexicon operates within a global procurement market, and certain distribution system assets that it requires are experiencing increasing demand to address aging infrastructure and electrification, as well as to meet growth in data centres, electric vehicles and other types of assets that use similar materials.[19] These pressures have increased the cost of its capital investments in a manner that was unforeseeable at the time of its Merger Application.

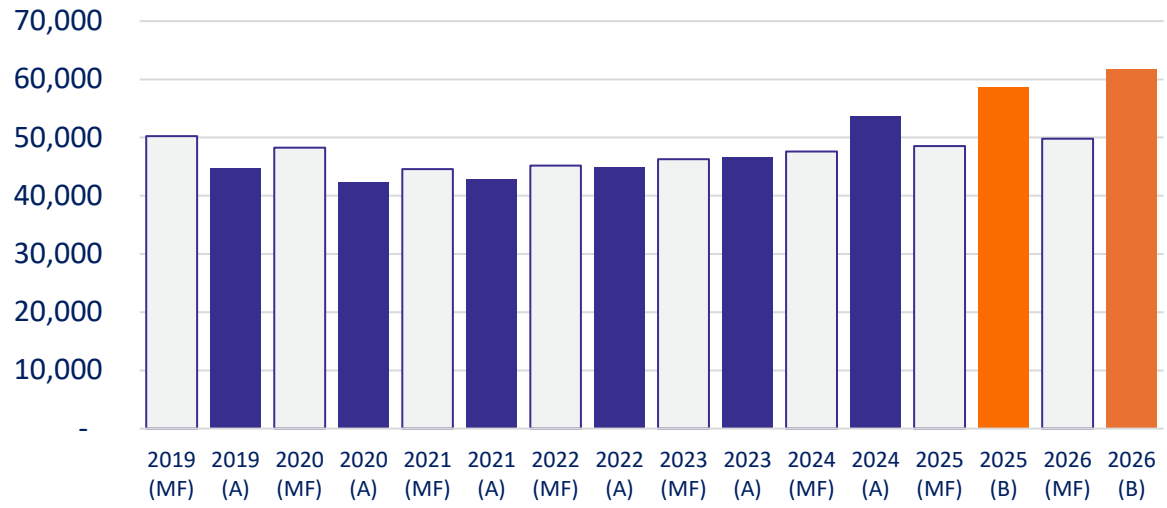
[19] Wood Mackenzie, "Supply shortages and an inflexible market give rise to high power transformer lead times", (April 2024), https://www.woodmac.com/news/opinion/supply-shortages-and-an-inflexible-market-give-rise-to-high-power-transformer-lead-times; National Renewable Energy Laboratory, "Major Drivers of Long-Term Distribution Transformer Demand", (February 2024), https://docs.nrel.gov/docs/fy24osti/87653.pdf

DRIVERS OF OM&A COSTS AT ELEXICON

As shown in Figure 13, Elexicon was able to manage its OM&A costs in line with merger expectations in the early years of the deferred rebasing period, in part, through the synergy savings achieved by the merger. However, the pressures from new business drivers have outpaced those savings and Elexicon was not able to find further efficiencies within its OM&A spend to counterbalance greater than anticipated investment needs. As shown in Appendix A, the gap between the level of Elexicon's OM&A funding and what is in rates will grow to $10.8M by 2026. There are no OM&A funding mechanisms similar to the ICM for Elexicon to leverage leaving rebasing as the only mechanism to address this funding gap.

Over the deferred rebasing period, new business drivers beyond normal course utility growth imposed OM&A requirements on Elexicon requiring additional funding to address. These included operational capacity required to support a growing capital program, new technology requirements to address emerging cyber security risks and refresh existing end-of-life IT, and increasing information, legal and regulatory obligations driven by the province of Ontario's ambitious agenda for the OEB that have required participation at the policy consultation stages, as well as the implementation of new resources and processes to ensure compliance and deliver on customer outcomes.

Figure 12: OM&A Merger Forecast (MF) vs Actual (A) and Bridge (B) by Year ($k)



Expanded Asset Planning & System Engineering and Program Delivery Group

New drivers of work requiring an increase in Elexicon's asset management and distribution operations team emerged during the deferred rebasing period as the utility began to address its growing need for renewal work, reform certain outdated asset management processes and deploy a higher volume of mandatory, customer-driven work. From 2022 to 2024, Elexicon's service area experienced a 140% increase in the number of connection applications and inquiries over 1 MW, rising from 15 requests in 2022 to 36 in 2024. More notably, the total load requirements surged from 28 MW in 2022 to 166 MW in 2024. The data reflects a significant acceleration in development activity and electrical demand across the region. Elexicon has also seen an increase in requests for large load connections over 5MW in 2024 and 2025, to support new distribution centers and manufacturing facilities, attracted by efficient access to the Greater Toronto Area ("GTA") and major highways. These requests all required supporting analysis, design and resources to enable and execute. Increasing requirements from the OEB on non-wires solutions, capacity maps and reliability reporting also added incremental new requirements for the team to address. The utility required additional staff to supplement its available internal system planning expertise, improve Elexicon's load forecasting and its asset management and planning processes, ensure the oversight of external vendors, meet the demand for system enhancements to address capacity constraints, address new OEB work requirements, and improve project delivery of capital and maintenance work in line with its investment plans. While this work is substantially capitalized, growth in this area of operations increased Elexicon's OM&A expenses as well as its capital plan in the post-merger period.

Modernized Information Technology Systems and Capabilities

Elexicon's IT and OT costs have doubled since 2020 and have posed significant cost pressures on the utility. Increases have been driven by the transition to remote applications for hybrid work, greater cyber security requirements from a growing threat landscape, compliance requirements within the utility sector such as the OEB's Ontario Cyber Security Standard, and normal course IT business practices. Elexicon has accordingly increased its IT and OT spending on software upgrades, cyber security architecture, internal and external staffing, and vendors to support daily operations. A detailed description of Elexicon's IT and OT costs is included in Exhibit 4 - Tab 1 - Schedule 6 and Exhibit 2B - Tab 4 - Schedule 3 - Appendix N & P.

In addition to cost pressures to maintain technology for everyday operations, Elexicon is also contending with an aged IT ecosystem posing imminent security and operational risks including risks of a cyber security breach and inability to receive support or updates to end of life systems. Assessment of these risks necessitated commencing the transition to a cloud-based customer information system (CIS) and enterprise resource management (ERP) system (referred to as Dx NEXT) during the deferred rebasing period. Given the urgency of the existing cyber risks and the scale of the need, Elexicon was unable to wait until it rebased its rates to begin implementing Dx NEXT, as detailed in Exhibit 4 - Tab 1 - Schedule 6, Appendix A. Elexicon has booked its implementation costs to the Cloud Computing Implementation Deferral Account, but this mechanism does not relieve the impact of Dx NEXT on Elexicon's finances and is another factor placing pressure on Elexicon's operating costs that was unforeseen in the Merger Application. These factors have also required increases to Elexicon's internal enterprise risk management, and data protection and privacy resources that were unforeseen at the time of the merger.

Increases in Legislative, Regulatory and Policy Activity

Elexicon has experienced a dramatic increase in regulatory activity during its deferred rebasing period, driven by the province of Ontario's ambitious agenda for the OEB, that has required new resources and processes to ensure compliance and deliver on customer outcomes. Between 2022 and 2025, Elexicon maintained over two dozen active policy files, of which 19 remained active in Q3 2025, not including files with multiple activity streams. The total number of policy consultations in the 2020 to 2025 period was nearly double the prior 6-year period (2014-2019). Additional resources have been required to enable process changes within the connections, asset planning, regulatory, and customer care teams in accordance with policy and compliance related initiatives such as: the new requirements for locates dictated by the *Getting Ontario Connected Act,* the Green Button initiative, the Optional Enhanced and Ultra-Low Overnight Time of Use Rates, the Ontario Electricity Support Program & LEAP, the Market Renewal Program, Distribution System Code changes related to housing expansions, Distributed Energy Resources and Electric Vehicle connections processes, enhanced reliability reporting and benchmarking from the Reliability and Power Quality Review, system planning requirements from the Non-Wires Solutions Guidelines, and the *Electricity Consumer Protection Act* provisions.

THE CONSEQUENCES OF INACTION

As shown in Appendix A, Elexicon's current base rates will underfund its capital requirements by $42.2M and OM&A requirement by $10.8M in 2026. This funding gap will grow to more than $87M in capital and $24M in OM&A by 2027. Elexicon's current rates no longer align with its cost to serve customers, and it is not sustainable for Elexicon to continue self-funding this level of investment. Early rebasing is required in order to ensure rates remain just and reasonable and that Elexicon's financial viability is maintained.

Without further funding beginning in 2027, Elexicon risks an inability to meets its obligations to connect customers in line with its load forecast, support the Province of Ontario and electricity sector's strategic and policy objectives to build housing and unlock economic growth, and address declining reliability to ensure system performance meets reliability targets. It is expected that without further funding, reliability (SAIDI, SAIFI) will continue to decline due to equipment failure. Elexicon will also be unable to adequately deliver its capital program or meet its IT, cybersecurity, privacy, compliance, legal and regulatory obligations to the detriment of its customers and other stakeholders, including the completion of its Dx NEXT project. The sum of these factors requires Elexicon to seek early rebasing and the approval of its proposed distribution rates set out in this Application.

Outcomes for Elexicon's customers will be compromised and the utility's financial viability will be at risk without additional funding beginning in 2027. Figure 13 below highlights the broad-based risks that Elexicon faces across multiple areas of its business in the absence of early rebasing.

Figure 13: Matrix of Elexicon's Business Risks

Matrix of Risks to Elexicon's Business without Rebasing		
Customer Focus	Service Quality and Customer Satisfaction	• Inadequate resources to perform timely customer connections in line with DSP requirements • Insufficient system capacity to meet customer demand and continued capacity constraints in high-growth areas of Elexicon's service territory • End of life information technology systems leading to lower service quality and customer satisfaction and increased cyber-risk • Inability to enable customer choice and higher level of DER penetration with insufficient grid modernization investment

Operational Effectiveness	Safety System Reliability Asset Management Cost Control	• SAIDI score above OEB target since 2022 and ongoing degradation of performance • An increase in the 12% of assets in poor or very poor condition and increase in reactive work from underspending on assets in poor condition • Vulnerability to a heightened cyber security threat environment including highly damaging cyber attacks • Risks to vulnerability assessment and storm hardening investments, further lowering reliability
Public Policy Responsiveness	Distributors deliver on obligations mandated by government	• Longer timelines to connect distributed energy resources projects to the distribution system • Insufficient capacity and inability to meet customer demand which stifles economic growth in communities served by Elexicon • Inadequate resources to comply with incremental legislative, regulatory and policy directives e.g. cyber security, locates, customer choice
Financial Performance	Financial viability is maintained and savings from operational effectiveness are sustainable e.g. Financial Ratios	• Deterioration in financial metrics, limitation in amounts of available financing and increase in borrowing costs from further potential downgrade on credit rating • Continued underperformance in ROE by more than 300 basis points since 2022 reducing benefit of dividend holiday by shareholders

These factors together show the urgency for Elexicon to rebase its rates in 2027 in order to continue meeting its obligations under the DSC regarding customer growth, halt the decline of its system reliability performance, address new drivers of work and preserve the utility's financial viability. Elexicon is seeking the OEB's approval of its request to terminate its deferred rebasing period and rebase its proposed electricity distribution rates effective January 1, 2027. This request is necessary to manage significant risks to the utility, to preserve outcomes for its customers by making necessary investments that were unforeseeable or unknown at the time of the Merger Application and address trends and drivers that are expected to continue into the forecast period. These include:

- Capital investments to manage a surge in customer-driven work as well as existing capacity constraints arising from development within Elexicon's service territory from population growth, residential and economic development, and electrification.

- Capital investments to address the utility's critical assets in poor to very poor condition and the associated degradation in reliability performance caused by defective equipment and the utility's growing level of necessary renewal work.
- Grid modernization work to improve the utility's reliability and resiliency and prepare for future distributed energy resources investments.
- Managing increased costs due to persistent inflation.
- Business drivers that require increased OM&A costs in response to growing capital requirements, IT-related projects including Dx NEXT and new policy & compliance requirements.

Elexicon has met the OEB's off-ramp criteria for early rebasing and has provided sufficient evidence to support the need to rebase in advance of the end of the deferred rebasing period.

APPENDIX A: CAPITAL AND OM&A FUNDING AVAILABLE UNDER PRICE CAP

Elexicon's funding is derived from legacy utilities Veridian Connections Inc. and Whitby Hydro whose rates have not been rebased since 2010 and 2014 respectively. This extended rebasing period has resulted in a significant decoupling of costs and revenues as the utility has operated under a price cap framework for an extended period that is two to three times as long as the OEB standard. This Appendix provides calculations which show the gap between the level of capital and OM&A funding in base rates as compared to Elexicon's historical levels of investment and bridge period forecasts.

The analysis below shows that Elexicon's capital and OM&A were underfunded in all years of the deferred rebasing period and will be underfunded in base rates by $42.2M and $10.8M by 2026, respectively.

G-FACTOR: ACCOUNTING FOR REVENUE GROWTH

As noted throughout this application, Elexicon has experienced growth in its service territory. In making the calculations in this Appendix, Elexicon has accounted for the growth in revenue associated with historical increases in billing determinants (e.g. customer count, kWh, etc.). This is done using a growth factor ("g-factor") which is calculated using the methodology in the OEB's ICM model. The g-factors for Veridian and Whitby are 0.7% and 1.26%, respectively, and represent the average annual growth in revenue for each of those rate zones since they last rebased.[20] Elexicon notes that the g-factor in this exhibit is distinct from the growth factor in its Custom IR framework which represents the forward-looking growth in costs expected for Elexicon over 2027-2031 as its outputs grow. The g-factor in this exhibit is focused on historical growth in charge determinants (i.e. revenue).

OM&A FUNDING IN RATES VERSUS ACTUAL OM&A 2020-2026

Figure 1 below shows the amount of OM&A funding available to Elexicon from the rates of its legacy utilities, including revenue growth from a growing customer base, compared to Elexicon's actual OM&A funding over the 2020-2026 period.

[20] These are aligned with the g-factors calculated in the ICM models for Elexicon's 2026 IRM application, Ontario Energy Board, EB-2025-0046.

The following methodology was used to estimate the OM&A available from rates for each of the legacy utilities.

1. Identify OEB approved OM&A (Approved OM&A) included at the last COS application for each of Whitby and Veridian.
2. Escalate Approved OM&A annually by each utility's OEB approved Price Cap Index plus an estimation of the growth in revenue from increased billing determinants ("g-factor") (Adjusted OM&A).
3. Sum the two utilities Adjusted OM&A and compare it to Elexicon's actual OM&A for each year.

Figure 1: Elexicon's Actual OM&A Compared to Estimates of Legacy PCI Plus Growth Adjusted OM&A ($k)

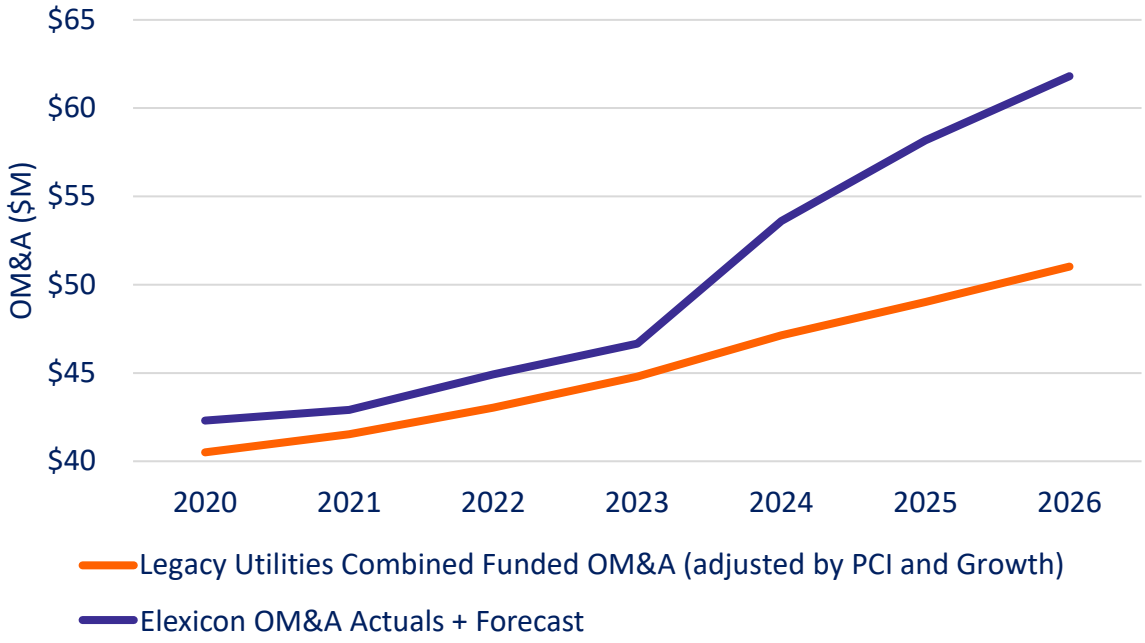


Table 1: Elexicon's Actual OM&A Compared to Estimates of Legacy PCI plus Growth and Variance ($M)[21]

Year	2020	2021	2022	2023	2024	2025	2026	Total
PCI Funded OM&A	40.5	41.5	43.0	44.8	47.1	49.0	51.0	317.0
Actual OM&A	42.3	42.9	44.9	46.7	53.6	58.2	61.8	350.4
Variance	-1.8	-1.4	-1.9	-1.9	-6.5	-9.2	-10.8	-33.4

[21] Numbers may not sum due to rounding.

Table 1 shows the actual OM&A and OM&A in rates each year. The level of under-funding is shown by taking the difference. Over the deferred rebasing period, Elexicon's OM&A spending was underfunded by $33.4M. By 2026, the gap in OM&A funding relative to what is funded in rates will increase to $10.8M.

CAPITAL EXPENDITURE FUNDING IN RATES VERSUS ACTUAL CAPITAL EXPENDITURES 2020-2026

Figure 2 below shows an estimate of capital funding available to Elexicon from the base rates of its legacy utilities as compared to Elexicon's actual and forecast capital expenditures over the 2020-2026 period. To estimate its capital funding available through base rates, Elexicon used the materiality threshold specified in the OEB's ICM framework to identify available capital for each year, for each of the legacy utilities. The OEB's 2016 Supplemental Report on Policy Options for the Funding of Capital Investments states that this "materiality threshold is intended to reflect the amount of capital funded in rates each year, relative to what was funded in rebased rates to reflect the current price cap adjustment and growth in demand," including depreciation, fixed assets, the growth factor, and a dead band of 10%.[22]

Elexicon has relied on this threshold with two adjustments to ensure the values align with the true costs funded through rates, namely:

1) Elexicon applied the actual Price Cap Index approved by the OEB for each historical year to align the calculation with the actual rate changes over time.[23] This methodology is supported by commentary provided by OEB staff in their 2024 report reviewing ICM methodology as follows: "OEB staff proposes to calculate the threshold using the actual historical IPI and then calculating the materiality threshold for each year since the distributor's cost-of service application. By using this approach, the calculation could better reflect how much capital that

[22] Ontario Energy Board, EB-2014-0219 "New Policy Options for the Funding of Capital Investments: Supplemental Report" (January 22, 2016), page 13

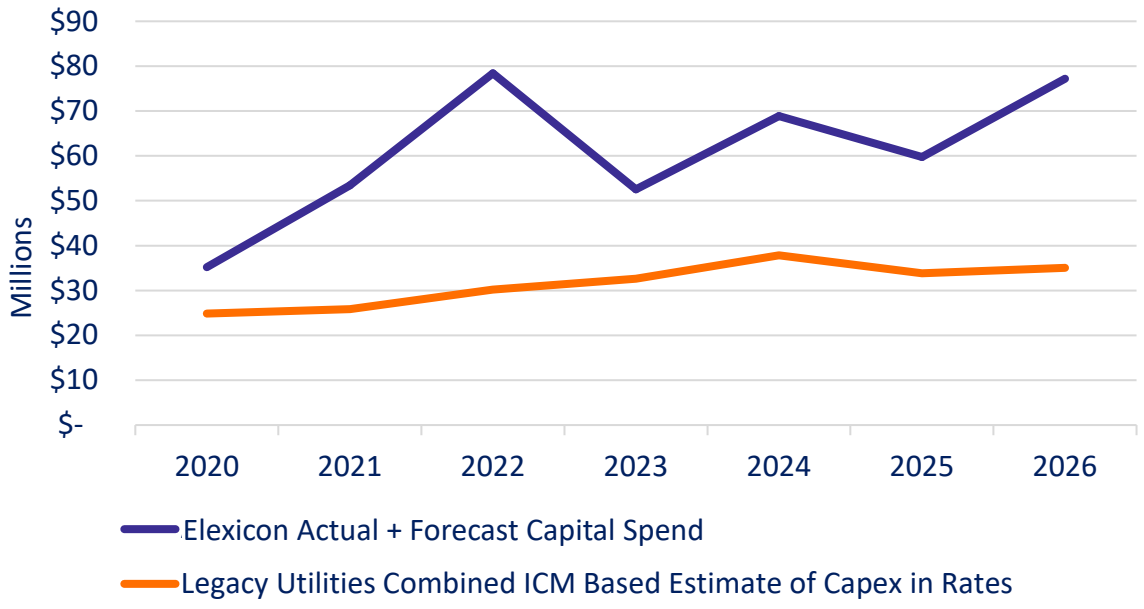
[23] The typical ICM formula takes the latest Price Cap Index and applies it for all historical years since rebasing. Given the increase in inflation in recent years taking this approach would result in an overestimation of capital funding through rates which is not reflective of actual rate changes.

a distributor can be able to fund through existing rates as it would reflect actual annual inflation values."[24]

2) Elexicon reduced the deadband to 0% as the deadband does not actually get funded through rates.

These adjustments ensure a more accurate approximation of the estimated capital from base rates. Figure 2 plots this materiality threshold against Elexicon's actual net capital expenditures over the 2020-2026 period. Similar to the OM&A analysis, the capital expenditures in rates were calculated separately for Veridian and Whitby and added together.

Figure 2: Elexicon's Actual Capex Spend Compared to Estimates of Available Capital based on ICM Model ($M)



[24] Ontario Energy Board, EB-2024-0236, "OEB Staff Report: Review and Evaluation of the Incremental Capital Module Policy", (April 22, 2025), page 9

Table 2: Elexicon's Actual Capex Spend Compared to Estimates of Available Capital based on ICM Model and Variance ($M)[25]

Year	2020	2021	2022	2023	2024	2025	2026	Total
OEB ICM Model Estimated Capital (A)	24.9	25.8	30.2	32.6	37.8	33.8	35.0	220.2
Actual Net Capital (B)	35.2	53.4	78.4	52.5	68.9	59.8	77.2	425.4
Variance (C=A-B)	-10.3	-27.6	-48.2	-19.9	-31.0	-25.9	-42.2	-205.2
ICM Funding (D)								90.7
Total Unfunded Capital (C+D)								-114.5

Table 2 shows the actual capex and capex in rates each year. Over the deferred rebasing period, Elexicon's capex spending was underfunded by $114.5M. The level of under-funding is shown by taking the difference ($205.2M) and reducing that amount by ICM funding received over the deferred rebasing period ($90.7M). The total ICM funding is comprised of $44.2M for the Seaton TS and BRT Highway 2 project (EB-2021-0015), $8.8M for the Whitby Smart Grid (EB-2022-0024) and $37.7M for the Sandy Beach TS rebuild and Belleville DESN 2 project which was requested in Elexicon's 2026 IRM (EB-2025-0046).

[25] Numbers may not sum due to rounding.

DISTRIBUTOR CONSOLIDATION

1. CONSOLIDATION TRANSACTION INCENTIVE AND SAVINGS

The MAADs decision (EB-2018-0236) did not include any incentives related to programs, projects or assets. The MAADs decisions also did not include commitments to shareholders that were to be funded through rates. Details of the projected savings resulting from the consolidation compared to what was in the approved consolidation application are detailed at section 2 below.

In the MAADs decision[1], approval was granted for a deferred rebasing period of ten years from the completion of the consolidation. In its draft license application, Elexicon had indicated it would be applying for approval of rates in a manner applicable to each of the predecessor distributors, the Veridian rate zone would be the subject of Price Cap Incentive Rate-Setting rate applications through the rebasing deferral period, and the Whitby rate zone would be the subject of Annual Incentive Rate-Setting Index rate applications through the rebasing deferral period.

In December of 2021, the OEB issued a letter indicating that those utilities on the Annual IR rate-setting plan and in a deferred rebasing period could move to the Price Cap IR plan effective with 2023 rates. Elexicon's 2023 IRM adopted these changes by moving the Whitby rate zone to the Price Cap IR plan.

2. SYNERGY SAVINGS AS A RESULT OF CONSOLIDATION

2.1 Forecasted Savings in MAADs Application

In the application to merge Veridian Connections and Whitby Hydro (EB-2018-0236), the parties forecasted OM&A savings resulting from synergies achieved shown in Table 1.

Table 1: MAADs Application Forecast Merger Savings 2019 to 2026[2]

	2019	2020	2021	2022	2023	2024	2025	2026
Labour Synergies ($M)		1,601	3,530	3,642	3,706	3,769	4,182	4,251
Non-Labour Synergies ($M)	115	646	1,205	1,782	1,823	1,864	1,911	1,957
Total ($M)		**2,246**	**4,735**	**5,424**	**5,528**	**5,633**	**6,093**	**6,209**

[1]Ontario Energy Board, EB-2018-0236," Decision and Order", Page 18, December 20, 2018.
[2]Ontario Energy Board, EB-2018-0236, "Table 10 – Years 2019 to 2026", page 33.

The application did not include capital-related synergy savings as they were not expected to be material.[3] The application also asserted that annual capital investments under the proposed transaction were forecast to be the same as under the status quo scenario.[4] As illustrated in Table 2, net capital expenditures since merger greatly exceeded the anticipated capital investment forecast from the MAADs application. As detailed in Exhibit 1 - Tab 4 - Schedule 1, and Exhibit 2B - Tab 1 - Schedule 1, over the historical period, investments in customer and load growth, and asset deterioration, required the utility to self-fund capital requirements in excess of what is funded in rates. From 2020 to 2024, system access was higher than planned due to increasing spending in the connections and system expansion programs; reactive capital was higher than planned due to equipment failures as well as severe weather events. Moreover, as discussed in the Inflation exhibit, Exhibit 1 - Tab 5 - Schedule 2, materials costs for system components doubled over the historical period greatly contributing to higher costs. In 2017, when the merger business case was developed and evaluated, inflation was below 2%.

Table 2: Elexicon's Capital Investments – MAADs forecast compared to Actual Expenditures, inclusive of ICMs ($M) 2020 to 2026

Year	2020	2021	2022	2023	2024	2025	2026
MAADs (Forecast)[5]	75.70[6]	29.84	33.30	31.17	31.88	34.53	33.05
Elexicon Net Capex (Actual)	35.19	53.43	78.41	52.54	68.87	59.75 (F)	77.2 (F)

The MAADs application projected OM&A savings attributed to various drivers: staff attrition; elimination of duplicative administrative services such as legal, auditing, and banking; system consolidations (Customer, Financial, IT systems); system operations and maintenance savings through the adoption of each utility's best practices; and reduction in governance costs with a single LDC board.[7]

[3] Ontario Energy Board, EB-2018-0236, page 19.
[4] Ontario Energy Board, EB-2018-0236, page 27.
[5] Ontario Energy Board, EB-2018-0236, "Table 8", page 27.
[6] The merger application's net capex forecast for 2020 included the Seaton TS transformer station. EB-2018-0236, page 20. Seaton TS was approved in EB-2022-0015 and in-serviced in 2022.
[7] Ontario Energy Board, EB-2018-0236, page 34.

2.2 Actual Synergies Realized: 2020 to 2026

Elexicon's calculations of achieved and forecast synergy savings since merger are captured in Table 3 below. As of 2026, Elexicon's synergies achieved are approximately 85% of the projected forecast in the MAADs application. The non-labour savings are a result of both cost savings from the merged utility and estimated costs avoided by the legacy Whitby Hydro due to consolidation. The savings projected for 2026 are expected to persist into the rate term. The combined savings of $5.2M represent a sustained 3.7% reduction in the revenue requirement of the consolidated entity and are expected to persist into the rate period.

Table 3: Elexicon's Synergy Savings 2019 to 2026[8]

Year	2019	2020	2021	2022	2023	2024	2025 (F)	2026 (F)
Labour Synergies ($M)	2,810	3,812	3,395	4,766	4,237	3,146	3,255	3,255
Non-Labour Synergies ($M)	323	825	1,239	1,444	1,194	1,851	1,920	1,961
Total ($M)	**3,133**	**4,637**	**4,634**	**6,210**	**5,431**	**4,997**	**5,175**	**5,216**

2.2.1 Labour Synergies

To calculate labour savings, Elexicon normalized its FTE levels to account for growth and new requirements the extent of which were not known at the time of merger.

Post-merger hiring was driven by changes to the business which were not factored into nor reflected in the merger application, such as load growth, capacity constraints, and compliance requirements (e.g. cyber security, privacy, connections processes)[9]. To normalize for these changing business requirements in its calculation of labour savings, Elexicon identified the roles attributable to new business requirements or growth-related demands and removed those positions from the calculation of labour savings. The requirements that materialized post-merger would have created similar labour needs for the legacy utilities. By removing those FTEs from the calculation of Elexicon's post-merger workforce, current workforce levels can be more appropriately compared to the merger business case FTE forecast. Those savings forecast in 2026 are expected to persist on an annual basis into the 2027 to 2031 rate term. A detailed explanation of this calculation is captured below in Section 2.3.

[8] Number may not sum due to rounding.
[9] A detailed discussion of the post-merger staffing requirements is discussed in Exhibit4 - Tab 2 - Schedule-1.

2.2.2 Non-Labour Synergies

The achieved non-labour cost savings as a result of the merger relate to:

a) the elimination of duplicative expenses,

b) the costs saved due to leveraging the existing internal resources of one of the legacy utilities to reduce costs of functions previously outsourced by the other utility,

c) bringing services in-house and cancelling external vendor contracts, and/or consolidating existing service contracts.

Detailed examples of these types of synergies are provided below.

- *websites and online assets:* cancelled third-party vendor hosting and support for websites enabling the movement of services in-house. Reduced costs relative to pre-merger for hosting, maintenance, designing and updating content across separate sites of the legacy utilities.
- *fleet maintenance:* elimination of third-party maintenance services that could be provided by internal staff.
- *billing and collections:* reduction in per bill costs by leveraging existing vendors of the larger utility and eliminating the consulting cost associated with MDM/R synchronization due to ability to perform this in-house with existing labour not available at smaller legacy utility.
- *tree-trimming*: costs of planned vegetation management reduced on account of larger volume of work contracted to vendors.
- *corporate memberships:* prior to merger, both legacy entities were members of associations such as the Electricity Distributors Association ("EDA"). As a consolidated entity, Elexicon's membership fee is less than the sum of individual legacy utilities' costs.
- *board of directors' costs*: the boards of Veridian Connections and Whitby Hydro were consolidated into a single board for the regulated entity, the Elexicon Energy Inc Board

of Directors ('EE Board'). On a combined basis, the 'EE Board' has fewer directors, reducing the costs of the board.

- *insurance costs:* premiums for EE on a combined basis were less than the legacy utilities' premiums post-merger.
- *audit costs:* audit costs on a combined basis post-merger are less than fees paid by individual utilities pre-merger.
- *banking charges and tax services:* reduction in charges due to leveraging existing credit efficiencies and accounting services engaged by the larger legacy utility.

Elexicon's calculation of non-labour synergies also includes costs avoided due to the merger. Elexicon reviewed instances where costs would have been incurred by both utilities on an individual basis had the entities not merged given the criticality of the activity for standard business practices. Through this exercise, Elexicon identified several avoided costs including:

- redundant expenses to stand-up and maintain functions such as Enterprise Risk Management & Information Management, implement payroll software, maintain and administer employee benefits, deploy security applications to secure online systems.
- redundant expenses associated with annual, or bi-annual activities such as the customer satisfaction survey, asset condition assessment, and rate application costs.

2.3 Labour synergies

Elexicon's labour synergies are projected to be $3.25M in 2025, and are expected to be sustained through the forecast period. The labour synergies were determined by a review of the net variance (or delta) of positions reduced and filled in each year. For example, if ten positions were reduced and five positions were filled, the net labour synergies would be five full-time positions, or five FTEs. This annual net value is calculated for each year and is sustained if the full-time positions reduced and filled are equivalent in a given year or is increased if the positions reduced is exceeded by the number of positions filled. Conversely, in years where there are more positions filled then reduced, the delta decreases and thus reduces the quantum of labour synergies.

This method is illustrated in Table 4, below. In this example, by the end of Year 3, Elexicon has realized six full-time positions.

Table 4: Sample Calculation of Labour Synergies

Manager FTEs	Reduced	Filled	Difference	DELTA
Year 1	5	2	3	3
Year 2	2	2	0	3
Year 3	5	2	3	6

# of positions (DELTA) X **OM&A portion ($) of position** = **labour synergies**

The net value is then multiplied by an estimated average OM&A cost of the position. The OM&A cost assumption of a position varies depending on the level of position (e.g. executive, manager, supervisor etc.).

Example:

OM&A cost assumption per manager position: $125,000[10]

6 X $125,000 = $750,000

In the example above, for managerial FTEs Elexicon realized labour synergies of $750,000 in Year 3.

For the positions filled each year since 2020, Elexicon determined if the need for the position to be filled was driven by growth and/or business requirements that were unforeseen or not contemplated in the merger application. If the position met that definition, it was removed from the list of positions filled in that year, and thus removed from the calculation of labour synergies.

2.3.1 Labour Synergies – Purpose of Normalization

The MAADs application was based on a business case that indicated Elexicon could operate with 254 FTEs.[11] This FTE assessment was conducted in 2016 and 2017, based on known business conditions at the time and was predicated on a capital forecast that remained relatively unchanged from 2018 onwards, averaging approximately $35M per year, as shown in Table 5, below.

[10] This amount is used for illustrative purposes only. The OM&A assumption used varies year-over-year to account for inflation.
[11] Project Taunton – Independent Assessment of Project Synergies (Attachment M: Navigant Report), EB-2018-0236, page 31.

Table 5: Annual Net Capital Investments from the MAADs Application[12]

	2017	2018	2019	2020[13]	2021	2022	2023	2024	2025	2026	2027	2028	2029
Veridian ($k)	26,285	27,246	24,341	67,964	21,818	22,315	22,745	23,183	23,629	24,084	24,548	25,020	25,502
Whitby ($k)	8,546	13,000	10,282	7,737	8,028	10,992	8,425	8,702	10,909	8,966	11,906	9,774	9,868
Total Capex-MergedCo LDC ($k)	34,831	40,245	34,623	75,701	29,846	33,307	31,170	31,885	34,538	33,050	36,453	34,453	35,370

As illustrated in Table 2, above, Elexicon's capital requirements increased significantly relative to the capital investment forecast in the MAADs application and are expected to more than double by 2026. As operating conditions evolved over the historical period, Elexicon added internal expertise to improve its capacity for longer-term asset management, to manage risk, to respond to new compliance requirements such as those from the OEB, as well as for communicating with customers and stakeholders. Elexicon also needed to invest in internal expertise in IT, OT, and cyber security to operate as a modern and efficient utility. A detailed overview of the changes to Elexicon's workforce during the historical period is located in Section 2 of Elexicon's workforce evidence (Exhibit 4 - Tab 2 - Schedule 1).

The merger business case forecasted Elexicon's workforce would be 254 by 2028 and its sustained labour savings would be $4.25M in 2026. The normalization of FTEs ensures that the achieved synergy savings can be compared to the merger business case on a "like-for-like" basis. Table 6 shows that on a normalized basis, Elexicon's post-merger workforce is 279 FTEs which is below the pre-merger workforce of 289 FTE.

As shown in Table 6 below, the normalized FTEs are calculated by removing the full-time positions identified as related to growth and/or new requirements in each year. For example, in year 2021, Elexicon reported 246 FTE. Six of those positions were attributed to growth or new requirements. Once those six positions are removed, the normalized total is 240. Elexicon's total FTEs are forecast to be 333 by the end of 2025, and of those FTEs, 54 are associated with growth and new requirements not

[12] Ontario Energy Board, EB-2018-0236, "Table 8", page 27.
[13] Large increase in 2020 is due to the in-service addition of Seaton Transformer Station.

contemplated in the underlying business case of the merger in 2017, resulting in a normalized workforce of 279 FTEs.

Table 6: Total FTEs normalized for growth and new requirements – 2020 to 2025

	2020	2021	2022	2023	2024	2025 (F)
(A) FTE per RRR	246	246	256	264	307	333
(B) *less* Positions Normalized	0	6	13	28	50	54
Normalized FTEs (A) – (B)	246	240	243	236	257	279

Table 7: FTEs Normalized by Position – 2020 to 2025

	2020	2021	2022	2023	2024	2025 (F)	Total
(A) Elexicon FTEs	246	246	256	264	307	333	
Positions normalized							
Exec			1	1	1	0	3
Manager		2	1	4	3		10
Supervisor			1	1	4		6
Non-Supervisory	0	4	4	9	14	4	35
Total Per Year	0	6	7	15	22	4	54
(B) Cumulative Total	0	6	13	28	50	54	
Normalized FTE (A) – (B)	246	240	243	236	257	279	

The realization of synergies from the merger of the legacy utilities has conferred savings and efficiencies expected to persist to the benefit of ratepayers in the 2027 to 2031 period. Through consolidation, Elexicon has saved OM&A costs across the utility and gained the benefits of a workforce sufficiently staffed to manage current business requirements and prepared to manage a scaling work program to meet urgent investments needs.

3. APPROVED ICMS FROM PREVIOUS IRMS TO BE INCLUDED INTO RATE BASE

Since merger, Elexicon has been approved for ICM funding related to three projects, the Seaton Transformer Station (EB-2021-0015), the Bus Rapid Transit Relocation (EB-2021-0025), and the Whitby Smart Grid (EB-2022-0024). Per section 2.2.8 of the Chapter 2 Filing Requirements, Elexicon has provided true-up calculations for the projects listed above, see Exhibit 2A - Tab 6 - Schedule 1.

Elexicon also requested ICM funding in its 2026 IRM, EB-2025-0046, for two projects, the Sandy Beach Station, and the Belleville DESN 2. At the time of preparation of this schedule, Elexicon had not received a decision on these ICM projects.

Each of these projects is requested for inclusion into rate base, effective January 1, 2027.

RATE SETTING FRAMEWORK

1. INTRODUCTION

Elexicon's 2027 to 2031 Custom Incentive Rate-Setting Framework ("Rate Framework") reflects a continuation of the OEB's performance-based regulatory model, firmly rooted in the principles of the Renewed Regulatory Framework ("RRF"), the Rate Handbook, and the successful applications of previous Custom Incentive Rate-Setting ("Custom IR") mechanisms. The Rate Framework has been purposefully designed to support Elexicon's unique and pressing needs as a utility, responding to the priorities of its customers and urgent system needs as outlined in detail in Exhibit 2B - Tab 1 - Schedule 1, and Exhibit 4 - Tab 1 - Schedule 1 of this application, while also ensuring that there are appropriate incentives in place to protect customers, balance risk and support public policy priorities.

As discussed in Exhibit 1 - Tab 1 - Schedule 1, Elexicon is experiencing business conditions which are driving the need for an increase in the level of investment in its system. These include but are not limited to:

- Serving the fastest growing communities in Ontario, that are experiencing accelerating levels of housing and economic growth. This, combined with Elexicon's limited available system capacity is driving the need for increasing and urgent investments to connect customers and ensure sufficient system capacity.
- A need to increase the level of investment in renewing existing infrastructure to address declining reliability performance and restore the system to historical levels of performance. Specifically, Elexicon has experienced a trend in recent years of increasing length of outages driven primarily by defective equipment.
- A need to invest in grid modernization to improve efficiency of operations, reduce outage restoration times to improve reliability performance, support greater system resiliency during major events and better enable and manage the connection of distributed energy resources (e.g. solar panels, batteries) to Elexicon's system.
- Increasing the size of its workforce to deliver on growing levels of investment and increasing regulatory and compliance obligations.
- Investing in the facilities, tools, equipment and technology required to support Elexicon's day-to-day operations and mitigate cyber security risks.

Elexicon must also account for the length of time since its last rebasing. The predecessor utilities, Veridian Connections and Whitby Hydro, last rebased in 2014 and 2011, respectively. The pace of customer growth and the renewal requirements in Elexicon's service territory has required levels of investment above what is funded through rates currently. Existing rates are based on cost structures that are 11-14 years old and no longer aligned with Elexicon's business conditions which is resulting in a revenue deficiency of $33.4M in 2027[1].

In building its 2027-2031 investment plan, Elexicon considered the pacing of its capital and OM&A spending and made decisions to temporarily accept additional near-term risk in order to mitigate larger rate increases in 2027. These decisions included:

- Delaying the ramp-up of certain capital programs to 2028 (e.g. Underground System Renewal, Voltage & System Conversion, OT Systems, AMI 2.0).
- The delayed roll-out of the AMI 2.0 program to 2028 also deferred approximately $1.6M in OM&A expenses associated with one-time costs for the AMI network infrastructure upgrade and the implementation of the associated reporting and analytics tool, as well as the initiation of annual AMI licensing fees.
- Deferring $1M in incremental annual funding for necessary maintenance programs (e.g. vegetation management, distribution system maintenance) to 2028.
- Further pacing out the proposed workforce plan, after already reducing the overall number of employees down from initial headcount needs to minimal levels, by delaying the onboarding of 16 employees from 2027 to the outer years of Elexicon's rate period to reduce labour costs in 2027 by $1.7 M.
- Removing $19.5M in one-time OM&A implementation costs for Elexicon's ERP software implementation (i.e. Dx Next) in 2027 and proposing recovery over 10-years to better align recovery of costs with benefits and produce more stable rate changes for customers over time.

As a result of these pacing decisions to mitigate rate impacts, 2027 does not reflect a typical rebasing year for the purposes of applying traditional mechanistic adjustments to costs.

These factors have been considered in the design of Elexicon's Custom IR proposal which builds on foundational elements approved by the OEB in prior Custom IR applications, while incorporating

[1] See Exhibit 6 - Tab 1 - Schedule 1

targeted evolutions to meet the specific needs and realities of Elexicon's operating environment. In this environment, Elexicon's Rate Framework principally responds to the pressing needs of the utility, while balancing the following priorities:

- Meeting the core responsibilities of a distribution utility, including the provision of safe and reliable service, and the connection of new customers in a timely and cost-effective manner;
- Supporting the public policy objectives of government and the OEB, including the facilitation of new housing construction and economic growth;
- Grounding the framework in economic principles and objective third-party, econometrically derived benchmarking analysis to ensure appropriate productivity incentives;
- Enabling the alignment of financial resources for the utility to deliver on outcomes that customers need and want, with the rate mitigation protection for customers considered in Elexicon's investment plan; and,
- Appropriately balancing risk and uncertainty between customers and the utility (e.g. from externally driven cost drivers, which are subject to variability from economic and other factors).

This framework reflects Elexicon's recognition of its responsibility to deliver reliable, cost-effective, and customer-focused service in a moment of much-needed system renewal, unprecedented customer and load growth, and sector change. Elexicon's Rate Framework is submitted as a fit-for-purpose plan that aligns with the OEB's performance-based objectives, while ensuring the financial capacity and regulatory flexibility required to meet the demands of the 2027 to 2031 period.

To achieve these objectives, Elexicon Energy has included the following key structural elements as part of its 2027–2031 Custom IR framework, as further described in this evidence:

- Cost of service rebasing in 2027, followed by a Custom Revenue Cap Index ("CRCI") applied in each of years two through five (2028–2031).
- The CRCI formula will establish annual service revenues based on:
    - Inflation ("I"), based on the OEB's annually published inflation factor applicable to electricity distributors;
    - A combined productivity and stretch factor ("X") of 0.15%, based on third-party econometric analysis;

- A Growth Factor ("G") of 2.48%, which relies on third-party econometric analysis to establish the incremental cost of Elexicon's increasing customer count and peak demand, exclusive of inflation;
- An Input Price Differential ("IPD") of 0.25%, which relies on third-party econometric analysis to establish the difference between the OEB's inflation factor and actual inflation applicable to OM&A; and,
- A Revenue Growth Factor ("RGF"), which provides for incremental funding for investment drivers not funded through the other elements of the formula that is required to meet the capital and operational needs articulated by Elexicon in Exhibit 1 - Tab 1 - Schedule 1 and throughout the application.

- The establishment of an asymmetrical Capital-Related In-Service Addition Variance Account applicable to the majority of Elexicon's capital investments to protect customers from capital underspending relative to the plans provided in Exhibit 2B of this application and an Earnings Sharing Mechanism to protect rate-payers from significant overearning by the utility;
- Four new targeted deferral and variance accounts, to ensure appropriate incentives to enable public policy objectives regarding housing and economic development and sector transformation, specifically:
  - Demand-Related Variance Account to track variances in customer driven work. Specifically, Customer & Generation Connections, Externally Initiated Plant Relocations ("EIPR"), and System Expansions;
  - A variance account to capture any variance in capital contributions and Connection and Cost Recovery Agreement payments to Hydro One Networks Inc. ("HONI") over the rate term;
  - A deferral account to capture costs for any additional station investments not currently included in the plans and budgets of this application, required to address any urgent, unanticipated capacity needs which emerge over the 2027 to 2031 period; and
  - Non-Wires Solutions Variance account to enable Elexicon to capitalize on opportunities for innovation that may materialize over the rate term as the technical capabilities of its system and processes evolve.

Taken together, these features comprise a comprehensive and forward-looking rate framework designed to ensure that Elexicon can meet its service obligations, manage atypical growth in customer

connections and demand, and support the Ontario government's objectives of facilitating new housing construction and economic growth.

2. THE NEED FOR A CUSTOM IR FRAMEWORK

Elexicon is proposing a Custom IR framework to meet its unique and evolving financial requirements; needs that cannot be accommodated within the parameters of the OEB's Price Cap Incentive Rate-setting ("Price Cap IR") model.

The Price Cap IR framework is not equipped to simultaneously accommodate Elexicon's need to restore its system with incremental renewal investments, connect a high volume of forecast new customers, increase system capacity for housing and economic development, and appropriately staff an increasingly large and complex utility. Elexicon estimates that application of the Price Cap IR framework over the 2027 to 2031 period would underfund the forecast revenue requirement for its operations by approximately $74.8 million, as shown in Figures 1 and 2 below:

Figure 1: Annual Variance: Base Revenue Requirement vs. Distribution Revenue under Price Cap

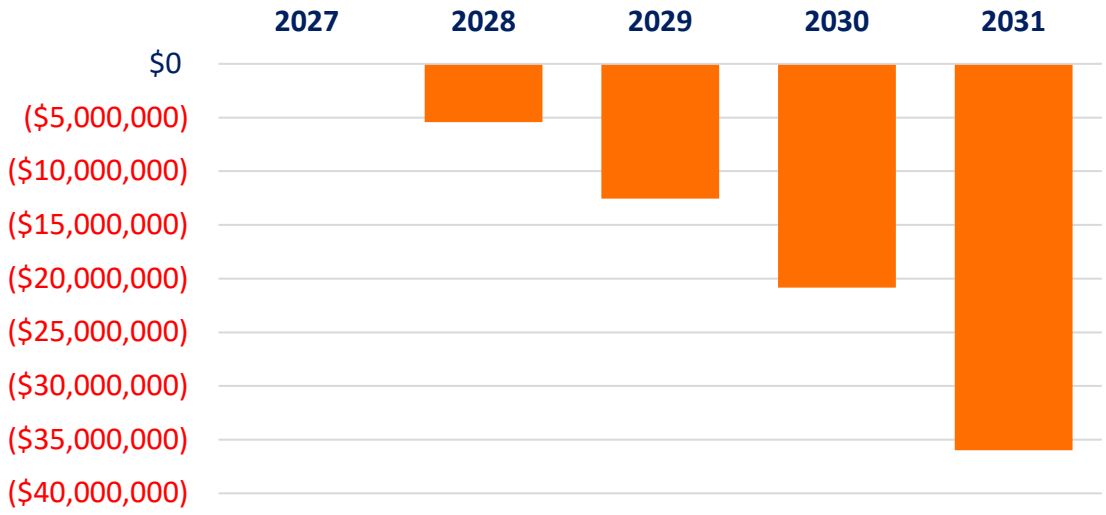
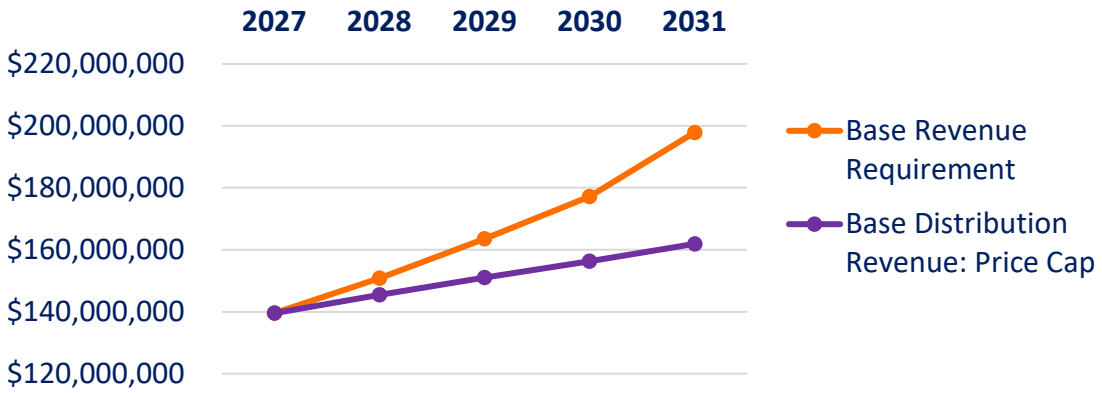


Figure 2: Base Revenue Requirement vs. Distribution Revenue Under Price Cap



By 2031 the funding gap of $36M would represent about 18% of the total revenue requirement for that. Left unmitigated, the funding gap between Price Cap IR and Elexicon's investment plan would result in tens of millions of dollars of underinvestment in Elexicon's grid and operations. As a direct consequence, Elexicon anticipates the following would occur:

- Elexicon won't be able to make sustainable levels of system renewal investment, which in turn would drive continued deterioration of system reliability increasingly driven by defective equipment, consistent with the trend articulated in Exhibit 2B - Tab 2 - Schedule 2;
- Elexicon won't be able to connect new customers, make necessary investments to create additional system capacity, or make basic system sustainment investments;
- Elexicon will experience continued and consistent understaffing, resulting in deteriorating operations, maintenance and administrative outcomes, deteriorating capital project planning and execution, an inability to meet compliance requirements, and costly staff turnover;
- Elexicon's borrowing metrics will deteriorate (e.g. debt to equity ratio and cashflow to debt), followed by impacts to Elexicon's credit rating and increases to the cost of debt for customers; and,
- Elexicon will continue to experience substantial and consistent under-earning against OEB-approved ROE, and not have an opportunity to earn a fair return.

Funding mechanisms outside of Custom IR are unable to meet Elexicon's investment needs.

Elexicon considered whether the augmentation of Price Cap IR with a substantial number of Incremental Capital Module ("ICM") or Advanced Capital Module ("ACM") requests was a viable

alternative to pursuing a Custom IR framework in this application, and concluded that the use of Price Cap with ICM/ACM requests was not viable in Elexicon's circumstances.

Elexicon's capital needs are fundamentally misaligned with the ICM/ACM construct. With respect to capital, the majority of Elexicon's elevated capital investment needs do not relate to 'discrete projects', as required by the OEB's ICM/ACM policy. Rather, Elexicon's needs reflect a broad investment pressure affecting the day-to-day capital programs which are ineligible for ICM/ACM funding.

Elexicon's capital needs do not reflect those for which the ICM/ACM construct was designed, but rather reflects the exact intent of Custom IR, as articulated by the OEB in the Renewed Regulatory Framework:

> *The Custom IR method will be most appropriate for distributors with significantly large multi-year or highly variable investment commitments that exceed historical levels.*[2]

There are no existing OEB mechanisms under Price Cap IR that would allow Elexicon address its unique OM&A requirements. The OEB's policy is clear, that the ICM/ACM is not a permissible vehicle for utilities to seek relief for OM&A cost increases.

Elexicon's investment plan has been paced in a manner which cannot be accommodated under Price Cap IR. The pace of customer growth in Elexicon's service territory has required levels of investment well-above what is funded through rates currently. Given the length of time since Elexicon's predecessor utilities had rebased, existing rates are based on cost structures 11-14 years old that are no longer aligned with Elexicon's business conditions which is resulting in a revenue deficiency of $33.4M in 2027. As discussed earlier in this Exhibit, Elexicon made the decision to accept short-term risk in order to defer necessary capital and OM&A spending from 2027 to 2028 in order to mitigate rate increases in 2027.

As a result, 2027 is not a typical rebasing year for OM&A and therefore Elexicon's investment needs cannot be accommodated through any common rate-making approach provided by the OEB and requires Custom IR for implementation.

[2] Ontario Energy Board, "Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach", (October 18, 2012), page 19

In sum, the application of a Price Cap IR to Elexicon over the 2027 to 2031 period would result in negative outcomes for customers and the utility, contrary to the public interest and the OEB's statutory objectives.[3]

The following sub-sections summarize the necessary and urgent investment needs underpinning Elexicon's proposed Rate Framework.

3. CAPITAL INVESTMENT REQUIREMENTS

Elexicon's capital needs will rise substantially over the 2027 to 2031 period. Several converging factors drive these needs, including but not limited to:

- Capacity Constraints and Persistent Demand: Elexicon's customer base has grown by 1.4% per year over 2020-2024 with that growth set to accelerate to 1.9% per year over 2025-2031.[4] From 2022 to 2024 Elexicon also saw an acceleration of connection requests for large customers (>1 MW/MVA) with the number of requests more than doubling and the load associated with those requests increasing by more than 5 times. While growth is accelerating, Elexicon has limited available capacity in its system. 76% of Elexicon's municipal substations have less than 1MVA of available capacity which is insufficient to connect one large customer. Over 2027-2031, Elexicon will invest $147M in additional stations capacity[5] and about $124M in mandatory, customer-driven investments to connect customers, relocate infrastructure to accommodate community growth and expand the distribution system.[6] If left unaddressed capacity constraints will hinder economic growth in the communities served by Elexicon and leave the utility unable to meet its obligations to service anticipated load growth over the next 5 to 10 years;
- Addressing Asset Demographics and Declining Reliability Performance: 35% of all assets across Elexicon's system are in fair, poor, or very poor condition and will require attention in the next 10 years.[7] Between 2020 and 2024, Elexicon has experienced declining reliability performance with an increase in the average length of outages (SAIDI). Equipment failures are the leading cause of interruptions. Over that period, Defective Equipment SAIDI and SAIFI outages

[3] Section 1(1) of the Ontario Energy Board Act, 1998, SO 1998, c. 15, Sched. B.
[4] Exhibit 3 - Tab 1- Schedule 1
[5] Exhibit 2B - Tab 4 - Schedule 3, Appendix I - Substation Growth
[6] Customer driven capital programs described in Exhibit 2B - Tab 4 - Schedule 3, Appendices A, B and C
[7] Exhibit 2B - Tab 3 - Schedule 2

increased 271% and 151%, respectively. Over the 2027-2031 period, Elexicon will invest $280M in System Renewal investments to mitigate the deterioration of its assets.[8] In addition, Elexicon will invest about $116M in grid modernization investments in field technologies (e.g. SCADA, switches, CFCIs, AMI 2.0, etc.) that will allow greater visibility and control of its distribution system in order to limit the number of customers impacted by outages, as well as system enhancements (e.g. feeders) to improve system reliability and capacity.[9] These investments will contribute to restoring Elexicon's reliability to historical levels of performance;

- Address Legacy Voltages: Some regions of Elexicon's system operate on legacy voltages (e.g. 4.16 kV or 8.32 kV) which are capacity constrained, obsolete and cannot accommodate larger connections or support modern system standards. Over 2027-2031, Elexicon will invest about $23.4M into enable the transition of these areas to standard 13.8 kV and 27.6 kV systems, allowing larger customers to be served, improving compatibility with new infrastructure, and supporting the safe decommissioning of legacy stations[10]; and
- Fleet, Facilities, IT, Tools and Equipment: Execution of Elexicon's day-to-day operations requires certain vehicles, tools, facilities as well as technology to operate effectively and protect against cyber security threats. Over 2027-2031, Elexicon will make steady investment of about $48M to ensure its has the tools and technology in place to support and execute on its operations.[11]

Exhibit 2B - Tab 1 - Schedule 1 provides an overview of the drivers of Elexicon's capital investment requirements. Further details regarding Elexicon's capital investment needs are provided as appendices to Exhibit 2B - Tab 4 - Schedule 3.

4. OM&A INVESTMENT REQUIREMENTS

Elexicon faces incremental operating, maintenance, and administrative ("OM&A") costs relative to historical funding; reflecting growing cost pressures in Elexicon's operating environment. The cost pressures stem from, but are not limited to:

[8] Exhibit 2B - Tab 4 - Schedule 1, Appendices E-H
[9] Exhibit 2B - Tab 4 - Schedule 1, Appendices, D, J and P
[10] Exhibit 2B - Tab 4 - Schedule 1, K
[11] Exhibit 2B - Tab 4 - Schedule 1, L-O

- Scaling of staff and operations in the planning, design and operations areas of the business to deliver a growing capital plan and address capacity and load growth. While some of these workforce costs are capitalized, growth in workforce has downstream impacts such as on technological requirements and training, which are expensed;
- Increasing funding for asset maintenance and vegetation management activities to ensure the distribution system operates safely, that enhanced maintenance needs required to keep aging infrastructure in good condition are addressed, and that reliability can be restored to historical levels of performance. Optimized maintenance activities will help reduce unplanned outages, avoid costly emergency repairs, and lower total lifecycle costs by extending asset life and minimizing premature replacements;
- Adapting to evolving customer expectations regarding greater breadth of communication channels (e.g. online self-service), as well as, including increasingly complex inquiries related to detailed billing history, consumption patterns, scenario-based assessments beyond traditional billing questions, technical support for large accounts, and assistance with affordability concerns;
- Modernizing information technology (IT) systems through initiatives such as Dx NEXT and Modern Workplace to mitigate increasing cyber risks that could disrupt grid operations, compromise customer data, and create significant safety and financial exposure.[12] These investments also ensure compliance with evolving cyber security, privacy, and information management requirements while building a scalable foundation for efficient operations, integrated data systems, and advanced analytics. The shift to cloud-based technologies has placed upwards pressure on OM&A for costs that used to be considered capital;
- Developing organizational capabilities designed to maintain operational stability in a tight and competitive labour market, meet increasing stakeholder expectations for coordination and highly complex interactions, manage a high volume of policy, regulatory and legal work, and build sufficient financial and treasury capabilities to support a growing number of transactional activities and secure debt financing for a growing capital programs; and

[12] See Common Corporate Program in Exhibit 4 - Tab 1 - Schedule 6

- Addressing a range of external cost drivers, including rising insurance premiums, bad debt expenses, software subscription and licenses, and security measures to address thefts and limit financial exposure from unforeseen events.

Elexicon has assessed that optimal near-term operating capacity would require a step-up in OM&A from approximately $61.8 million in 2026 to about $84 million in 2027 (i.e. the 2028 level of spending). Recognizing the significant one-time rate impact this would pose, Elexicon is proposing to stage the required OM&A increase at rebasing over two years, with a proposed OM&A budget of $77.3 million in 2027 and $84.1 million in 2028. As further described in this evidence, Elexicon's proposed rate framework provides for this paced implementation of necessary OM&A funding increases. Though challenging, Elexicon has determined it can temporarily manage its expanding operational requirements for one year within this staged funding approach as a means to smooth bill impacts over a longer time frame.

A summary of Elexicon's operational funding needs is provided in Exhibit 4 - Tab 1 - Exhibit 1 with further details throughout Exhibit 4.

5. RETURN ON EQUITY AND FINANCIAL SUSTAINABILITY

Accompanying the need for Elexicon to meet significantly expanding customer and system requirements, is the requirement that Elexicon's Rate Framework provide the utility the opportunity to earn a fair return on its equity invested. The capital and operational needs articulated in Exhibits 2 and 4 of this application, respectively, gained in momentum over the years preceding 2027, as can be seen in Table 1 below depicting Elexicon's Deemed vs. Achieved Regulated ROE over the 2020 to 2024 period:

Table 1: Deemed vs. Achieved Regulated ROE

Year	Deemed ROE	Achieved ROE	Difference	300 Basis Points Deadband
2020	9.43	6.80	-2.63	Within
2021	9.43	6.87	-2.56	Within
2022	9.43	4.86	-4.57	Under
2023	9.43	5.15	-4.28	Under
2024	9.43	5.39	-4.04	Under
Avg.	**9.43**	**5.81**	**-3.62**	**Under**

In recent years, Elexicon Energy has needed to made capital and operational investments above the levels of funding in rates to respond to customer growth and meet its service obligations. These investments have been absorbed by shareholders through under-earnings. While this has benefited customers with investments and associated service levels above and beyond those funded in rates, continued under-funding is unsustainable and inconsistent with the fair return standard. Elexicon Energy requires a rate framework that better aligns customer and shareholder interests—one that allows it to meet rising customer and system needs, while also providing the opportunity to earn a fair return.

As shown and described in preceding evidence, the application of a Price Cap rate framework to Elexicon over the 2027 to 2031 period would substantially underfund the utility at a time of substantial necessary investment to address deteriorating reliability performance, address current capacity constraints, meet growth projections for the communities Elexicon serves, and other core priorities described in this application. Looking forward, applying a Price Cap rate framework funding envelope against Elexicon's required investments results in the continuation of material under-funding of Elexicon's operations and would result in rates that do not allow Elexicon a fair opportunity at earning its regulated return on equity. As shown in Table 2 below, use of a Price Cap over the 2027 to 2031 period would result in Elexicon falling more than 400bps below OEB-approved ROE by 2029, and would effectively negate the utility's return on equity by 2031. This would place tremendous pressure on Elexicon's balance sheet, worsen borrowing metrics and result in higher borrowing costs.

Table 2: 2027 to 2031 ROE under Price Cap Rate Framework

	2027	2028	2029	2030	2031
Deemed ROE ($M)	22.5	24.9	28.5	32.0	37.5
Revenue Shortfall under Price Cap ($M)	0.0	-5.5	-13.1	-21.3	-36.7
Net Income under Price Cap IR ($M)	**22.5**	**19.4**	**15.4**	**10.7**	**0.8**
Equity Component of Rate Base ($M)	246.9	273.4	312.7	351.4	411.6
ROE under Price Cap IR	**9.11%**	**7.10%**	**4.92%**	**3.04%**	**0.19%**
OEB-Approved ROE	9.11%	9.11%	9.11%	9.11%	9.11%
ROE Variance to OEB-Approved	**0.00%**	**-2.01%**	**-4.19%**	**-6.07%**	**-8.92%**

6. ELEXICON'S 2027 TO 2031 CUSTOM RATE FRAMEWORK

6.1 Custom Revenue Cap Index ("CRCI")

This section describes the elements of Elexicon's proposed Rate Framework. The information is organized to first describe the components of the CRCI, before detailing Elexicon's proposed approach to implement the CRCI, and finally describing deferral and variance accounts integral to the sound functioning of the Rate Framework.

Elexicon's CRCI is expressed as:

$$\mathbf{CRCI = I_n - X + G + IPD_{oma} + RGF}$$

The following table summarizes each component of the CRCI, which are subsequently described further in this evidence:

Table 3: CRCI Framework

CRCI Component	
Inflation ("I")	OEB's annually published Inflation Factor applicable to electricity distributors. I is applied as an increase to the CRCI, and is applicable to the entire revenue envelope. This factor is the only factor in the formula that is updated annually.
X-Factor ("X")	Includes a fixed productivity factor (0.0%) and a fixed utility-specific stretch factor (0.15%) assigned based on third-party econometric benchmarking completed by Clearspring, provided at Appendix A to this exhibit. The X-factor is applied as a decrease to the CRCI, and is applicable to the entire revenue envelope.
Growth ("G")	A fixed factor of 2.48% representative of the growth in utility costs associated with output growth (e.g. forecast customer and peak demand growth), derived from econometric analysis completed by Clearspring and provided at Appendix A. G is applied as an increase to the CRCI, and is applicable to the entire revenue envelope.
Input Price Differential ("IPD_{oma}")	A fixed factor of 0.25% representative of the rate at which Elexicon's OM&A input costs are increasing relative to the rate of inflation provided for in I. The IPD_{OMA} is derived from analysis completed by Clearspring and provided at Appendix A to align with the actual labour and non-labour proportions of Elexicon's OM&A expenses. The factor does not apply to capital-related revenue requirement and is scaled down to apply only to the current-year OM&A portion of service revenue requirement.
Revenue Growth Factor ("RGF")	A factor which is designed to recover the cost drivers of Elexicon's investment plan that are not otherwise captured by the other factors of the formula. Forecast capital-related revenue requirement is adjusted such that Working Capital Allowance funding increases are limited to I-X escalations. Forecast OM&A revenue requirement is based on Elexicon's forecast operational funding requirements from 2028-2031. RGF is applied as an increase to the CRCI, and is applicable to the entire revenue envelope.

Table 4 below compares the application of Elexicon's proposed CRCI as against the Price Cap Index commonly used by Ontario electricity distributors not under Custom IR:

Table 4: Comparison of Elexicon's Proposed Framework with Price Cap Elements

Item	Price Cap	Elexicon's CRCI
2027	Cost of Service Rebasing – Full Review of Service Revenue Requirement and Other Revenue, yielding Base Revenue Requirement to establish Distribution Rates	
2028 - 2031	Price Cap Index ("PCI"): I_n - X	Custom Revenue Cap Index ("CRCI"): $I_n – X + G + IPD_{oma} + RGF_n$
Annual Rate Design	2027 rates are based on 2027 revenue requirement, cost allocation and rate design. The PCI is applied directly to escalate 2028-2031 rates without any other adjustments	2027 rates are based on 2027 revenue requirement, cost allocation and rate design. For subsequent years: • Prior year's approved service revenue is escalated by the CRCI, yielding current year service revenue • Current year service revenue is reduced by current year forecast Other Revenue, yielding current year distribution revenue • 2027 cost allocation is used to allocated current year distribution revenue to each rate class • Current year rates are designed on the basis of current year distribution revenue by rate class, existing fixed/variable splits, and current year forecast billing determinants presented in this application
Revenue Growth from Billing Determinant Growth (2028-2031)	2028-2031 distribution revenue increases both as a result of increasing rates through the PCI, and increased billing determinants. The utility retains increased revenues from billing determinant growth	2028-2031 distribution revenue increases solely as a result of the application of the CRCI. Incremental revenues from billing determinant growth are used to offset rate increases to customers as part of annual rate design.

6.2 Inflation ("I")

The inflation factor is a key component of the OEB's incentive rate-setting mechanisms, as a means to annually adjust electricity distribution rates between cost-of-service rebasing years. The inflation

factor serves as the starting point in the OEB's commonly used PCI formula, and remains within Elexicon's CRCI.

The OEB's inflation factor is based on a two-factor input price index, which blends changes in labour and non-labour costs. Specifically, it uses a weighted average of Ontario average weekly earnings (labour inflation) and the national GDP implicit price index (non-labour inflation), with weightings of 30% and 70% respectively.

I is the only component of the CRCI which will be updated on an annual basis throughout the 2028 to 2031 term, with all other components proposed to be fixed on the basis of the OEB's Decision and Order in this proceeding. Elexicon has currently forecast I to be 2.00% for each year from 2028 to 2031, in alignment with the Bank of Canada economic outlook.

6.3 Productivity and Stretch Factor ("X")

The combined productivity and stretch factor is another key component of the OEB's incentive rate-setting, intended to incent ongoing productivity and efficiency improvements among electricity distributors. In the CRCI, it functions as a downward adjustment to the revenue requirement and provides customers with an up-front benefit. This mechanism reinforces the OEB's commitment to cost containment and continuous improvement, and is highlighted as a key component of the OEB's RRF.

Elexicon's combined X factor of 0.15%, includes a 0.0% productivity factor and a 0.15% stretch factor.

The productivity portion of the X factor is intended to measure the overall trend in the productivity of electricity distribution in Ontario, and is applied to all distributors within the sector. Pacific Economics Group ("PEG") most recently established the Ontario electricity distribution sector's productivity factor as negative 0.33%[13]. Rather than adopt a negative productivity factor (which would act as an escalator to rate indices), the OEB determined a productivity factor of 0% was appropriate on the basis of PEG's work. In the CRCI, Elexicon has also adopted a productivity factor of 0%. As such, the productivity factor of 0.0% represents an implicit additional stretch factor that Elexicon will need to overcome.

The stretch factor portion of Elexicon's proposed X factor has been established on the basis of total cost benchmarking prepared by Clearspring, an independent expert in the completion of such analysis.

[13] Pacific Economics Group (2013), "Productivity and Benchmarking Research in Support of Incentive Rate Setting in Ontario", (corrected January 24, 2014), page 51

Clearspring's work shows that Elexicon's costs are forecast to be 13.9% below predicted costs over 2027-2031 and recommends a stretch factor of 0.15%. Clearspring's report informing the 0.15% stretch factor has been provided at Appendix A to this exhibit.

6.4 Growth Factor ("G")

The Growth Factor is a component of Elexicon Energy's CRCI, designed to reflect cost increases anticipated as outputs grow (i.e. from forecast growth in Elexicon's customer base and system peak demand). G is exclusive of inflationary increases, reflecting only the nominal increases in cost from these drivers absent the impact of increasing unit costs for price inputs such as labour and materials. Elexicon's G factor is calculated by Clearspring based on the cost elasticities of the outputs found in the Clearspring total cost benchmarking model. The application of a G factor as a means to capture cost increases associated with output growth is consistent with above-inflation increases to OM&A approved by the OEB in EB-2023-0195.[14] As a result of the significant growth forecast applicable to Elexicon's customer count and peak demand, a G factor of 2.48% has been determined as appropriate, as demonstrated by Clearspring in Appendix A.

6.5 Input Price Differential – OM&A ("IPD_{oma}")

IPD_{oma} reflects the gap between actual OM&A cost inflation anticipated to impact Elexicon and the OEB's inflation factor. The OEB's inflation factor assumes a 70% weight for the non-labour component and 30% weight for the labour component. The IPD_{oma} ensures alignment of input price growth with the actual weighting of labour/non-labour costs of Elexicon's OM&A. For clarity, IPD_{oma} is exclusive of nominal cost increases driven by factors such as customer or peak demand growth, which are accounted for in the CRCI by G.

Elexicon has a fixed Input Price Differential value of 0.25%, informed by the econometric analysis provided by Clearspring at Appendix A. The value of 0.25% has been calculated specifically on the labour/non-labour weightings applicable to OM&A, and as such should not be applied to the capital-related portion of total revenue when applying the CRCI. As such, 0.25% is scaled downward for each year in the 2028 to 2031 term to match the scale of forecast OM&A in that year to the service revenue

[14] Ontario Energy Board, EB-2023-0195, "Settlement Proposal", (August 16, 2024), page 15, Table 3

requirement of that year. The resulting IPD_{oma} values are presented in Table 5 below for each year from 2028 to 2031:

Table 5: IPD_{OMA} values for years 2028 to 2031

	2028	2029	2030	2031
IPD (A)	0.25%	0.25%	0.25%	0.25%
OM&A Relative to Service Revenue Requirement (B)	53.68%	50.81%	48.68%	45.54%
IPD_{oma} (AxB)	**0.13%**	**0.13%**	**0.12%**	**0.11%**

6.6 Revenue Growth Factor ("RGF")

The RGF accounts for incremental increases in Service Revenue Requirement ("SRR") that go beyond the expenditures funded by I, G and IPD_{oma}. Elexicon has provided substantial evidence in Exhibits 2B and 4 demonstrating the need and prudence of its capital and OM&A investment plans, respectively. The RGF reflects the reality that while some of Elexicon's funding need is driven by inflation (captured by I and IPD_{oma}) and growth in customers and peak demand (captured by G), Elexicon's current needs are also driven by other factors, such as the need to:

- invest in system renewal beyond historical levels to address asset condition and deteriorating reliability performance,
- make one-time "lumpy" capital investments to facilitate future customer and demand growth (e.g. GTA East TS),
- make investments in grid modernization to improve reliability, grid resiliency and enable changing customer preferences (e.g. distributed energy resources), and
- right-size its workforce to serve a larger customer base and execute an expanded capital program and evolving regulatory and compliance obligations.

As noted above, Elexicon has pro-actively deferred certain necessary capital and OM&A spending otherwise required in 2027 in an effort to mitigate customer rate impacts. With respect to capital expenditures, the RGF will allow utility funding to match the pace of change in capital-related revenue requirement over the 2028 to 2031 term, as Elexicon makes necessary investments over this period. With respect to OM&A, the RGF also effectively funds Elexicon's unique operating expenditure profile

over the 2027 to 2031 period, particularly the operational expenditure increases that are spaced across 2027 and 2028. Subsequent to 2028, OM&A growth is slower over the 2029 to 2031 period. The use of a forecast approach to OM&A over the 2027 to 2031 period recognizes this OM&A trend over the course of the rate term.

Calculation of the RGF is completed through the construction of a modified SRR applicable to each year from 2027 to 2031. Modification of the SRR is limited to the adjustment of the revenue requirement associated with Working Capital Allowance, such that revenue requirement increases to this component of rate base are limited only to I-X, and are not impacted by forecast increases to Cost of Power and OM&A over the 2028 to 2031 period.

The RGF is calculated as the increase in current year SRR relative to prior year SRR, net of I, G and IPD_{oma}, as shown in Table 6 below:

Table 6: Total Revenue Calculations by Formula Component: 2027 to 2031

Line	($millions)	2027	2028	2029	2030	2031
1	Average Net Fixed Assets	581.2	645.0	741.4	836.2	984.5
2	Working Capital Allowance (WCA)	36.1	38.5	40.5	42.4	44.3
3	Rate Base	617.3	683.5	781.9	878.5	1028.9
4	Return on Debt	17.4	19.2	22.0	24.7	28.9
5	Return on Equity	22.5	24.9	28.5	32.0	37.5
6	Depreciation	28.5	29.1	33.6	37.4	43.3
7	PILs Taxes	0.0	0.0	0.0	0.0	0.0
8	**Total Capital Related Revenue Requirement**	**68.4**	**73.3**	**84.1**	**94.2**	**109.7**
9	Less Incremental Capital Related Revenue Requirement related to WCA	0.0	-2.5	-2.6	-2.7	-2.9
10	Add-back WCA at I-X	0.0	2.4	2.5	2.7	2.8
11	**Capital Related Revenue Requirement (with WCA at I-X)**	**68.4**	**73.1**	**84.0**	**94.1**	**109.6**
12	**OM&A Forecast**	**78.1**	**84.9**	**86.9**	**89.3**	**91.7**
13	**Service Revenue Requirement**	**146.5**	**158.0**	**170.9**	**183.4**	**201.3**
14	Increase in SRR ($)		11.6	12.8	12.6	17.9
15	**Increase in SRR relative to Prior Year SRR (%)**		**7.90%**	**8.11%**	**7.35%**	**9.77%**
16	Less: I		-2.00%	-2.00%	-2.00%	-2.00%
17	Less: G		-2.48%	-2.48%	-2.48%	-2.48%
18	Less: IPD_{oma}		-0.13%	-0.13%	-0.12%	-0.11%
19	**Revenue Growth Factor (RGF)**		**3.28%**	**3.51%**	**2.75%**	**5.18%**

7. FORECAST CRCI

Elexicon's forecast CRCI escalation values are provided in Table 7 below. As described above, each of X, G, IPD_{oma} and RGF are proposed for final approval in this application, while I will be updated each year based on the OEB's annual inflation factor applicable to electricity distributors.

Table 7: Forecast CRCI Values: 2028 to 2031

	2028	2029	2030	2031
Inflation: I	2.00%	2.00%	2.00%	2.00%
Productivity & Stretch: X	0.15%	0.15%	0.15%	0.15%
Growth: G	2.48%	2.48%	2.48%	2.48%
Input Price Differential – OM&A: IPD_{oma}	0.13%	0.13%	0.12%	0.11%
Revenue Growth Factor: RGF	3.28%	3.51%	2.75%	5.18%
CRCI (I-X+G+IPD_{oma}+RGF)	**7.75%**	**7.96%**	**7.20%**	**9.62%**

8. IMPLEMENTATION OF THE CRCI

Implementation of the CRCI begins by escalating the prior year's approved service revenue by the current year's CRCI value, and removing forecast Other Revenue to yield current year distribution revenue, as shown in Table 8 below:

Table 8: CRCI less Other Revenue[15]

($millions)	2027	2028	2029	2030	2031
Prior Year Service Revenue	N/A	146.47	157.81	170.38	182.65
CRCI	N/A	7.75%	7.96%	7.20%	9.62%
Current Year Service Revenue	146.47	157.81	170.38	182.65	200.22
Other Revenue	-4.88	-4.97	-5.06	-5.16	-5.27
Current Year Distribution Revenue	**141.59**	**152.85**	**165.32**	**177.49**	**194.95**

Subsequent to the determination of current year distribution revenue as shown above, distribution revenue will be allocated to each rate class in accordance with the results of the 2027 cost allocation study included in Exhibit 7 of this application.

Finally, fixed and variable charges for each rate class will be determined on the basis of costs allocated to each rate class, the 2027 fixed/variable splits, and the forecast billing determinants for each rate

[15] Numbers may not sum due to rounding.

class detailed in Exhibit 3 of this application. Illustrative calculations showing rate design in 2028-2031 are provide in Exhibit 8 - Tab 1 - Schedule 1.

9. DEFERRAL AND VARIANCE ACCOUNTS ASSOCIATED WITH ELEXICON'S RATE FRAMEWORK

Elexicon's Rate Framework is supported by a series of utility-specific deferral and variance accounts ("DVAs") that strike an appropriate balance between protecting ratepayers, providing appropriate incentives and enabling public policy priorities related to housing and economic growth and sector transformation. These accounts are tailored to the utility's evolving cost structure and operational risks over the 2027 to 2031 Custom IR term. These accounts are further described in Exhibit 9 - Tab 4 - Schedule 2 of this application, and can be summarized as follows:

- The **Earnings Sharing Mechanism Deferral Account ("ESMDA")** is a mechanism to protect customers from excess over-earnings by the utility. The proposed ESMDA will share any excess earnings above a 100-basis point dead band above OEB-approved ROE, with a 50/50 split between customers and the utility. The ESMDA is asymmetrical, benefiting customers only when earnings exceed the threshold. The ESM is proposed to be calculated on a cumulative basis over the 2027 to 2031 term, consistent with the ESM approved in EB-2023-0195.

- The **Capital In-Service Addition Variance Account ("CISAVA")** is an asymmetrical account which protects customers in the event that Elexicon does not materially deliver on its investment plan. The CISAVA captures differences between forecast and actual in-service additions, and translates this into a capital-related revenue requirement, subject to a 2% deadband. The account ensures that capital-related costs in excess of forecast are absorbed by the utility until its next rebasing while protecting customers from overcollection if capital-related costs are below forecast. The CISAVA applies to the majority of Elexicon's capital program, with the exception of amounts otherwise addressed below via the DRVA, CCRAVA and SDA.

- The **Demand Related Work Variance Account ("DRVA")** is a symmetrical account which captures variances in the capital-related revenue requirement associated with the mandatory, customer-driven Customer & Generation Connections, Externally Initiated Plant Relocations,

and System Expansions capital programs. As evidenced throughout this application, Elexicon is forecasting significant customer and peak demand growth. These investments are externally-driven and largely out of Elexicon's control, and are obligations under legislation and regulation. This account ensures that Elexicon has appropriate mechanisms to enable housing and economic growth in line with public policy objectives.[16] In the event that customer-driven demand work exceeds forecast, this account will ensure Elexicon has the means to fulfil its connection obligations to customers.- Conversely, in light of economic uncertainty both domestic and abroad, this account protects ratepayers in the event demand-related costs fall short of the forecasts underpinning this application. The balanced nature of this account ensures that Elexicon has sufficient means to enable externally-driven, customer growth within its service territory.

- The **Connection and Cost Recovery Agreement Variance Account ("CCRAVA")** is a symmetrical account which symmetrically captures variances in the capital-related revenue requirement associated with CCRA payments made to HONI. The CCRAVA provides protection to both ratepayers and the utility from variances in Hydro One payments, which are often the result of factors that are outside of the control of utility management. The CCRAVA is consistent with similar variance accounts applicable to CCRA costs approved by the OEB in the past.[17]

- The **New Stations Deferral Account ("NSDA")** is proposed to capture the incremental capital-related revenue requirement of additional stations projects beyond those included in Elexicon's Substation Growth program in Exhibit 2B - Tab 4 - Schedule 3, Appendix I. At present, Elexicon forecasts seven capacity-related stations projects to be placed into service over the 2027 to 2031 period. Station projects are material, non-discretionary investments which require substantial upfront capital deployment to serve mid-to-long term system needs. The NSDA will ensure the utility has the funding required to respond to station needs beyond those currently forecast should they arise.

[16] Government of Ontario, Bill 40, "Protect Ontario by Securing Affordable Energy for Generations Act, 2025", proposes to amend the Ontario Energy Board act to add a legislative objective for the OEB to regulate the sector in a manner that supports economic growth.

[17] e.g. Ontario Energy, EB-2019-0261, "Settlement Proposal", (November 19, 2020), Attachment 6, page 1

- A **Non-Wires Solutions Deferral Account ("NWSDA")** is proposed to capture any incremental revenue requirement resulting from implementation of Non-Wires Solutions ("NWS") over the 2027 to 2031 period. At present, Elexicon has not included any NWS expenditures in its 2027 to 2031 plan. However, opportunities for NWS may evolve over the rate term due to various factors such as acceleration of customer demand which may cause new capacity constraints, as additional DERs are connected to the system, and as the capabilities of grid improve due to investments in grid modernization. The NWSDA ensures Elexicon can pursue NWS when and where it is in the best interest of ratepayers to do so.

- A **Large Load Revenue Variance Account ("LLRVA")** is a symmetrical account proposed to track variances between the volume and timing of forecast revenues of new large commercial and industrial customers in Elexicon's forecast. Elexicon is anticipating an increase the requests for large load connections. Though Elexicon has made all reasonable efforts to accurately forecast the number of new large load Customers, the magnitude of their billing determinants, and the timing of their connection, there remains uncertainty with respect to forecast revenues from those customers. Therefore, Elexicon is proposing a mechanism which will symmetrically track for variances in the incremental load for these customers over the rate term. This account appropriately balances risk between Elexicon and rate payers by providing the upfront benefit to customers of a higher load forecast, and the lower rates that result, with the risk mitigation of the LLRVA for any variances in timing of the load materializing.

Collectively, these accounts provide transparency, accountability, and flexibility within the Custom IR framework, enabling Elexicon to adapt to circumstances on the ground in a manner that protects ratepayers.

10. OFF-RAMPS AND Z-FACTOR

Elexicon proposes to apply the OEB's policy with respect to off-ramps as articulated in the Renewed Regulatory Framework, which indicates that each rate-setting method includes a trigger mechanism with an annual return on equity dead band of plus or minus 300 basis points, at which point a regulatory review may be initiated.

Elexicon also proposes that Z-factor relief continue to be made available to the utility over the 2027 to 2031 period, subject to the standard OEB criteria applicable to Z-factor applications.

11. LIST OF ATTACHMENTS:

- Appendix A: Econometric Benchmarking and Incentive Regulation Parameter Study ("Clearspring Report")

EXHIBIT 1 - TAB 5 - SCHEDULE 1: APPENDIX A "ECONOMETRIC BENCHMARKING AND INCENTIVE REGULATION PARAMETER STUDY (CLEARSPRING REPORT)"

Econometric Benchmarking and Incentive Regulation Parameter Study for Elexicon Energy's 2027 Custom IR Application

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Clearspring Energy Advisors LLC

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1 Executive Summary

Clearspring Energy Advisors, LLC ("Clearspring") was engaged on behalf of Elexicon Energy ("Elexicon" or "Company") to conduct an empirical total cost benchmarking study to be used for a stretch factor recommendation, along with analysis and recommendations in respect of certain revenue escalation parameters for Elexicon's 2027 custom incentive regulation ("Custom IR") application. The lead researcher of the study is Mr. Steven A. Fenrick. Mr. Fenrick has led numerous studies in Ontario and throughout North America. A copy of Mr. Fenrick's summary *curriculum vitae* is provided in Appendix B.

Clearspring produced results from an econometric total cost benchmarking model to determine Clearspring's stretch factor recommendation. The cost model is further used in the calculation of the appropriate growth factor ("G Factor") to be included in the revenue escalation formula. Clearspring also calculated the difference in the expected operation, maintenance, and administration ("OM&A") input price inflation that Elexicon will encounter relative to the Ontario Energy Board's (the "OEB" or "Board") forecasted input price index ("IPI"). This OM&A-specific input price differential ("IPD") value is included in the revenue escalation formula as well.

The benchmarking research uses the econometric approach to evaluate and compare total costs. This approach aligns with the Board Decision in the 4th Generation Incentive Regulation ("4GIR") proceeding.[1] The benchmark model uses established methodologies that have evolved and been refined through numerous incentive regulation proceedings in Ontario. The research aligns closely with the most recent total cost benchmarking models developed by Clearspring. During Hydro One Network's most recent joint rate application, Clearspring and Board Staff's consultant, Pacific Economics Group ("PEG"), undertook a conferral process regarding benchmarking and together issued a joint report.[2] Clearspring used the Joint Report benchmarking research as the foundation for both the Alectra Utilities and Elexicon total cost studies.

Clearspring updated the dataset and retained all the variables and methodologies used in the Joint Report with the only change being that we improved the model specification by refining the percent congested urban variable to vary over time. This is the same change we made in our studies in the Alectra Utilities application, and Toronto Hydro's most recent application.[3] Clearspring values consistency in our benchmarking research and this study reflects that value. Section two and Appendix A provide more details on the benchmark methodology, narrowing of differences, and the refinements made. Section three displays the model coefficients and results of the total cost benchmark as applied to Elexicon.

Production economics and the theoretical underpinnings of incentive regulation dictate that costs will mainly increase due to input price inflation, output growth, and changes in productivity. Clearspring

[1] Case EB-2010-0379.

[2] The Hydro One Joint Rate Application was EB-2021-0110. The conferral process produced a report titled, *Clearspring/PEG Joint Report on Hydro One Benchmarking and Productivity Research*, ("Joint Report").

[3] EB-2025-0252 and EB-2023-0195.

believes that the proposed G Factor and the OM&A IPD are consistent with economic theory and offer a reasonable approach to revenue escalation and are therefore appropriate to include in the revenue escalation formula. Section four provides the mathematical and theoretical foundation for including these factors. Sections five and six provide details on how each factor is calculated.

1.1 Recommended Custom IR Parameter Values

The research conducted by Clearspring and described in this report includes an analysis and recommendation for the stretch factor, G Factor, and OM&A-specific IPD. Each of these three components align with key drivers of annual cost escalation: input price inflation, system output growth, and productivity changes. The IPD term customizes the Board's inflation index to account for the expected inflation that the Company will face in its OM&A expenses, the G Factor accounts for the expected growth in Elexicon's distribution system and how that is expected to increase annual costs, and the stretch factor provides a productivity goal relative to the expected productivity trend of the industry. Clearspring's recommendations for the above three escalation components are:

- **Stretch Factor = 0.15%.** The econometric total cost results reveal that, at the proposed spending levels, Elexicon's expected costs are well below benchmark expectations and Elexicon will continue to be a strong cost performer throughout the Custom IR years. During the Custom IR years of 2027 to 2031, Elexicon's proposed total costs are projected to be 13.9% below the model's expectations. Given this strong cost performance, it would be extremely challenging for the Company to exceed the productivity trend of the industry.

  The stretch factor recommendation of 0.15% is based on the Board's 4GIR stretch factor cohorts. This stretch factor would be added to the base productivity factor of 0.0% to calculate the X Factor. The 0.0% base productivity factor is based on the 4GIR Decision and has been the productivity factor value used in all prior Custom IR proceedings. This proposed base productivity factor already includes an "implicit stretch factor" because productivity trends in Ontario are likely negative. As far as Clearspring is aware, there is no evidence establishing that the Ontario industry TFP is above zero.[4] Given the Company's strong total cost performance and the implicit stretch factor already present in the productivity factor, the 0.15% stretch factor is the sole stretch factor that is supported by the benchmarking results. The X Factor reduces the allowed revenue escalation, in this case, by a recommended 0.15% per year. The table below provides Elexicon's average percentage difference between its projected total cost levels and the econometric model-derived expectation of those costs given the Company's service territory conditions.

CIR Period	Elexicon Average % Difference
2027-2031	**-13.9**

[4] The productivity trends were found to be negative during the 4GIR proceeding.

- **G Factor = 2.48%.** Utility costs will increase as outputs grow and the system expands, requiring the utility to correspondingly increase investments and efforts to cover the larger production level. Mathematically, the proper approach in calculating the G Factor is to calculate a cost-elasticity weighted average of the growth rates in the outputs which impact costs. Clearspring uses the cost elasticities of the outputs found in the Clearspring total cost econometric model to weight the expected growth rates in the number of customers and system peak demand. The G Factor should be added to the revenue escalation formula to increase the allowed revenue escalation by 2.48%.

- **OM&A-Specific IPD = 0.25%.** Input price inflation will push costs higher as the inputs of production increase in price over time. While the IPI acknowledges this, the IPI does not capture the actual labour and non-labour proportions of Elexicon's OM&A expenses. The IPD enables the customization of the IPI to Elexicon's operating circumstances. The current IPI assumes a 70% weight for the non-labour component (GDP-IPI) and a 30% weight for the labour component (average weekly earnings). In the 4GIR Report of the Board[5] the IPI 30/70 weighting included an assumption for capital and was not specifically designed for OM&A. On page 9 of that report, the assumption used for the OM&A specific components was a 70% weight on labour and a 30% weight on non-labour but the weights flipped to only a 30% weight on labour due to adding capital into the 4GIR input price index.[6] The appropriateness of the inflation adjustment for an OM&A escalation formula is improved by aligning it with the actual component weights of OM&A. When an adjustment is made for Elexicon's actual proportion of labour in its OM&A expenses, the Company's OM&A input prices are projected to increase by 0.25% higher than what the IPI would otherwise project. This IPD amount should be added to the revenue escalation formula to increase the OM&A specific revenue by 0.25%.[7]

The following formula summarizes Clearspring's recommendations on the parameters for the above components of the revenue escalation formula.

$$Revenue\ Escalation = IPI + IPD * \%\ OM\&A\ in\ Total\ Revenue - X + G + RGF$$

$$Revenue\ Escalation = IPI + 0.25\% * \%\ OM\&A\ in\ Total\ Revenue - 0.15\% + 2.48\% + RGF$$

Clearspring has not opined on the appropriate size of the RGF term or the spending needs of the Company. Clearspring has inserted the Company's proposed spending levels during the Custom IR period and found that the total costs of the Company continue to be below benchmark expectations in those years. Further

[5] Please see the Report of the Board in EB-2010-0379 issued on November 21, 2013 and corrected on December 4, 2013.

[6] This is shown in footnote 9 of the 4GIR report.

[7] Given the RGF approach used in the application, the IPD should be reduced by the proportion of OM&A in total revenue in the formula.

discussion points on the possible reasons, from an economics perspective, for capital spending exceeding the I-X formula are provided in section 4.5.

2 Overview of Benchmarking Methodology, Narrowing of Differences, and Improvements Made

The distribution total cost model updates and builds upon the foundation laid in prior Custom IR proceedings. Hydro One Network's most recent Custom IR application (EB-2021-0110) included a conferral process involving Clearspring and the Board Staff's benchmarking expert in that application, PEG. Clearspring and PEG issued the Joint Report titled, "Clearspring/PEG Joint Report on Hydro One Benchmarking and Productivity Research". Both Clearspring and PEG have endeavoured throughout prior Custom IR applications to narrow benchmarking methodological differences. The only consequential difference regarding distribution total cost benchmarking cited by Clearspring and PEG in the Joint Report was the service territory area of Hydro One.[8] That is a non-issue in this proceeding since Hydro One is not included in the sample for this study.

Clearspring used the same methodology for the total cost model in this Elexicon application as was used for Hydro One and the research found in the Joint Report. We made only one variable improvement from the Joint Report specification, which is the same refinement that was made in the Alectra Utilities and Toronto Hydro applications, both occurring after the Joint Report was issued. This improvement allows the percent congested urban variable to vary by time instead of the time invariant variable that was previously used. A summary of how prior differences have been narrowed throughout Custom IR proceedings is found in the following sub-section (Section 2.1).

The benchmarking study employed the econometric benchmarking approach. This is the most accurate and fair method when comparing utility cost and/or reliability levels because it explicitly adjusts for the quantifiable differences between utility service territories and business conditions. It is also the same method preferred by the Board in the 4GIR Decision and extensively used for over a decade in Ontario regulation.

By contrast, simple unit comparisons of metrics such as rates, unit costs, or reliability indices do not typically allow regulators to compare the productivity performance of utilities in a comprehensive or robust manner. Importantly, factors that are outside the control of the utility affect costs, reliability and productivity performance. Such factors include geographical size, regional wage levels, rural density, or serving a congested urban territory, by way of example. For the purposes of assessing productivity, it is often difficult or impossible to account for these factors using a simple direct comparison approach.

Adjusting for these and other influencing factors is necessary to accurately evaluate performance. With this concept in mind, Clearspring has estimated an econometric model from a large sample of utilities using variable parameters that are statistically significant and influential on distribution utility costs. The

[8] In the conferral process, there were a few changes made by the consultants to their original reported research. Regarding Clearspring's research, PEG suggested that both Clearspring and PEG include an O&M based scope variable. Clearspring investigated the merits of this suggestion and then agreed to include this variable and update the model results found in the Joint Report with this new variable. We now include this same variable in our current research for Elexicon.

benchmarking method adjusts for service territory conditions and other factors that affect the studied metric.

Using a large sample of utilities, the econometric model produces an industry-wide estimation of how the variables (e.g. number of customers, peak demand, etc.) affect the studied metric (e.g. total costs). For the present study, the sample used to estimate the models includes U.S. observations from multiple utilities for multiple years. It is a robust sample that produces an accurate benchmark assessment of Elexicon's total costs.

The model uses the industry data over the studied period to determine the relationship between the metric and the factors that drive it. For example, the total cost model estimates the industry-wide relationship between total cost and certain variables, based on the utilities included in the sample. The model is then used to predict Elexicon's "expected" (benchmarked) costs, using the same estimated relationship between the costs and the explanatory variables, and using the Company's particular values for the variables. The Elexicon variable values are actual values for the years 2024 and prior. For the years after 2024, they are forecasted variable values.

Total cost predictions are calculated by inserting company-specific variable values into the estimated equation for each year in the study. The benchmark score is defined as the logarithmic percentage difference of the observed data to the predicted value of the data for a given year, as shown below.

$$Benchmark\ Score = \text{Natural Log}\ \left(\frac{Observed\ or\ Projected\ Cost\ Data}{Predicted\ Cost\ Data}\right)$$

The general approach of our benchmarking analysis is:

1. We assembled a dataset that includes the historical costs of all the observations, along with the variables that affect cost, such as customer totals, peak demands, service territory size, forestation, congested urban, wage levels, etc.
2. Using the sample data, Clearspring estimated a total cost model. The model expresses the relationship between the variables and total costs.
3. We can then produce "benchmark" values for the Company for any given year. The benchmarks denote the expected value for an average-performing utility with identical explanatory variable values for that year.
4. A comparison between the actual values and the benchmarks can then be made for each year.
5. Future years for Elexicon, based on the proposed spending plan, are also benchmarked and compared to projected benchmark costs, using the same model parameter estimates, and *projected* explanatory variable values (instead of *actual* variable values for historical years).

2.1 Prior Methodological Differences Addressed and Improvements Made

There have been several differences that have been addressed and narrowed by both Clearspring and PEG regarding distribution total cost benchmarking. As stated earlier, the only remaining consequential

difference in the Hydro One application was what value to give regarding Hydro One's service territory.[9] This remaining difference is moot regarding benchmarking Elexicon since Hydro One does not enter the sample and Elexicon's service territory is far easier to define and matches how other utilities in the sample have this variable defined.

Other past methodological issues or differences that have already been addressed, or were determined to be inconsequential, prior to this study include the following.[10]

- **Sample Period** – Clearspring used 2000 as a start year of the sample for the Hydro One research and also uses 2000 for this study, while PEG used 2002 in the Hydro One application for distribution benchmarking. However, this is not a consequential difference. Clearspring also used this same 2000 start year in the most recent Toronto Hydro study, while PEG did change their start year to 2007 in that study. Clearspring remained consistent in the current Alectra Utilities research using a 2000 start year.

- **Estimation Procedure** – Both Clearspring and PEG used the Driscoll-Kraay ("DK") method in the Joint Report and Clearspring continues to use the DK method for this study. The DK method uses ordinary least squares estimators to formulate the benchmark values. Both PEG and Clearspring continued the use of the DK method in the most recent Toronto Hydro studies. Clearspring remained consistent in the current Alectra Utilities research using the DK method.

- **Model Specification** –The model specification of the Joint Report is continued in this research by Clearspring with one improvement: further refining the congested urban core by allowing the variable to change over time. This refinement -- making the congested urban variable time variant -- was implemented by Clearspring in the most recent Toronto Hydro study. Clearspring remained consistent in the current Alectra Utilities research using the same model specification as we are implementing in this study.

- **Peak Demand Variable Definition** – Clearspring used a 10-year rolling average for our peak demand variable in the Hydro One research and applied that same definition in this study. PEG uses a ratchet definition for its variable in its Hydro One research. Both consultants agreed in the Joint Report that this was not a consequential difference. Both consultants continued with their same approaches in the Toronto Hydro proceeding. Clearspring remained consistent in the current Alectra Utilities research.

- **Capital Asset Price Levels** – Clearspring adjusted its definition of these prices in our Hydro One research in response to PEG raising an issue that the price levels should be based more on the entire service territory of each utility rather than just the headquarter city. PEG also used these

[9] Even regarding this difference, both consultants acknowledged the "difficulty and challenge in getting the perfect number for this variable".

[10] For a fuller description of these, please see the Clearspring report in EB-2021-0110. On p. 9, section 2.1 of that report we provide more details on each of these differences and how they were addressed.

same prices in its Hydro One research. Both consultants continued with the same approaches in the Toronto Hydro proceeding. Clearspring continues this practice of using the service territory rather than the headquarter city as the basis for the price levels in the current research. Clearspring remained consistent in the current Alectra Utilities research as well.

- **Canadian Input Price Inflation** – In the Hydro One proceeding, Clearspring and PEG used the same input price inflation assumption. This was based on using a 50% weight of PEG's preferred index and a 50% weight of Clearspring's preferred index. Both consultants continued with the same approaches in the Toronto Hydro proceeding. Clearspring continues with this compromise in the current research although we remain partial to using the Handy-Whitman electric distribution indexes. Clearspring remained consistent in the current Alectra Utilities study as well.

- **Older Capital Benchmark Year** – In the Hydro One application, Clearspring undertook considerable efforts to begin the capital stock calculation as early as possible. For most of the sampled utilities, we were able to begin that calculation in 1947. This helped address one of the issues PEG had previously raised that an older capital benchmark year is preferred and more accurate. Both consultants continued with the same approaches in the Toronto Hydro proceeding. Clearspring continues this practice in the current research. Clearspring remained consistent in the current Alectra Utilities study as well.

- **Customized Labour and Non-Labour OM&A Weights** – In the Hydro One application, Clearspring and PEG both used weights based on utility-specific data for the labour and non-labour components of the OM&A price index. Both consultants continued with the same approaches in the Toronto Hydro proceeding. Clearspring continues this treatment in the current study. Clearspring remained consistent in the current Alectra Utilities study as well.

- **Pensions and Benefits Treatment** – Both Clearspring and PEG agreed to exclude pensions and benefits in the Hydro One proceeding and Joint Report. Both consultants continued with the same approaches in the Toronto Hydro proceeding. Clearspring continues this exclusion in the current study. Clearspring remained consistent in the current Alectra Utilities study as well.

Most of the differences between the consultants have therefore been narrowed considerably. Even a model specification difference such as whether to include the distribution work variable has only minor impacts on results. PEG did not include that variable in its distribution Joint Report model, and Clearspring did, but both consultants agree it has minor implications for the results.[11]

Clearspring values this consistency from study to study. Models and methodologies are examined for improvements, however, those improvements are then implemented consistently across the other studied utilities. Clearspring puts forth its best model and that model remains consistent from case to

[11] Clearspring tested its model in this application and the variable continues to have minor implications on the benchmark results.

case except for any incremental improvements. This modeling consistency is reflected in the fact that our current model specification and methodology is identical to the one put forth in the Alectra Utilities application and is based on the Hydro One Joint Report model with the only change being an improvement in the congested urban variable.

2.1.1 Model Specification Improvement to the Joint Report

There is only one difference between the Joint Report distribution total cost methodology and model specification that Clearspring estimated and the model for this application. This is the same improvement that Clearspring made in the most recent Toronto Hydro application. Clearspring refined the percent congested urban variable by adding a time dimension, shifting it from a time invariant variable to a time variant variable. This is desirable because it better reflects that congested urban areas are not static; they may change and expand over time.

Clearspring and PEG have included a congested urban variable in benchmarking research for several recent CIR applications. In the Hydro One Joint Report, both Clearspring and PEG used the time invariant version of the model. In the subsequent Toronto Hydro proceeding, Clearspring refined the variable to allow it to vary over time based on the annual change in high-rise skyscrapers within each utility's service area. PEG incorporated this same congested urban core escalation methodology in its total cost benchmarking research.[12]

Using a time variant percent congested urban variable is a better and more accurate approach because cities may grow or contract over time. Accounting for these changes improves both the model accuracy and the time trend variable estimate in the model. Using a method that allows the congested urban variable to adjust for growth produces a more accurate depiction of historical and projected total cost performance.[13]

The original congested urban core variable data was gathered in 2016 and 2017. This involved multiple engineers and mapping experts spending hundreds of hours going over digital maps of North American cities to identify areas with buildings that were predominantly seven stories or higher and would most likely cause higher infrastructure challenges, and thus cost challenges, to the utility serving those areas. However, the 2017 challenges faced by each utility are not the exact same challenges faced in future (or past) years. This is especially true for utilities serving cities that are either rapidly growing or rapidly declining.

To make this congested urban variable time variant, Clearspring gathered the number of high-rise skyscrapers at or above 100 metres for each year and for each city served within the U.S. sample. This

[12] PEG did change the variable to be the total congested area rather than a percentage variable in the most recent Toronto Hydro proceeding. Clearspring in its Reply Report disagreed with this change and discussed several drawbacks to changing from the established percent congested urban variable to one that only measures the area of congested urban territory. Nonetheless, PEG did implement the same escalation method that Clearspring put forth for the variable.

[13] Improving the congested urban variable to be time variant has a negligible impact on Elexicon's total cost benchmark score. The change worsens the score by less than one percent.

data was gathered from the Council on Tall Buildings and Urban Habitat ("CTBUH").[14] The CTBUH dataset spans the years of the sample period, 2000 to 2023, enabling the changes in skyscrapers in each utility's service territory to be used to modify the congested urban variable.

One issue with using the change in the number of skyscrapers per year to modify the congested urban variable is that some of the increase in skyscrapers may be to infill areas that are already classified as congested urban. For example, a seven-story building might be torn down for a building that is higher than 100 metres. Therefore, it is appropriate to reduce the growth rate escalation to account for this reality. During the Toronto Hydro research, Clearspring created a regression model that estimated how the change in the skyscraper count would impact the congested urban variable. Using the sample observations with a congested urban area, we found that every 1% change in the number of skyscraper buildings equated to a 0.63% change in the congested urban variable.[15]

To adjust the congested urban variable for years subsequent to 2017 the formula is:

$$Congested\ Urban_t = Congested\ Urban_{t-1} * exp\left[0.63 * ln(\frac{Skyscrapers_t}{Skyscrapers_{t-1}})\right]$$

To adjust the congested urban variable for years prior to 2017 the formula is:

$$Congested\ Urban_t = Congested\ Urban_{t+1} * exp\left[0.63 * ln(\frac{Skyscrapers_t}{Skyscrapers_{t+1}})\right]$$

The prior time invariant approach assumed there was no change in a city's congested urban area during the sample period. This is the same as assuming a 0.0% impact on skyscraper changes to the congested urban value rather than the 0.63 value used in the equations above.

2.2 Benchmarks for Future Years

The same econometric model and its associated parameter values that are estimated using historical data (and used to develop Elexicon's historical benchmarks) are also used to calculate the Company's benchmarks for future years through 2031. These parameter values are combined with projected variable values to calculate the expected total costs of Elexicon in the future years of the Custom IR period.

Clearspring Energy was provided OM&A expense, plant addition, customer counts, and peak demand projections from Elexicon. We then inserted these projections for each future year into the estimated econometric model.

[14] The CTBUH website and data is available at www.ctbuh.org.

[15] The econometric equation was simply the natural log of the congested urban area as the left-hand side variable, with a constant and the natural log of the number of skyscrapers in 2017 for those utilities in the sample with a non-zero value for the congested urban variable and skyscrapers (n = 35).

2.3 Defining Elexicon

Elexicon was formed in 2019 through the merger of Veridian Corporation and Whitby Hydro Energy. This study has gathered historical data, including net plant and gross plant additions, going back to 2002 for the predecessor utilities in the years they existed and then summed the data to formulate those values as if Elexicon has always existed in its current form.

2.4 Other Model Details

The model variables, parameter estimates, cost definition details, and results are provided in Section 3. Appendix A includes methodology details which include the method used to calculate capital quantities and costs (perpetual inventory method), model estimation approach, model specification, and variable parameter hypothesis testing.

3 Distribution Total Cost Benchmarking Variables, Model, and Results

Clearspring undertook a total cost econometric benchmarking study of Elexicon's distribution costs. This study provides a comparison of Elexicon's distribution total costs to the benchmark costs after adjusting for the specific output levels, input prices, and business conditions that the Company operates within. These comparisons are made for both historical and forecasted years through 2031. For more information on the benchmarking methods please see Section 2 and Appendix A.

3.1 Distribution Variables

The three output variables used in the distribution benchmarking research are:

- Total customers served,
- A 10-year rolling average of peak demand, and
- The total distribution service territory of the utility.

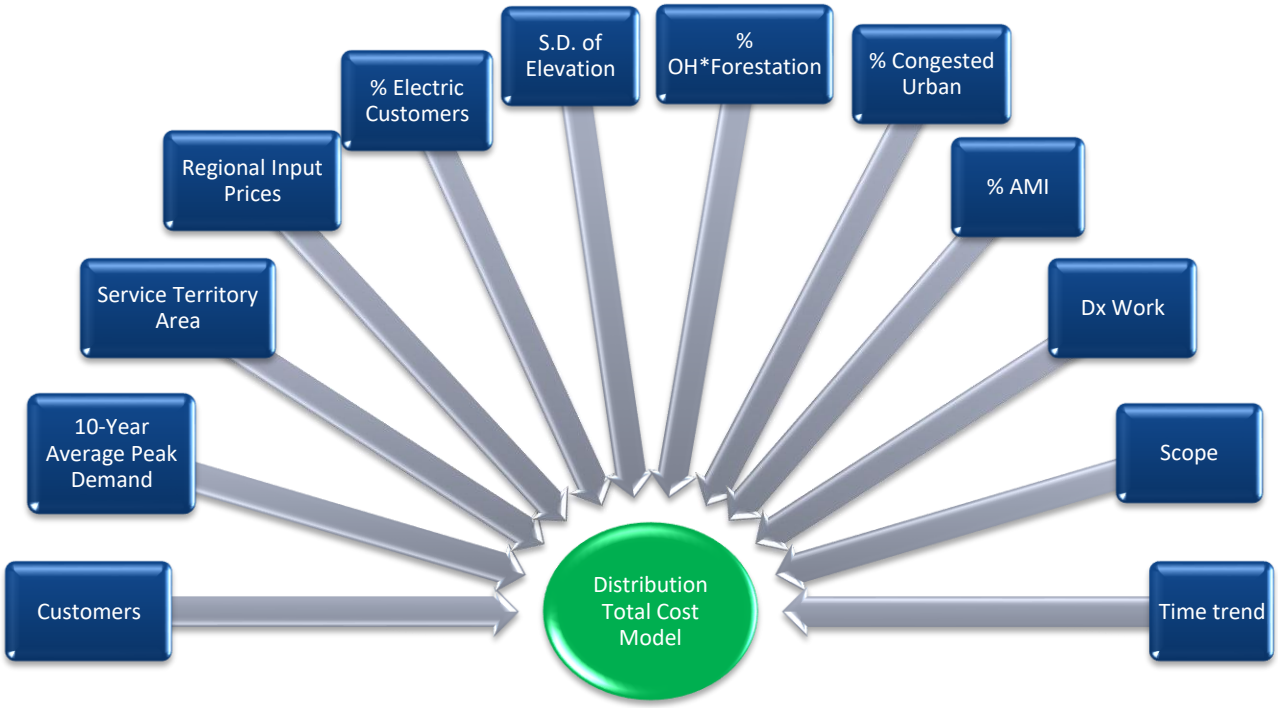
The business condition variables used in the distribution benchmarking research are:

- Regional input prices (total costs in the model are divided by the input price index),
- Percent of electric customers in the total of electric and gas customers,
- Standard deviation of elevation,
- Percent of distribution plant that is not underground multiplied by the percent of forestation,
- Percent of congested urban area within each utility's service territory,
- Percent of AMI (smart meters) deployed by the utility in each year,
- The distribution work variable measures the percent of transmission lines classified as being served by transmission that are above 50 kV,
- The O&M based economies of scope variable which measures the percentage of distribution O&M expenses in total distribution, transmission, and generation expenses, and
- A time trend variable.

These are the same variables used by Clearspring in the Hydro One Joint Report with which PEG had no significant issues, and closely matched PEG's model specification. The one change is the variable refinement to the percent congested urban variable which now is allowed to vary by time based on the annual changes in high-rise buildings, as described further above. The variables and methodology used for this Elexicon study matches those used in the current Alectra Utilities study.

The variables included in the distribution benchmark analysis are shown in the figure below.

Figure 1 Variables in Distribution Cost Model



These variables provide a robust accounting of the varying service territory conditions faced by distribution utilities. All first order variables are statistically significant at a 90% confidence level and all variables are correctly signed (i.e., they are signed the way we would expect).

3.1.1 The Definition of Distribution Costs

OM&A and capital costs used in the benchmarking models for the U.S. distribution utilities are derived using FERC Form 1 filing data.[16] United States investor-owned utilities are required to file FERC Form 1 data annually, which includes operation and maintenance expenses broken down into specific cost categories (e.g., distribution, transmission, customer billing, administrative and general). Form 1s also include information regarding gross plant in service and accumulated depreciation that are used in constructing capital costs.[17]

We used a cost definition that is consistent between both the U.S. sample and Elexicon. The cost definition is the same as Clearspring has used in the last several Ontario CIR total cost benchmarking studies led by Mr. Fenrick, including the Hydro One Joint Report total cost benchmarking study.

[16] Some of the FERC Form 1 data was gathered using HData's database tool and also SNL Energy's database tool.

[17] Clearspring gathered plant addition data going back to 1947. This data was collected from various EIA annual reports.

Clearspring began with the benchmark-based cost definition used by PEG in the 4GIR proceeding. To be consistent with the U.S. sample, we added high-voltage expenses to the cost definition for Elexicon. The FERC Form 1 does not break down high- versus low-voltage distribution expenses, as Ontario reporting does. For the same reasons, contributions in aid of construction ("CIAC") have been excluded from Elexicon's cost definition, due to those expenses not being included in the U.S. Form 1 data. Bad debt expenses (called uncollectible expenses in the FERC Form 1) have been excluded for all utilities, to match the 4GIR benchmark-based definition.

The cost definition also excludes customer service and information ("CSI") expenses from total costs for all utilities. This is due to the possibility that the U.S. utilities include conservation demand management ("CDM") expenses in the CSI expense category. This assures cost consistency between the U.S. sample and Elexicon. Pensions and benefits are also excluded from the cost definition for both the U.S. sample and Elexicon to assure consistency and not permit the different health care systems of the two countries to impact results. The table below summarizes the cost definition treatment.

Table 1 Distribution Cost Definitions

Cost Element	Treatment
4th Generation IR Benchmark-Based Costs	This is the starting point for the sample.
Contributions in Aid of Construction (CIAC)	We subtracted from Elexicon distributor costs, since U.S. cost data does not include CIAC.
High Voltage Expenses	We added to Elexicon costs, since U.S. cost data includes distribution high voltage costs.
Customer Service and Information (CSI) Expenses	We excluded CSI expenses for both the U.S. and Elexicon, given the possible inconsistency in CDM reporting and effort levels.
Pensions and Benefits	We excluded OM&A pensions and benefits from both the U.S. and Elexicon data.

The distribution total cost model includes three output variables. The first is the total number of customers served, the second is the ten-year rolling average of peak demand for each utility, and the third is the total service territory area for each utility. The first two output variables are gathered from FERC Form 1 data. The third uses GIS information on the utility service territory area; this variable uses the same values for the U.S. sample as found in the Hydro One research by Clearspring and PEG. The historical output data for Elexicon regarding the number of customers and peak demands comes directly from the Company. The peak demand variable is calculated based on taking the ten-year rolling average of annual

peak demand on the system in the sample that has occurred up to that year. For years without ten years' worth of historical data, the years that are available are averaged.[18]

3.1.2 Distribution Business Condition Variables

Beyond the three output variables and the input price index, there are seven business condition variables included in the model (plus a time trend). Each variable is discussed briefly below.

The **percentage of electric customers** measures the percentage of electric customers served by a utility out of total gas and electric customers. This variable measures the economies of scope available from serving both electric and gas customers. Billing and other customer-related activities can be shared between the gas and electric divisions when a utility serves its customers with both commodities. The value is set to 100% for Elexicon since they do not serve natural gas customers. We would expect a positive parameter estimate on this variable.

The **standard deviation of elevation** variable is calculated based on geographic information system ("GIS") elevation topography maps. A higher standard deviation of the elevation indicates increased elevation changes and variance within the utility's service territory. We would expect that a service territory with more hills, mountains, and other elevation changes would be more challenging and costly to serve, *ceteris paribus*. Therefore, a positive parameter estimate is expected (indicating a positive correlation between standard deviation of elevation and costs).

The **overhead percentage times percentage of forestation** variable is based on the overhead plant in service for each utility (for the percent overhead) and GIS land cover maps (for percent forestation). These maps used the GlobCover 2009 product produced by the European Space Agency ("ESA") and the Université Catholique de Louvain. These maps are matched with the areas served by each utility to create the forestation variable. We would expect that the higher the level of overhead lines and forestation, the higher OM&A costs required for right-of-way clearing and service restoration activities.

The **congested urban** variable measures the percentage of a utility's service territory that consists of a major urban load center that is "congested." Congested urban areas have physical constraints that necessitate complex and costly subterranean civil infrastructure for housing and operating electric distribution plant. Congested urban areas also often necessitate electrical equipment unique to such subterranean infrastructure. The variable measures the percentage of service territory classified as "congested urban" area. This variable has been refined and improved to now vary by year based on the estimated impact of the percentage change in skyscrapers in the service territory.

We expect a utility that has a congested urban area within its service territory would experience substantial incremental costs as compared to a utility that does not have such an area within its service

[18] This is another advantage of the 10-year rolling average method. There is no bias if fewer than ten years for a utility are available since we are taking an average rather than a maximum of the peak demands.

territory. The parameter value for this variable is expected to be positive, indicating a positive correlation of percent congested urban with total costs.

The **percentage of smart meters** variable measures the percentage of customers that have an installed smart meter. Smart meters enable hourly or sub-hourly interval use data to be collected from the meter. While installing more capable meters and the necessary infrastructure is expected to increase distribution costs, these meters enable time-of-use ("TOU") electricity rates that can create efficiencies mainly in the realm of power supply. Since this study is focused on distribution total costs, we would expect a positive coefficient on the percent smart meter variable.

The **distribution work variable** measures the percentage of transmission lines that are classified as transmission and are above 50 kV. This helps adjust for utilities classifying transmission and distribution assets differently. Some transmission utilities own lines that are below 50 kV and others do not. If the transmission system is taking on costs and serving lines that otherwise would be classified as distribution, this will tend to decrease costs for the distributor in that region relative to its peers. Likewise, if the distribution system is serving lines that would sometimes be classified as transmission for other utilities, this will tend to increase distribution costs for that utility relative to its sample peers. We use the 50 kV cut-off because this is the line used in the RRR reporting in Ontario between high voltage and low voltage. We would expect a positive correlation between distribution total costs and the percentage of lines above 50 kV served by the transmission utility.

The **O&M based scope variable** measures the percentage of distribution operation and maintenance expenses in the sum of distribution, transmission, and generation expenses. This variable measures the possible cost savings of serving multiple electric utility functions. We would expect that the increased availability of economies of scope would lower expenses and, therefore, a higher proportion of distribution-related expenses in total expenses is expected to have a positive parameter value.

The **time trend** variable captures a general industry total cost level trend over the studied period. Time trend variables are often found in translog cost functions and standard in econometric total cost benchmarking research. In the present study, the variable is calculated by taking the current year of the observation and subtracting 1,999. For observations in the year 2000, the time trend variable equals 1. In 2019, the variable equals 20 (2,019 – 1,999). The coefficient value shows how adding a year increases or decreases total costs.

3.2 Distribution Sample

The distribution benchmarking sample is comprised of 82 U.S. utilities. The benchmark sample period begins in 2000 and extends to 2023. The sample is an unbalanced panel, which enables utilities that do not have available and plausible data for all sampled years to still be present in the sample for the years in which they do have available and plausible data. There are 1,903 U.S. utility observations in the sample. This large number of observations enables robust parameter estimates and a strong statistical model.

The sample of utilities within the sample is provided in the following table along with the number of customers for the most recent year within the sample for each utility.[19] The econometric model used to benchmark Elexicon does not include the Company itself to assure a fully external benchmark value.

Table 2 Total Cost Benchmarking Sample

Company	Number of Customers	Company	Number of Customers
Elexicon	177,967	MDU Resources Group, Inc.	144,895
Alabama Power Company	1,537,035	Metropolitan Edison Company	588,329
ALLETE (Minnesota Power)	151,679	Mississippi Power Company	191,697
Appalachian Power Company	965,517	Monongahela Power Company	396,728
Arizona Public Service Company	1,370,930	Nevada Power Company	1,015,168
Atlantic City Electric Company	569,973	New York State Electric & Gas Corporation	919,140
Avista Corporation	413,831	Niagara Mohawk Power Corporation	1,542,713
Baltimore Gas and Electric Company	1,336,794	Northern Indiana Public Service Company	487,079
Black Hills Power, Inc.	76,036	Northern States Power Company - MN	1,556,301
Central Hudson Gas & Electric Corporation	282,115	Northern States Power Company - WI	268,830
Central Maine Power Company	666,319	Ohio Edison Company	1,069,766
Cleco Power LLC	294,508	Oklahoma Gas and Electric Company	892,274
Cleveland Electric Illuminating Company	756,673	Orange and Rockland Utilities, Inc.	242,331
Commonwealth Edison Company	4,130,538	Pacific Gas and Electric Company	5,479,889
Connecticut Light and Power Company	1,281,654	PacifiCorp	2,069,044
Consolidated Edison Company of New York, Inc.	3,645,153	PECO Energy Company	1,700,223
Consumers Energy Company	1,884,290	Pennsylvania Electric Company	588,213
Delmarva Power & Light Company	549,745	Pennsylvania Power Company	171,046
DTE Electric Company	2,266,460	Portland General Electric Company	928,859
Duke Energy Carolinas, LLC	2,845,809	Potomac Electric Power Company	938,263
Duke Energy Florida, LLC	1,968,213	PPL Electric Utilities Corporation	1,472,437
Duke Energy Indiana, LLC	894,160	Public Service Company of Colorado	1,535,755
Duke Energy Kentucky, Inc.	151,127	Public Service Company of New Hampshire	537,201
Duke Energy Ohio, Inc.	752,909	Public Service Company of Oklahoma	575,846
Duke Energy Progress, LLC	1,718,128	Public Service Electric and Gas Company	2,369,557
Duquesne Light Company	611,282	Puget Sound Energy, Inc.	1,224,326
El Paso Electric Company	456,323	San Diego Gas & Electric Co.	1,370,621
Empire District Electric Company	183,990	South Carolina Electric & Gas Co.	790,221
Entergy Arkansas, Inc.	729,557	Southern California Edison Company	5,071,773
Entergy Mississippi, Inc.	460,082	Southern Indiana Gas and Electric Company, Inc.	153,433
Entergy New Orleans, Inc.	209,071	Southwestern Public Service Company	406,427
Florida Power & Light Company	5,845,147	Tampa Electric Company	834,144
Gulf Power Company	477,672	Toledo Edison Company	315,061
Idaho Power Co.	625,440	Tucson Electric Power Company	446,762
Indiana Michigan Power Company	610,647	Union Electric Company	1,254,162
Indianapolis Power & Light Company	523,395	United Illuminating Company	344,026
Jersey Central Power & Light Company	1,163,141	Virginia Electric and Power Company	2,752,726
Kansas Gas and Electric Company	337,830	West Penn Power Company	737,355
Kentucky Power Company	162,742	Wisconsin Electric Power Company	1,159,300
Kentucky Utilities Company	569,612	Wisconsin Power and Light Company	495,097
Louisville Gas and Electric Company	434,120	Wisconsin Public Service Corporation	463,129
Madison Gas and Electric Company	163,278		

[19] For Elexicon, we provide the most recent historical year of 2024. Most other utilities have a final year of 2023 within the sample.

3.3 Distribution Total Cost Model

The parameter estimates from the total cost model used to calculate Elexicon's total cost benchmark are presented in the following table.

Table 3 Total Cost Model Estimates

Variable	Coefficient	Standard Error	T-Stat	P-Value
Customers (N)	0.5163	0.0112	45.92	0.0000
Peak Demand (D)	0.4564	0.0124	36.74	0.0000
Area (A)	0.0466	0.0045	10.27	0.0000
N*N	0.6968	0.0664	10.50	0.0000
D*D	0.9842	0.0563	17.49	0.0000
A*A	0.0329	0.0041	8.09	0.0000
N*D	-1.6455	0.1245	-13.22	0.0000
N*A	0.1045	0.0131	8.00	0.0000
D*A	-0.1204	0.0168	-7.18	0.0000
% Electric	0.1602	0.0194	8.25	0.0000
Standard Deviation of Elevation	0.0191	0.0028	6.76	0.0000
% OH*% Forest	0.0402	0.0021	19.58	0.0000
% Congested Urban	17.1395	0.9153	18.73	0.0000
% AMI	0.0497	0.0153	3.25	0.0040
Dx Work	0.1472	0.0270	5.46	0.0000
O&M Scope Variable	0.0772	0.0071	10.83	0.0000
Trend	-0.0033	0.0014	-2.31	0.0300
Constant	13.1991	0.0274	481.98	0.0000

All the parameter estimates are plausibly signed and have reasonable magnitudes. The first order terms of all variables have the theoretically expected signs and are statistically significant at a 90% level of confidence. This is the standard confidence threshold used by Clearspring to determine variable inclusion.

3.4 Total Cost Results

The following table breaks down the historical and forecast year benchmark and Company distribution total costs from 2005 through 2031. We note that the benchmark scores for the projected years assume that all the proposed spending will in fact be incurred. If spending is less than the proposed amounts, the scores would improve; if spending is more than the proposed amounts, the scores would get worse.[20]

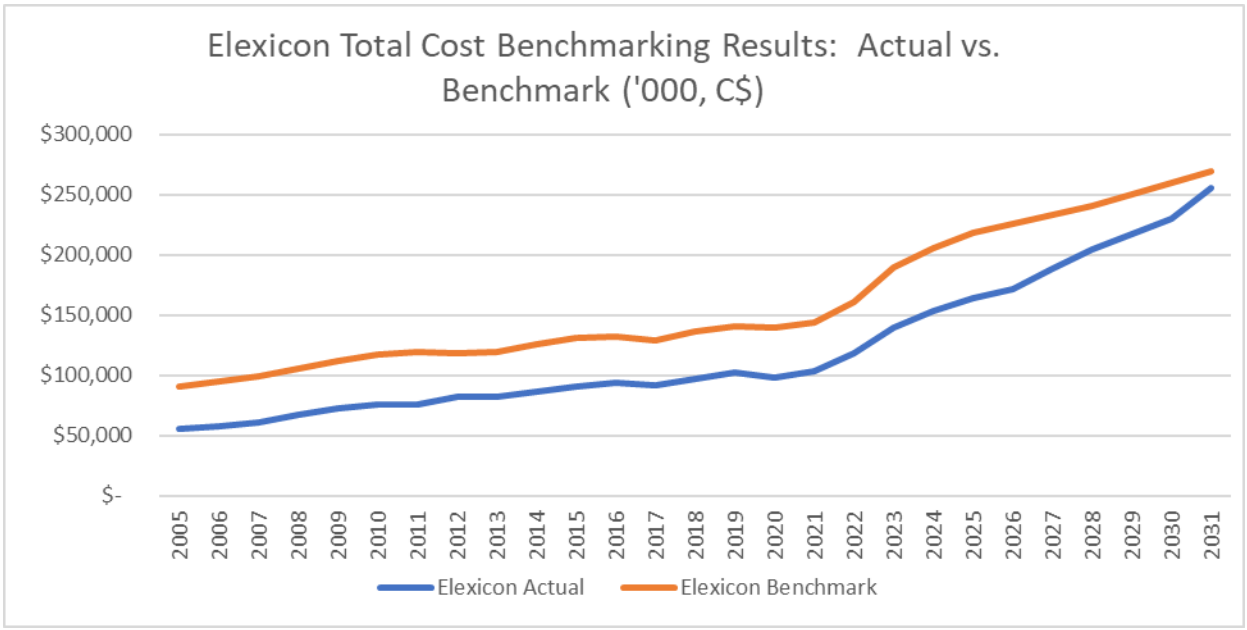
Table 4 2019-2031 Total Cost Benchmark Score for Elexicon

Year	% Difference from Total Cost Benchmark
2005	-49.2%
2006	-49.9%
2007	-48.7%
2008	-44.9%
2009	-43.3%
2010	-43.4%
2011	-44.9%
2012	-36.9%
2013	-37.9%
2014	-37.6%
2015	-36.9%
2016	-34.0%
2017	-33.9%
2018	-34.3%
2019	-32.1%
2020	-35.2%
2021	-33.2%
2022	-30.2%
2023	-30.5%
2024	-29.1%
2022-2024 average score	**-29.9%**
2025	-28.7%
2026	-27.4%
2027	-21.3%
2028	-16.7%
2029	-14.1%
2030	-12.1%
2031	-5.1%
2027-2031 average score	**-13.9%**

[20] The 2031 benchmark score shows a noticeable reduction in cost performance. Clearspring inquired regarding the causes of increased spending in 2031. The response from Elexicon is that a $103.2 million in-service addition due to a new substation (GTA-East TS) is forecasted for 2031. The impact on the 2031 benchmark score of adding a $103.2 million addition is +4.5%. Absent the addition, the 2031 benchmark score would have been -9.6%.

The following graph displays how Elexicon's actual and projected total costs have compared to the benchmark costs over time and through the Custom IR period, respectively.

Figure 2 Elexicon Total Cost: Actual vs. Benchmark



4 The Revenue Escalation Formula

Since this study ultimately relates to the custom IR revenue escalation formula, an overview of the mathematics underlying the formula is warranted. This section gives a general equation for a generic revenue escalation formula and explains how this formula is determined. It discusses the foundation for including an IPD and a G Factor into the revenue escalation formula, and X Factor considerations.

The following discussion focusses on revenue escalation and is based on Clearspring's understanding of the Company's proposal in this application. The main reason for not including an IPD term for capital is the Company's revenue escalation approach, which makes this unnecessary.

4.1 Derivation of the Escalation Formula

The following equation explains the components of the custom IR formula that Clearspring has studied and concluded are appropriate to escalate allowed revenue during the CIR period.

$$\boldsymbol{Growth\ Revenue = OEB\ IPI - X + G\ Factor + OM\&A\ IPD * \%\ OM\&A} \quad \textbf{[Equation 1]}$$

This section shows how Equation 1 was determined.

The allowed revenue escalation within the revenue escalation formula should mimic the expected growth in costs. Production theory postulates that there are three main components within the escalation formula. These three components are: input price inflation (I), a productivity expectation (X), and output growth (G).

$$Growth\ Costs = \ Growth\ Revenue = I - X + G \qquad \text{[Equation 2]}$$

The mathematical derivation of Equation 2 is provided below. It begins with the assumption that the allowed growth in revenue should be equal to the expected growth in costs.

$$Growth\ Revenue = Growth\ Cost \qquad \text{[Equation 3]}$$

Basic production theory states that costs equal the product of input prices and input quantities (Q). In turn, the growth in costs will equal the growth in input prices (I) plus the growth in input quantities.

$$Growth\ Cost = I + Growth\ \text{Q} \qquad \text{[Equation 4]}$$

If we add and subtract the same term to the right-hand side of the equation, that is the same as adding zero, and the equation remains unchanged. We will both add and subtract output growth (G) to Equation 4 to develop Equation 5 below.

$$Growth\ Cost = I + Growth\ Q + (G\ - G) \qquad \text{[Equation 5]}$$

The total factor productivity ("TFP") trend is defined as the change in output quantity minus the change in input quantity. In equation form:

$$TFP\ trend = G - Growth\ Q \qquad \text{[Equation 6]}$$

We can rearrange the terms in Equation 5 to the following equation.

$$Growth\ Cost = I - (G - Growth\ Q) + G \qquad \text{[Equation 7]}$$

And then insert Equation 6 into Equation 7.

$$Growth\ Cost = I - TFP\ trend + G \qquad \text{[Equation 8]}$$

The last step in getting to Equation 2 is to insert Equation 3, redefine the TFP trend and call it the productivity factor ("PF").

$$Growth\ Revenue = I - PF + G \qquad \text{[Equation 9]}$$

Now let's turn to the "I" portion of the formula. Production theory assumes the "I" in the formula captures the input price inflation faced by the Company. The Board's Input Price Index is not specifically customized to the input price inflation expected by the Company in its OM&A inputs but rather was constructed with both capital and OM&A weights in mind. In the 4GIR Report of the Board the IPI 30/70 weighting included an assumption for capital and was not specifically designed for OM&A.[21] On page 9 of that report, the assumption used for the OM&A specific components was a 70% weight on labour and only a 30% weight on non-labour but the weights flipped to only a 30% weight on labour due to adding capital into the 4GIR input price index.[22] The appropriateness of the inflation adjustment for the OM&A portion of costs is improved by aligning it with the actual component weights of OM&A. This difference between the customized input price inflation of the Company and the IPI is what is called the input price differential (the IPD). The IPD could be positive or negative. It is an adjustment made to better align the "I" with the expected input price inflation of the Company in its OM&A expenses.

$$I = IPI + IPD \qquad \text{[Equation 10]}$$

If Equation 10 is inserted into Equation 9 we have the following result.

$$Growth\ Revenue = (IPI + IPD) - PF + G \qquad \text{[Equation 11]}$$

Since Clearspring only calculated the IPD for OM&A, only the OM&A portion of costs should receive the IPD adjustment. The equation, therefore, lowers the IPD by the percentage of the OM&A-related revenue in total revenue. It is noteworthy, however, that a capital-specific IPD would be far larger. We discuss this in more detail later in section 4.5.1.

$$Growth\ Revenue = (IPI + IPD * \%OM\&A) - PF + G \qquad \text{[Equation 11a]}$$

[21] Mr. Fenrick, in the 4GIR proceeding, recommended including an asset price inflation index into the IPI that would be weighted based on historical asset price inflation rates. The current inflation factor has provided insufficient inflationary adjustments to distributors for both OM&A and capital costs. Please see section 4.5.1 for more details regarding the insufficiency of the IPI regarding capital costs.

[22] Please see footnote 9 of the Report of the Board in EB-2010-0379 issued on November 21, 2013 and corrected on December 4, 2013.

A stretch factor is sometimes added to the escalation formula to challenge (or stretch) the utility to achieve TFP gains above and beyond the industry TFP expectation. Because this term is not warranted based on economic theory and mathematical reasoning, it should be added with caution, not be overly burdensome, and be connected to robust performance evaluations, such as the econometric total cost benchmarking research found in this report. Expecting a utility to exceed the productivity trend of the industry, even by a small amount, when it is already outperforming the industry is a significant challenge. While Clearspring uses the stretch factor groupings found in the 4GIR proceeding as the basis for our recommended stretch factor, we nonetheless consider that a symmetric system of stretch factors which could be negative for strong performing utilities would better mimic a competitive industry and provide a reasonable productivity target for those utilities.

The stretch factor ("SF") is added to the PF term and the sum of them is called the X Factor ("X").

$$X = PF + SF \qquad \text{[Equation 12]}$$

If we substitute X for the PF term to denote the addition of the stretch factor, we have the following equation.

$$Growth\ Revenue = (IPI + IPD * \%OM\&A) - X + G \qquad \text{[Equation 13]}$$

By rearranging terms, we have derived Equation 1 from the universally agreed upon production theory equation of costs equalling input prices multiplied by quantity.

$$\boldsymbol{Growth\ \ Revenue = OEB\ IPI - X + Growth\ Factor + IPD * \%\ OM\&A} \quad \textbf{[Equation 1]}$$

After providing the derivation of the mathematical basis for the G Factor and IPD, the following subsections discuss how each term should be calculated in more detail. Sections 5 and 6 provide the calculations and results that Clearspring undertook for each factor.

4.2 Discussion on the G Factor

The G Factor is determined based on how the growth of the system will impact incurred costs. Cost elasticity parameters are found in the econometric cost model. These are estimates of the percentage change in cost given a percentage change in the output variable. The cost elasticity weights are the best method for estimating the impacts of output growth onto cost levels and, therefore, are used as the basis for the construction of the G Factor.

Using a cost-elasticity based weighting is the same approach used for the calculation of the total factor productivity ("TFP") trends used as the basis for the base productivity factor that partially comprises the X Factor. Having the same procedure for the G Factor assures the proper implementation of the factor in the escalation formula.

The Company has proposed the inclusion of a G Factor in its formula to account for the output-related growth in costs. We note that the G Factor is different from billing determinant growth because the G Factor measures the estimated impact on costs from output growth, whereas billing determinant output

growth measures the impact on revenues at given price levels. This is why the G Factor uses the total cost econometric model cost elasticities and the outputs of customers and system peak demand. The billing determinant output growth will be weighted differently and include energy (kWhs) and billing demands rather than system peak demands. The proper allowed revenue or price escalation needs to account for the cost impacts of output growth.[23]

4.3 Discussion on the Input Price Differential

The IPD accounts for the expected difference in Elexicon's OM&A input price inflation from the IPI. The inputs for OM&A are labour and non-labour. In the 4GIR decision, the index used to measure labour inflation was the Average Weekly Earnings (AWE) for Ontario, published by Stats Canada. The index used to measure non-labour was the Gross Domestic Product-Implicit Price Index, Final Domestic Demand (GDP-IPI FDD) for Canada.[24] For the distributors, the weighting in the 4GIR decision is set at 30% on AWE and 70% on GDP-IPI FDD. This places a 30% weight on labour inflation and a 70% weight on the non-labour inflation component. These two metrics are defined as follows:

1. **AWE:** Annual percentage change in average weekly earnings for all employees in Ontario (from Statistics Canada CANSIM Table 281-0027).

2. **GDP-IPI:** Annual percentage change in the GDP-IPI FDD for Canada (from Statistics Canada CANSIM Table 380-0066).

As discussed above, the 4GIR weights were set in the context of a price cap that would apply to both capital and OM&A related revenue. Elexicon's actual labour and non-labour portions in their OM&A spending are weighted more heavily towards labour than the 30% weighting that is assumed in the IPI calculation. Elexicon's weighting also closely corresponds with the OM&A labour weights assumed in the construction of the 4GIR IPI. Since the labour component of the IPI (AWE) tends to grow at a faster rate than the non-labour component (GDP-IPI), the IPI provides an insufficient inflation growth rate for Elexicon's OM&A inputs.

The IPD adjusts the escalation formula for the incremental difference between what the inflation index would be using Elexicon's true proportion of labour in its OM&A expenses relative to the 30/70 calculation of the IPI. This calibrates the escalation formula to better reflect the actual input price inflation of OM&A expenses which will encountered by the Company.

[23] In a revenue cap approach, only the G Factor needs to be used in the formula. If the distributor wants to enact a price cap approach then revenues should first be escalated by the G Factor but the resulting prices in the formula should then be reduced by the billing determinant output growth because the utility will receive that added revenue from billing determinant growth.

[24] November 21, 2013, *EB-2010-0379 Report of the Board, Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*, p. 11.

4.4 Discussion on the X Factor

The X Factor is the sum of the base productivity factor plus a stretch factor. The base productivity factor should be based on an external measure of the industry TFP trend. The utility that it is being applied to should have no (or very little) impact on the measured industry TFP trend. This is because incentive regulation seeks to decouple the link between a utility's cost increases to the allowed revenue escalation.

In the 4GIR proceeding, there was strong evidence of the Ontario electric distribution industry TFP trend being negative.[25] Rather than set a negative base productivity factor, the Board decided to set a productivity factor of zero. This placed a difficult challenge for distributors to surpass industry productivity expectations, even before a stretch factor is applied. A productivity factor set at zero places an "implicit stretch factor" on distributors. As far as Clearspring is aware, there is no evidence establishing that the Ontario industry TFP is above zero.

The stretch factor is included in the X Factor to provide a more challenging productivity expectation for the utility than what the industry experience dictates. The 4GIR proceeding established five stretch factor groups based on econometric total cost benchmarking results. The best cost performers receive a 0.00% stretch factor and then the stretch factors increase by 0.15% increments (based on econometric total cost results) and are capped at 0.60%. Ontario has a lengthy history of incentive regulation and providing cost containment incentives to distributors. It is Clearspring's view that more symmetrical stretch factors could be considered, including ones that are below zero for the best cost performers. In the current application for Elexicon, given the implicit stretch factor already present in the base productivity factor of 0.0% and the Company's strong econometric total cost performance, our view is that the 4GIR prescribed stretch factor of 0.15% is the only stretch factor that is supported by the benchmarking results for inclusion in Elexicon's formula.

4.5 Discussion on Why Capital Spending Is Expected to Exceed I-X Formula

Capital-related costs within the Ontario industry appear to be increasing at a rate faster than the IPI minus X formula would indicate. In this formula, the productivity factor has been set to zero but for most distributors is a positive number due to stretch factors. Several utilities in Ontario throughout the years have proposed ways of increasing allowed capital spending due to the infrastructure needs of their systems significantly outpacing the I-X formula.

This section provides some reasons related to production economics and cost benchmarking for causes of this phenomenon. As a result of these causes, relatively large capital factors or Elexicon's RGF approach of adding funding should not be a surprise. Recognizing these causes and providing adequate parameters in escalation formulas, that align with economic theory, can provide a sustainable regulatory path forward while still maintaining the incentives that are crucial to efficient operations and cost containment.

[25] In the 4GIR proceeding a TFP trend of -1.10% was calculated for the 2002-2012 time period when including all Ontario distributors, even after only negative outliers were excluded (which causes a bias) from the analysis, the TFP trend remained negative at -0.33%.

The math and production economic theory provided earlier in this Chapter is applicable to both capital costs and OM&A expenses. However, the magnitude of the factors that drive capital costs and OM&A expenses will differ for various reasons. We list below some possible factors driving capital cost increases above the I-X formula, followed by a brief explanation of each factor.

- Capital Input Price Differential ("Capital IPD") relative to the Inflation Factor is large,
- Growth will tend to increase capital costs,
- X Factor is higher than the empirical evidence dictates,
- increase in unmeasured outputs, and
- uneven spending patterns.

4.5.1 Capital IPD Relative to the Inflation Factor is Large

For over a decade the electric distribution industry has faced asset input price inflation that has exceeded the IPI. Historically, even though it was not explicitly measured or used within Ontario regulation, the Capital IPD has been positive and large and has put distributors in the difficult circumstance of trying to contain capital cost growth at or below the IPI when input prices of the capital assets are growing at a significantly faster pace.

While the historical Capital IPD has been positive, since the COVID pandemic the Capital IPD has accelerated. Electric distribution assets are an international market and the best available measure of asset cost inflation in the industry is the Handy Whitman indexes ("HW"), which provide detailed information on the price levels and inflation rates specific to the electric distribution industry in the States. The HW index inflation rates which are specific to electric distribution asset categories are good measures of the asset inflation experienced by North American distributors.

The total electric distribution HW for the U.S. North Atlantic region grew at an average annual rate of 4.8% from 2002 to 2020. At the same time, the IPI grew at an average annual rate of 2.0%. This difference of 2.8% implies a large Capital IPD during the two decades prior to 2020. Despite this large historical differential, the Capital IPD accelerated markedly since 2020. The HW index grew at an average annual rate of 12.3% from 2020 to 2024, while the IPI grew at a rate of 4.0%. This is a difference of 8.3% and implies an increasingly large Capital IPD. The IPI has provided inadequate inflation relief for capital-related costs and the discrepancy is worsening.

The actual Capital IPD realized by the electric utilities is in between the most recent differences in the HWs and the IPI and the historical differences due to the long life of capital. If we look at the last 20 years (2004 to 2024), the HW indexes have grown at an average annual rate of 6.5% compared to the IPI's annual rate of 2.7%. This is a difference of 3.8% during this 20-year period.

Table 5 Difference in Handy Whitman Indexes and IPI

Time Period	Electric Distribution Asset Price Inflation (Measured by Handy Whitman North Atlantic Index)	30/70 Weighting of AWE and GDP-IPI Inflation (Board IPI)	Difference
2002-2020	4.8%	2.0%	**2.8%**
2020-2024	12.3%	4.0%	**8.3%**
Last 20 Years (2004-2024)	6.5%	2.7%	**3.8%**

Due to the historical cost basis of capital costs, the extremely high inflation rates of recent years will cause future capital cost inflation rates to be high even if future year annual asset price inflation drops at or below future IPI inflation rates. Due to the long life of capital assets, it will take several years (likely more than a decade) for the Capital IPD to drop to zero even if the annual asset price inflation matches or is below the IPI in upcoming years. The Capital IPD has been and will be a large positive number during the Custom IR years (and likely well beyond). This pushes expected capital costs above what the I-X formula provides and is beyond the control of utilities.

4.5.2 Growth Increases Capital Costs

Earlier in this chapter, the rationale was provided for a G Factor to be included in the revenue escalation formula. As outputs increase, they will tend to increase costs by a corresponding amount.

4.5.3 X Factor is Higher Than the Empirical Evidence Dictates

The Ontario TFP trend was found to be negative back in the 4GIR proceeding by both Mr. Fenrick (working on behalf of the Coalition of Large Distributors) and PEG (working on behalf of Board Staff). Mr. Fenrick found that the Ontario industry TFP was declining by more than 1% per year. PEG's findings were also around that amount for the entire Ontario electric distribution industry.[26] There has not been evidence, to Clearspring's knowledge, establishing that the Ontario industry TFP has turned positive.

Despite the negative TFP that has likely persisted throughout the Ontario industry, a productivity factor of zero was set in 4GIR and that value has been used for the subsequent Custom IR applications. As the equations showed in the beginning of this chapter, the productivity factor needs to align with the industry TFP trend for costs to track allowed revenues (or rates). Since the factor was set at a substantially higher value, this placed a large "implicit stretch factor" on the utilities. Additionally, a stretch factor has then also been added to the implicit stretch factor, even for strong cost performers, which further exacerbates the misalignment of economics and the actual formula. Unrealistic productivity targets can lead to undesired outcomes and, ultimately, reduced incentives as utilities are forced to deviate from what would be the economically correct escalation formula parameters and find other ways of funding necessary investments.

[26] PEG did also suggest excluding two of the largest utilities for the sample. This abbreviated sample resulted in a higher TFP trend, however, it remained negative at around -0.3%.

4.5.4 Increase in Unmeasured Outputs

Electric distributors are now being asked to do more than the traditional wires and poles business of the past. New areas of responsibility include provision of enhanced technology, customer service, environmental regulations, cyber security, distributed energy resources, and delivering on future beneficial electrification opportunities including the energy transition. Increasing these outputs can bring value to customers and society but also lead to increased capital costs for distributors.

The Ontario electric distribution industry is encountering rapid forecasted future load growth for upcoming decades that utilities must be preparing for through asset investments. This transition requires increased capacity that will require investments be made prior to the actual output growth, increased resiliency, and grid modernization. These new, or substantially increasing, challenges could increase costs with little to no corresponding output increases during the CIR period. In Elexicon's application, a good example of needing to make investments before the actual output growth materializes is the GTA-East TS station forecasted to be ready by 2031. It is Clearspring's understanding that the capacity of the station is being built and sized to projected loads that are forecasted to emerge beyond 2031. This adds substantial costs during the CIR period with no, or little, corresponding outputs.

4.5.5 Uneven Spending Patterns

An electric distributor may have uneven spending patterns especially after several years of lower-than-expected spending. This can create a lumpy spending trajectory when higher investment levels are finally needed. Lower spending levels cannot be indefinitely sustained as other performance aspects, such as reliability, will ultimately suffer. Ratepayers benefit from the lower rates resulting from the lower spending levels but also will experience harm if reliability or other performance aspects worsen.

There is a tendency for utilities to revert to cost expectations (benchmarks) over time. Low-cost utilities who do well in robust benchmarking studies, will eventually boost capital stock levels to sustainable levels to avoid or restrict the degradation of reliability and other performance metrics.

5 Growth Factor Parameter Calculation

Section 4 provided the mathematical and theoretical grounds for including a G Factor in the revenue escalation formula. As shown, the factor escalates revenue based on how the outputs are expected to increase utility costs. This is different from billing determinant output growth because allowed revenue escalation should track how costs are expected to increase rather than track how price increases will increase revenue (which is what the billing determinant output growth would estimate). This section provides the calculation and mechanics used to estimate the G Factor value.

There are two time-variant output variables in the econometric total cost model. These are the number of customers and system peak demand. These two variables have been tested in Clearspring's model and found to be statistically significant. At an extremely high level of confidence, we can state these two variables impact the cost levels of distributors.

It is appropriate to calculate the G Factor using a weighted average of customers and peak demand growth. This approach aligns with the benchmark model findings that these two outputs are statistically significant cost drivers, and the way TFP trends should be calculated. Specifically, the output quantity index in the TFP trend should be comprised of the statistically significant outputs of customers and system peak demands.

Clearspring uses the cost elasticity output weights found in its econometric total cost model as the basis for weighting the projected growth in customers and system peak demands to calculate the proposed G Factor. The weight on customer growth is 53.1% and the weight on system peak demand is 46.9%. These sum to "one" and match the way the output quantity index in a proper TFP study would be calculated.[27]

The Company is projecting an average annual growth rate for the number of customers from 2027 to 2031 of 1.88%. The Company is projecting an average annual growth rate for system peak demand from 2027 to 2031 of around 3.15%.[28] The weighted G Factor index weight is 2.48%.

[27] For a more detailed discussion on why cost elasticity weights are necessary for both the growth factor and productivity study, please see Clearspring's reply report dated November 11, 2025 in Hydro Ottawa's custom IR application in EB-2024-0115.

[28] These average annual growth rates are calculated arithmetically to align with how they will be used in the revenue escalation formula.

The following table shows the projected growth rates for customers and system peak demand for Elexicon during 2027 to 2031 and how they are weighted to produce the proposed G Factor value.

Table 6 G Factor Calculation

Year	Customer Growth Rate	Customer Weight	Peak Demand Growth Rate	Peak Demand Weight	G Factor Annual Growth Rate
	[A]	[B]	[C]	[D]	A*B+C*D
2027					
2028	1.82%	.531	3.06%	.469	2.40%
2029	1.86%	.531	3.13%	.469	2.46%
2030	1.90%	.531	3.48%	.469	2.64%
2031	1.88%	.531	3.11%	.469	2.46%
Average	**1.88%**		**3.15%**		**2.48%**

6 OM&A Input Price Differential Parameter Calculation

Section 4 provided the mathematical and theoretical grounds for including an input price differential, or IPD, in the revenue escalation formula. As shown, the factor is a customized adjustment to the inflation factor that better accounts for the actual OM&A related input price inflation faced by the Company. This section discusses the methodology in calculating the IPD value.

The IPD calculation utilizes the same inflation indexes that comprise the IPI calculation but customizes and adjusts the index to be specific to OM&A expenses. The difference is derived from using Elexicon's labour and non-labour OM&A expenses to provide the weights for the inflation indexes rather than the 30% weight on labour and the 70% weight on non-labour assumed in the 4GIR IPI calculation which was designed with both capital and OM&A expenses in mind.

Clearspring requested Elexicon's estimated OM&A salaries and wages, OM&A pensions and benefits, and OM&A outside service provider expenses during the Custom IR period. The proportion of labour in Elexicon's OM&A expenses in Year t is calculated as the sum of OM&A salaries and wages plus pensions and benefits divided by the Company's total OM&A minus outside service provider expenses. The rationale for subtracting outside service provider expenses is that those expenses will likely include a substantial amount of labour, but the amount of labour in is unknown, and Elexicon is not able to readily provide an estimate.

$$\%\ Labour\ in\ OM\&A_t = \frac{OM\&A\ Salaries\ and\ Wages_t + OM\&A\ Pensions\ and\ Benefits_t}{Total\ OM\&A_t - OM\&A\ Outside\ Service\ Provider\ Expeneses_t}$$

The estimated percentage of labour in OM&A expenses is 84.9% in 2027. Elexicon's OM&A expense increases will be driven much more by labour-related inflation, as measured by the average weekly earnings in Ontario (AWE), than non-labour inflation as measured by the GDP-IPI for Canada.

The table below provides the annual estimated labour and non-labour proportions within Elexicon's OM&A expenses by year.

Table 7 Elexicon's OM&A Labour and Non-Labour Percentages

Year	Labour OM&A Proportion	Non-Labour OM&A Proportion
2027	84.9%	15.1%

The importance of including an IPD is due to the expected faster growth rate of the AWE during the custom IR period relative to the GDP-IPI. AWE has historically grown faster than GDP-IPI and this difference is projected by the Conference Board of Canada to continue.

The Conference Board of Canada ("CBoC") projects the AWE and GDP-IPI to 2029. Clearspring uses the 2029 forecasted growth rate for the years 2030 and 2031 in the calculation.[29] The forecasts project that

[29] We use arithmetic growth rates to align with the mechanics of the revenue escalation formula.

the AWE will grow by an average of 2.47% over the Custom IR period and GDP-IPI will grow by 2.02%. The forecasted inflation difference in the two indexes is 0.45%.

The table below provides the annual growth rates forecasted for AWE and GDP-IPI for 2028 through 2031.

Table 8 Difference in AWE and GDP-IPI Forecasts

Year	AWE Growth Rate	GDP-IPI Growth Rate	Difference
2028	2.39%	1.92%	0.47%
2029	2.50%	2.05%	0.45%
2030 (assumed 2029)	2.50%	2.05%	*0.45%*
2031 (assumed 2029)	2.50%	2.05%	*0.45%*
Average	**2.47%**	**2.02%**	**0.45%**

The IPD should not equal the 0.45% number above because the IPI already includes a 30% weight on the AWE to partially account for labour-related inflation. Elexicon's OM&A labour proportion is expected to be 84.9%. If we subtract the 30% assumed labour weight from Elexicon's forecasted labour weight we have a difference of 54.9%. This is the proportion of Elexicon's OM&A expenses that is not receiving the proper inflation adjustment. To adjust for this, we multiply the 54.9% by the difference in the indexes of 0.45%. This results in an inflation correction of 0.25%.

$$IPD = (Elexion\ Labour\ \% - 30\%) * (AWE\ growth\ rate - GDPIPI\ growth\ rate)$$

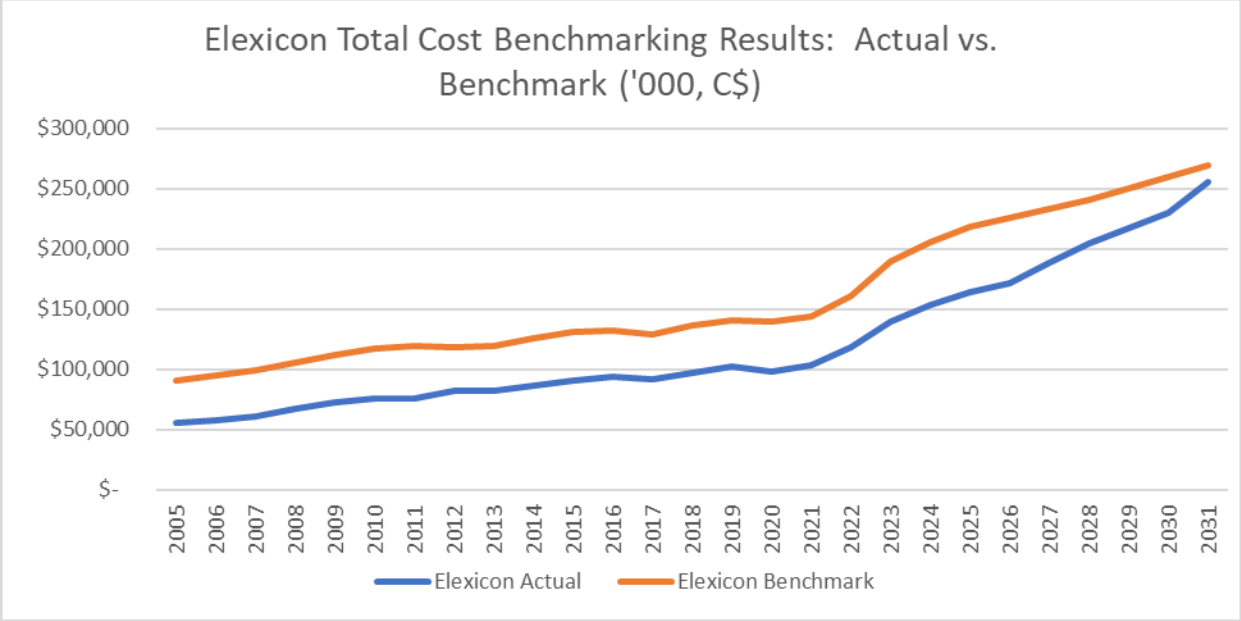
$$= (84.9\% - 30\%) * 0.45\% = \mathbf{0.25}\%$$

7 Concluding Summary and Recommendations

This study provides econometric total cost benchmarking results useful for evaluating Elexicon's 2027-2031 Custom IR application. The models are statistically robust, closely align with benchmarking models that Clearspring has put forth for other Ontario distributors and provide accurate benchmarking comparisons. The benchmarking results form the basis for the recommended stretch factor to be included in the revenue escalation formula. The study also results in a recommended G Factor and an OM&A-specific IPD to be included in the escalation formula.

The benchmarking results show that Elexicon's historical and projected cost levels are well below expected levels. Elexicon has consistently been a strong cost performer. It has remained below its total cost benchmarks and will continue to remain below them throughout the Custom IR period, given its proposed spending levels. The graph below illustrates this consistency.

Figure 3 Actual and Benchmark Total Cost Over Time



In the 4th Generation IR proceeding, five stretch factor groupings or cohorts were established based on the most recent three-year total cost benchmarking score. A score better than -25% (i.e. costs were more than 25% below benchmark) received the lowest stretch factor of 0.00%. A score between -25% and -10% received a 0.15% stretch factor. Scores that are +/- 10% received 0.30%. Scores between 10% and 25% received a 0.45% stretch factor, and scores exceeding 25% (i.e., costs were more than 25% above benchmark) received the highest stretch factor of 0.60%.

The benchmarking results for Elexicon show that during the Custom IR period, the Company's total cost benchmarking score is -13.9%. Based on the above 4th Generation IR stretch factors, the appropriate and recommended stretch factor is 0.15%.

The proposed G Factor estimates how much Elexicon's costs will grow due to output growth. Using the econometric total cost model outputs of customers and system peak demand, we estimate that output growth will increase Elexicon's costs by an average annual growth rate of 2.48% during the CIR period. Therefore, the revenue escalation formula should include a G Factor of 2.48% to properly calibrate with expected cost growth.

The proposed IPD, or input price differential, estimates the difference in Elexicon's input price inflation to the Board's inflation factor calculation. Since Elexicon has a far larger labour component in its OM&A expenses than assumed by the inflation factor calculation, which was not designed to apply only to OM&A expenses, an adjustment is necessary to properly calibrate the inflation factor with the expected experience of the Company. Clearspring estimates that Elexicon's OM&A related input price inflation will grow 0.25% faster than what the Board's inflation factor assumes. Clearspring, therefore, recommends an IPD adjustment to the revenue escalation formula of 0.25% on the portion of revenue that is related to OM&A.

The following formula summarizes the recommended revenue escalation allowance.

$$Revenue\ Escalation = IPI + IPD * \%\ OM\&A\ in\ Total\ Revenue - X + G + RGF$$

$$Revenue\ Escalation = IPI + 0.25\% * \%\ OM\&A\ in\ Total\ Revenue - 0.15\% + 2.48\% + RGF$$

Clearspring provides no opinion on the appropriate size of the RGF term or the spending needs of the Company. Clearspring has inserted the Company's proposed spending levels during the Custom IR period and found that the total costs of the Company continue to be below benchmark expectations in those years. Further discussion points on the possible reasons, from an economics perspective, for capital spending exceeding the I-X formula are provided in sub-section 4.5.

Appendix A: Total Cost Benchmarking Methodology Details

Variable Types

In general, there are two types of variables used in econometric cost benchmarking: output variables and business condition variables. Output variables measure the output of the utility in question (i.e. what the utility "produces"). Business condition variables quantify the factors that drive costs in a particular service territory, such as regional input prices, highly congested urban areas, forestation, etc.

Output Variables

The three output variables for the distribution total cost benchmark study are the number of customers, a rolling ten-year average of peak demand, and the service area of each utility. This matches the outputs specified in Clearspring's benchmarking research for other recent Custom IR applications, including the Joint Report prepared in the Hydro One application.

For the U.S. utilities, the customer and peak demand output variables are calculated from FERC Form 1s. The customers are based on the reported data. The peak demand variable is defined for both studies using the annual peak demand value found on p. 401b of the FERC Form 1. This variable consists of the distribution system peak demands plus the required sales for resale. We adjusted the data to take out the proportion of the required sales for resale. The service area used for each utility is based on variables derived from GIS mappings of each utility's service area.

Business Condition Variables: Input Prices

Business condition variables are discussed in following sections. All of the definitions and calculations are consistent with Clearspring's benchmarking research in the Joint Report, with the exception of the refinement of the percent congested urban variable. However, one important business condition variable merits detailed discussion: input prices. Input prices are divided into two categories: capital and OM&A. The capital input price calculation used in our research is called the Perpetual Inventory Method and is discussed in detail in a following section. The OM&A input price captures the regional market price level that each utility encounters when procuring OM&A inputs, such as employees or materials and services. There are two components used to construct the OM&A input price. These are labour and non-labour.

The labour component is calculated by taking wage levels of numerous job occupations and weighting them based on the U.S. Bureau of Labor Statistics ("BLS") estimates of job occupation weights in the Electric Power Generation, Transmission, and Distribution Industry. The BLS has estimates for wage levels for each job occupation by city and metropolitan area. To ascertain Elexicon's wage level, we gathered job occupation wage estimates from the 2011 Canadian Census, using wage data reported for Ontario, translated job occupations to match their U.S. counterparts, and then weighted the job occupation wages by the BLS estimates. This provides consistency from the U.S. and Ontario regarding labour input prices and puts the input price in terms of each country's currency. We then escalated labour prices for U.S.

utilities using BLS employment cost indices for the utility sector and escalated Elexicon prices using the Ontario average weekly earnings estimates.

The non-labour component of the OM&A input price uses the U.S. gross domestic product price index for the U.S. utilities. The Elexicon non-labour component uses the Canadian GDP-IPI in each year, but with a levelization adjustment using the purchasing power parity ("PPP") index in 2012. This translates the non-labour input price component into Canadian dollars.

To construct the overall OM&A input price we weighted each index using the customized labour and non-labour cost shares calculated from the FERC Form 1 data or based on data provided to us from Elexicon. We then took the OM&A input price and combined it with the capital price using the capital and OM&A cost shares. This produces the total input price index.

Total cost is divided by this comprehensive input price index to adjust for regional input price differences between utilities and to account for annual inflation. Dividing total cost by the input price index imposes the requirement that total costs display linear homogeneity with respect to input prices. As the prices of inputs increase by X%, total cost should increase by that same percentage. For example, if all utility input prices (including labour) increase by 10%, its costs would also increase by 10%. This is derived from economic production theory, which states that costs equal input quantity multiplied by input price.

Other Business Condition Variables

Beyond the output variables and input prices, each model contains business condition variables that provide cost adjustments for given service territory conditions. These variables enable unique service territory conditions to be accurately benchmarked on an "apples to apples" basis. This ability to adjust for specific conditions is why the econometric benchmarking approach is more accurate and fair than unit cost approaches. Unit cost benchmarking tends to only reveal which utility has the most challenging service territory, rather than indicating cost performance. This is because service territory conditions have a profound impact on the cost levels of transmission and distribution utilities. Their capital assets are spread across the entire service territory, and the overall cost levels are thus highly influenced by the conditions the utility is faced with. These cost drivers and specific service territory conditions need to be accounted for to reveal and estimate the performance of the utility.

The business conditions used for the distribution total cost model are described in Section Three.

Perpetual Inventory Method

Total cost is defined as the sum of the annual OM&A expenses plus capital costs. Clearspring's calculation of capital cost is based on the capital service price approach. This approach has a solid basis in economic theory; it is the same method used in all the Ontario benchmarking and productivity studies conducted by Mr. Fenrick, and is the same method chosen by PEG in its 4GIR research and its other studies in CIR

applications.[30] The approach allows for a consistent way to account for differences between utilities with respect to historical plant additions and depreciation rates. The service price approach is also prominent in government-sponsored cost research. The Bureau of Labor Statistics of the U.S. Department of Labor uses the capital service price approach in computing multi-factor productivity indices for the U.S. private business sector and for several subsectors, including the utility services industry.

The cost of capital in each year *(t)* is the product of the capital service price index and capital quantity index at the end of the prior year (*t-1)*. The formula for this is given by:

$$CK_t = WKS_t \cdot XK_{t-1}$$

CK_t is the cost of capital, WKS_t is the capital service price index, and XK_{t-1} is the capital quantity index value in the prior period.

The capital quantity index (*XK*) is constructed based on the value of net plant in a benchmark year, and on gross plant additions in years subsequent to the capital benchmark year. In an effort to address past concerns of PEG regarding the start year (capital benchmark year) of this capital series, we put considerable effort into gathering and processing U.S. utility data going back to 1947.[31] We use 1947 for most of the U.S. sampled utilities as the capital benchmark year. A few utilities only had consistent data beginning in 1959, for those utilities we used 1959 as the capital benchmark year. We used 2002 as the capital benchmark year for Elexicon, because this is the first year where data is available and can be readily verified.

A "triangulated weighted average" ("TWA") is used to divide the net plant value in order to adjust the net plant value for historical inflation.[32] This results in an estimate of the capital stock in 1947, 1959, or 2002 based on when the capital benchmark year begins for the utility. Subsequent years use the previous year's capital stock multiplied by one minus the depreciation rate and then escalated by that year's plant additions divided by the asset price in that year.[33] This same method is used for both Elexicon and U.S. distributors.

[30] See Hall and Jorgensen (1967) for a seminal discussion of the use of service price methods for measuring capital cost.

[31] In our past studies prior to the last Hydro One research, we used 1989 for the capital benchmark year, as that was the first year of electronically available data. We considered 1989 to be a sufficient start year for the capital series. However, to reduce the research differences, considerable efforts were invested into gathering and processing these data.

[32] For the U.S. sample, the 1947 or 1959 net plant value is for the total utility. To calculate a transmission or distribution net plant value we multiplied the total net plant value by the percentage of transmission or distribution gross plant in service to total gross plant in service, respectively. We note that any error in this net plant value calculation in 1947 or 1959 will have an extraordinarily minimal impact on the cost levels once the sample starts in 2000. This is because any possible small error in 1947 will have also depreciated for 53 years by the time it enters the sample period.

[33] The historical data going back to 1948 and forward all have plant in service additions disaggregated by transmission and distribution, enabling us to build up a robust capital quantity and cost estimate for each function.

The formulas for the capital quantity index in 1947 and in subsequent years are provided below.[34]

$$XK^i_{1947} = \frac{Net\ Plant^i_{1947}}{TWA^i_{1947}}$$

$$XK^i_t = XK^i_{t-1} * (1-d) + \frac{Add^i_t}{WKA^i_t}$$

The capital service price (*WKS*) has two components: opportunity cost and depreciation. The capital service price index is thus given by the formula:

$$WKS_t = r_t * WKA_{t-1} + d_t * WKA_t$$

Here, r_t is the allowed rate of return based on the Board's historical calculated returns. This same annual value is also used in the capital service price computation for the U.S utilities in the dataset. Setting the same rate of return for all distributors provides consistency in determining the capital costs, so that decisions by regulators do not enter the benchmark evaluation, which is attempting to assess the performance of the utility itself. The parameter d_t is the economic depreciation rate. For this depreciation rate, we use the same value as we have used in all our distribution CIR benchmarking applications and the same one PEG used in the 4GIR proceeding and subsequent research: 4.59%.

The asset price deflator (*WKA*) is an index of the price of capital assets in each year. In several CIR applications, this has been an area of contention between PEG and our research team. Historically, Clearspring used the U.S.-based Handy-Whitman indices for both the U.S. sample and Canadian utilities, as these are well-known and provide asset inflation estimates that are specific to electric transmission or distribution.[35] Both Clearspring and PEG (at least historically) use the Handy-Whitman indices for the U.S. sample.

However, when estimating asset inflation for a Canadian utility, PEG has used Handy-Whitman indices in some of its prior research but has used a Canadian-specific asset inflation measure in some applications. The advantage of the latter approach is that it is specific to Canadian asset inflation; the disadvantage is that the measure is a comprehensive measure of water, sewer, gas, and electric utilities (including generation). In the last Hydro Ottawa CIR research, PEG compromised between these two asset inflation measures and used a 50% weighting on the Handy-Whitman indices and a 50% weighting on their implicit capital stock index measure. In the Hydro One research and the Joint Report, Clearspring also moved to this compromise of a 50/50 weighting. In that application, both researchers used the 50/50 weighting which eliminated this area as a point of contention. Clearspring is using that same 50/50 weighting index in this application.

For the U.S. sample, we compute this index using data on differences in the cost of constructing utility plant between regions over time. For U.S. distributors, we use the Handy-Whitman indices for total power

[34] For the Ontario distributors, the subscripts would change to 2002 in the first equation.

[35] For Canadian utilities we adjust the Handy-Whitman for the purchasing price parity (PPPs) in each given year to put the inflation estimate into Canadian dollars.

distribution plant; these indices vary over time and across six geographic regions.[36] For Elexicon, we use the same Handy-Whitman index for total distribution plant in the North Atlantic region and then adjust for the Canadian purchasing power parity in the given year. This is for half of the weight in the index; for the other half, we use PEG's implicit capital stock deflator index found in the Capital Flows and Stocks data provided by Stats Canada.[37] For future years, we escalate the WKA index using a 50/50 calculation of the projections for the average weekly earnings in Ontario and the GDP-IPI index available from the Conference Board of Canada.

We determine the relative levels of utility plant asset prices for 2015 by using the City Cost Indices for electrical work in the 2016 edition of RSMeans' *Heavy Construction Cost Data*. These indices measure differences among cities in the cost of labour needed to install electrical equipment and differences in equipment prices. The construction service categories covered are: raceways; conductors and grounding; boxes and wiring devices; motors, starters, boards, and switches; transformers and bus ducts; lighting; electric utilities; and power distribution.

We modified this calculation in response to concerns put forth by PEG and other stakeholders prior to the most recent Hydro One application. The prior method was to calculate the level of the asset price index for each utility by the headquarter city in the service territory (or the closest available city). The concern was that the headquarter city might not be reflective of the entire service territory of the utility.

In response to this concern, we modified the asset price level calculation in the most recent Hydro One research to be based on a population-weighted average of the RS Means value for each 3-digit zip code served by a given utility. This spreads the levelization across the entire service territory, rather than centering on the headquarter city. We follow this same procedure in the current Elexicon research. The index is already adjusted for currency differences between the two countries.

Model Estimation Procedure and Specification

We assume that the relationship between a utility's cost and the conditions that affect it, called "cost drivers," can be quantified and captured by a statistical function. This function, called a "cost function," allows Clearspring to specify cost as a dependent variable that can be explained by relevant independent or explanatory variables and associated parameters; the latter capture the effect of the independent variables on cost. Such a cost function is estimated using econometric techniques that rest on certain fundamental assumptions.

As implied by the term "independent," one of these assumptions is that the explanatory variables used in the model are factors that are outside the control of utility decision-makers. For instance, the wage paid to labour is driven by market conditions in the service territory and is largely outside the control of a firm's

[36] Handy-Whitman indexes are widely used throughout the U.S. utility industry. They measure the construction cost trends for specific utility functions in six different regional areas of the U.S. For more information, please see: https://wrallp.com/about-us/handy-whitman-index

[37] We note that at the time of the research, this Canadian index was only available through 2023.

managers. On the other hand, the number of employees hired is within management's control, and thus should not serve as an independent variable.

The data used to estimate this cost relationship can be from a single firm with multiple time observations (time series data), from many firms observed at a single time period (cross-sectional data), or from many firms with multiple time observations (cross-sectional time-series or panel data). The estimation procedure used to estimate model parameters is affected by the type of data used to estimate the model. In our present study, we have a panel dataset with cost data from multiple firms with observations starting in 2000 and extending to 2023. For benchmarks of past years, we use the model to produce benchmarks for each year and compare Elexicon's benchmark costs with its actual costs.

Additionally, for future years we can take Elexicon's cost projections through 2031, allowing us to also benchmark those forecasts "out of sample." We use the model (which is based on historical data) and apply the estimated coefficients and projected independent variable values for Elexicon to calculate a predicted benchmark value. This predicted benchmark value is then compared to Elexicon's projected total cost amount.

Statistical Tests on Parameter Estimates

The precision of parameter estimates is an important dimension of the cost estimation exercise. It identifies business condition variables that have a statistically significant effect on cost. Standard errors of parameter estimates, which measure the precision with which a parameter is estimated, are used to construct a test of a relevant hypothesis. The hypothesis to be tested is "the explanatory variable in question has no statistically significant effect on cost." This procedure is called the *t*-test. A variable is statistically significant if this hypothesis is rejected at a pre-specified level of confidence. We use a 90% confidence threshold in our research for all first order terms. This restriction is not placed on the quadratic and interaction output terms that comprise the translog cost function.

A cost model with plausibly signed and statistically significant parameter estimates is ultimately used to assess the cost performance of each firm in the sample. By "plausibly signed" we mean that its sign (positive/negative) accords with our intuitive understanding of the relationship between that parameter and the variable. For example, we would expect to see distribution costs rise as the number of customers served increases (i.e. we expect that the customer parameter would be positively signed).

Once the industry cost model is estimated, the cost model with estimated parameters is fitted with the business conditions of each utility to generate cost benchmarks, against which actual cost is evaluated. A cost benchmark for a particular utility reflects the performance we would expect from an average hypothetical utility facing the business conditions of that utility.

If a given utility's actual cost is below the benchmark cost, its cost performance is better than average—it spent less than a hypothetical utility (with the same particular characteristics) would be expected to spend. If its actual cost is above the benchmark cost, its cost performance is worse than average. A statistical test of a cost efficiency hypothesis, based on the *t*-test, can also be constructed to identify whether the cost performance identified by the above exercise is statistically significantly different from

average.

Model Specification

A translog function is selected for the total cost model estimated in this study. The translog cost function was the same functional form we have used in all our prior CIR research, and the one chosen by PEG in its 4GIR benchmarking research and subsequent CIR research. The function's general form, after suppressing time and firm subscripts, is given by:

$$ln\left(\frac{C}{W}\right) = \propto_0 + \sum_i \alpha_i \, ln\, Y_i + \sum_j \alpha_j ln Z_j + \frac{1}{2}\left[\sum_{i,k} \propto_{ik} \, lnY_i * ln\, Y_k\right] + \alpha_t t + \varepsilon$$

In this specification, $\alpha's$ are model parameters, and ε is the random noise term. In addition, Y_i quantifies output, W is the input price, Z_j is the other business condition variables, and *t* is a time trend term. This form has been widely used in cost function research.[38] A major advantage is its flexibility, which permits it to provide a good approximation for the wide range of functional forms that the data can reflect.[39]

Estimation Approach

As discussed earlier, the estimation approach has generated considerable discussion between benchmarking consultants in prior CIR proceedings. This is especially difficult for intervenors and the Board, due to the intricacies and difficulties for non-econometricians to evaluate these different approaches. However, it appears this difficulty has been addressed as both PEG and Clearspring used the same estimation approach in the Joint Report. Clearspring believes this best serves the Ontario industry for the benchmarking consultants to use consistent and pre-determined estimation approaches for all CIR benchmarking research.

The estimation procedure used to estimate model parameters is affected by the type of data used to estimate the models. In our present benchmarking studies, we have an unbalanced panel dataset with cost data from multiple utilities with multiple observations starting in 2000 and extending to 2023.

In multivariate regression analysis, the constructed model is designed to use a set of independent (often called explanatory or right-hand-side) variables to "explain" movement in the dependent (often called the left-hand-side) variable. The numerical relationship between an independent variable and the dependent variable is provided through an estimated coefficient value. Under the assumptions of the model, this coefficient value is considered an unbiased estimator of the relationship. Multivariate regression analysis also makes statements about the precision of each coefficient value. Precision in this context is a statement about how confident or statistically valid the coefficient value is. When all the assumptions of

[38] In their Monte Carlo studies of functional forms' performance, Gagne and Ouellette (1998) use the translog as a benchmark because "it is the most widely used" functional form.

[39] See Guilkey, et al. (1983)

multivariate regression are satisfied, the coefficient values are the best (or most precise) unbiased estimators that are available.

Two common issues arise in multivariate regression using real world data: heteroscedasticity and autocorrelation. Neither of these issues causes the coefficient values to be biased or less precise. This is important because it means the researcher does not need to worry about correcting the coefficient values: they are not misleading. However, both conditions render the standard error estimates which measure precision problematic. Specifically, the problem with heteroscedasticity and autocorrelation is that they increase the regression variance calculations, which means the researcher is less confident in the calculated coefficient values. For decades, the standard correction procedure involved trying to figure out the nature of each problem and strategically weighting the regression to render heteroscedasticity and autocorrelation less of a problem. One key issue with this strategy is that the researcher may have a hard time truly understanding how to reweight the regression. Additionally, the coefficient values will be different after the reweighting.

More recent treatments for dealing with heteroscedasticity and autocorrelation focus the correction procedures on methods that do not alter the regression or the coefficient values. Instead of reweighting the regression itself, these strategies leave the regression unaltered and focus on altering the way the variances of the coefficients are calculated. These procedures are systematic and do not depend on understanding the underlying reason for the heteroscedasticity and autocorrelation.

For our analysis, we have chosen to estimate the precision of our coefficients using Driscoll-Kraay standard errors.[40] Driscoll-Kraay standard errors have been coded and available in the STATA software suite since 2007.[41] The computer software calculates information crucial to understanding whether each relationship (as described by each coefficient) can be supported statistically.

[40] Driscoll, J., and A. C. Kraay, 1998. "Consistent covariance matrix estimation with spatially dependent data," *Review of Economics and Statistics* 80: 549–560.

[41] Hoechle, Daniel, 2007 "Robust standard errors for panel regressions with cross-sectional dependence," *The Stata Journal* 7(3): 281-312.

Appendix B: Resume of Steve Fenrick

STEVEN A. FENRICK, Principal Consultant

Steve.fenrick@clearspringenergy.com (608.334.5994)

SUMMARY OF EXPERIENCE AND EXPERTISE

- I have directed project teams and engaged in research in the fields of performance based regulation, performance benchmarking, DSM, load research and forecasting, and survey design and implementation
- I have been a expert witness in a number of cases involving performance-based ratemaking and incentive regulation, load forecasting, and peak time rebates.

PROFESSIONAL EXPERIENCE

Clearspring Energy Advisors, LLC (2019 to Present)
Principal Consultant

Responsible for providing consulting services and expert witness testimony to utilities and regulators in the areas of reliability and cost benchmarking, productivity studies and other empirical aspects of performance-based ratemaking and incentive regulation. Direct activities in the areas of demand-side management programs, peak time rebate programs, load forecasting, and market research.

Power System Engineering, Inc.– Madison, WI (2009 to 2018)
Director of Economics

Responsible for providing consulting services to utilities and regulators in the areas of reliability and cost benchmarking, incentive regulation, value-based reliability planning, demand-side management including demand response and energy efficiency, ran peak time rebate programs, load research, load forecasting, end-use surveys, and market research.

Pacific Economics Group – Madison, WI (2001 - 2009)
Senior Economist

Co-authored research reports submitted as testimony in numerous proceedings in several states and in international jurisdictions. Research topics included statistical benchmarking, alternative regulation, and revenue decoupling. Managed and supervised PEG support staff in research and marketing efforts.

EDUCATION

University of Wisconsin - Madison, WI
Bachelor of Science, Economics (Mathematical Emphasis)
University of Wisconsin - Madison, WI
Master of Science, Agriculture and Applied Economics

Expert Witness Experience

- Docket EB-2025-0252, Alectra Utilities Corporation, Custom Incentive Regulation Application, Econometric Benchmarking research.
- Docket EB-2024-0115, Hydro Ottawa, Custom Incentive Regulation Application, Performance Based Regulation Parameters.
- Docket EB-2023-0195, Toronto Hydro Electric System Limited, Custom Incentive Regulation Application,Econometric Benchmarking and Emerging Technology Forecasting research.
- Case No. 2023-00310, Big Rivers Electric Corporation, Integrated Resource Plan. Econometric Load Forecasting research.
- Docket EB-2022-0149, Wataynikaneyap Power LP, Benchmarking Research.
- Docket EB-2021-0110, Hydro One Networks, Joint Rate Application for Transmission and Distribution. Custom Incentive Regulation Benchmarking and Productivity research.
- Case No. 2020-00299, Big Rivers Electric Corporation, Integrated Resource Plan. Econometric Load Forecasting research.
- Docket EB-2019-0261, Hydro Ottawa, Custom Incentive Regulation Application. Econometric Benchmarking research.
- Docket EB-2019-0082, Hydro One Networks Transmission, TFP and Econometric Benchmarking research.
- Docket EB-2018-0165, Toronto Hydro Electric System Limited, Custom Incentive Regulation Application, Econometric Benchmarking research.
- Docket EB-2018-0218, Hydro One Transmission Sault St. Marie, TFP and Econometric Benchmarking research.
- Docket EB-2017-0049, Hydro One Distribution, Custom Incentive Regulation Application, TFP and Econometric Benchmarking research.
- Docket EB-2015-0004, Hydro Ottawa, Custom Incentive Regulation Application. Econometric Benchmarking research.
- Docket 15-SPEE-357-TAR, Application for Southern Pioneer Electric Cooperative, Inc., Demand Response Peak Time Rebate Pilot Program.
- Docket EB-2014-0116, Toronto Hydro, Custom Incentive Regulation Application. Econometric Benchmarking research.
- Docket EB-2010-0379, The Coalition of Large Distributors in Ontario regarding “Defining & Measuring Performance”.
- Docket No. 6690-CE-198, Wisconsin Public Service Corporation, “Application for Certificate of Authority for System Modernization and Reliability Project”.
- Expert Witness presentation to Connecticut Governors “Two Storm Panel”, 2012.
- Docket No. EB-2012-0064, Toronto Hydro’s Incremental Capital Module (ICM) request for added capital funding.
- Docket No. 09-0306, Central Illinois Light rate case filing. Econometric Benchmarking research.

- Docket No. 09-0307, Central Illinois Public Service Company rate case filing. Econometric Benchmarking research.
- Docket No. 09-0308, Illinois Power rate case filing. Econometric Benchmarking research.

Publications & Papers

- "Peak-Time Rebate Programs: A Success Story", *TechSurveillance*, July 2014 (with David Williams and Chris Ivanov).
- "Demand Impact of a Critical Peak Pricing Program: Opt-In and Opt-Out Options, Green Attitudes and other Customer Characteristics:, *The Energy Journal*, January 2014. (With Lullit Getachew, Chris Ivanov, and Jeff Smith).
- "Evaluating the Cost of Reliability Improvement Programs", *The Electricity Journal*, November 2013. (With Lullit Getachew)
- "Expected Useful Life of Energy Efficiency Improvements", Cooperative Research Network, 2013 (with David Williams).
- "Cost and Reliability Comparisons of Underground and Overhead Power Lines", *Utilities Policy*, March 2012. (With Lullit Getachew).
- "Formulating Appropriate Electric Reliability Targets and Performance Evaluations, *Electricity Journal*, March 2012. (With Lullit Getachew)
- "Enabling Technologies and Energy Savings: The Case of EnergyWise Smart Meter Pilot of Connexus Energy", Utilities Policy, November 2012. (With Chris Ivanov, Lullit Getachew, and Bethany Vittetoe)
- "The Value of Improving Load Factors through Demand-Side Management Programs", Cooperative Research Network, 2012 (with David Williams and Chris Ivanov).
- "Estimation of the Effects of Price and Billing Frequency on Household Water Demand Using a Panel of Wisconsin Municipalities", *Applied Economics Letters*, 2012, 19:14, 1373-1380.
- "Altreg Rate Designs Address Declining Average Gas Use", *Natural Gas & Electricity*. April 2008. (With Mark Lowry, Lullit Getachew, and David Hovde).
- "Regulation of Gas Distributors with Declining Use per Customer", *Dialogue*. August 2006. (With Mark Lowry and Lullit Getachew).
- "Balancing Reliability with Investment Costs: Assessing the Costs and Benefits of Reliability-Driven Power Transmission Projects." April 2011. *RE Magazine*.
- "Ex-Post Cost, Productivity, and Reliability Performance Assessment Techniques for Power Distribution Utilities". Master's Thesis.
- "Demand Response: How Much Value is Really There?" *PSE whitepaper.*
- "How is My Utility Performing" *PSE whitepaper*.
- "Improving the Performance of Power Distributors by Statistical Performance Benchmarking" *PSE whitepaper*.
- "Peak Time Rebate Programs: Reducing Costs While Engaging Customers" *PSE whitepaper*.
- "Performance Based Regulation for Electric and Gas Distributors" *PSE whitepaper*.
- "Revenue Decoupling: Designing a Fair Revenue Adjustment Mechanism" *PSE whitepaper.*

IMPACTS OF INFLATIONARY PRESSURE

1. ELEXICON'S APPROACH TO INFLATION

Elexicon's investment plan has been informed by inflationary expectations that align with broader industry trends, recent inflationary experience, and the expectations of productivity and commitment to affordability.

Within the OM&A programs, Elexicon has embedded a conservative, but reasonable, level of annual inflation (2% for non-labour, [Redacted] for labour – see Table 17, below) and intends to manage costs through technology investment anticipated to generate productivity, and procurement practices that ensure cost-effective vendor agreements. Elexicon employs competitive procurement processes (such as request for proposal, or RFP, processes), that ensure scrutiny of pricing, service levels, as well as compliance with health and safety practices. These competitive procurement processes ensure Elexicon can obtain favourable pricing where possible. A copy of Elexicon's procurement policy is in Exhibit 4 - Tab 3 - Schedule 2.

In order to sufficiently fund its capital expenditures, Elexicon has embedded within its investment plan inflationary assumptions that exceed 2%, but that align with inflationary impacts that have been experienced by the electricity sector in previous years and are expected to continue. Although recent experience has shown double-digit cost increases in a range of different materials and equipment, Elexicon is opting to balance recent trends with a commitment to affordability by hewing closer to the lower end of its most recent inflationary experience and expectations. Elexicon's inflationary assumptions for its capital programs were primarily informed by trends experienced in the historical period and validated by broader market trends outlined throughout this exhibit. As illustrated in Section 3 of this schedule, the broader utility sector has experienced unprecedented rates of price increases in materials, commodities, and equipment that reflect and validate Elexicon's recent experience. The inflation facing the electricity sector has also been consistently well above that of the broader economy.

As detailed in Table 1 and 2, the cost of materials and equipment essential to the building and repairing of distribution and station assets has experienced annual increases ranging from 2.6% to almost 50%.

Elexicon expects this trend to persist over the 2027 to 2031 period and had embedded within its capital plan inflationary assumptions ranging from 3.9% to 5.18% on a weighted average basis. As discussed in the following sections, the electricity grid is forecasted to experience significant demand growth in the short, medium and long-term, which will continue to put pressures on the cost of goods and services needed to support that demand growth.

Table 1: Materials and Equipment Price Increase Summary

Materials and Equipment	2021	2024	2021-2024 Increase	CAGR
Hardware/Connectors ($)	58.57	78.70	34.38%	10.35%
Wire & Cable ($)	7.42	24.43	229.24%	48.77%
Wood Poles ($)	1,737.08	2,561.90	47.48%	13.83%
Arresters ($)	83.51	106.69	27.76%	8.51%
Switches ($)	1,316.16	1,780.17	35.25%	10.59%
Switchgear ($)	21,454.73	23,164.36	7.97%	2.59%
Transformers ($)	1,551.52	2,690.48	73.41%	20.14%

Table 2: Station Equipment Increases

Station Equipment	Price (Reference Year)	Price (Most Recent Year)	Total Price Increase	CAGR
15/20/25 MVA Transformer ($)	782,407 (2020)	1,750,167 (2024)	123.7%	22.3%
LV Switchgear ($)	50,684 (2021)	124,321 (2025)	145.3%	25.1%
HV Switchgear ($)	126,979 (2020)	257,600 (2025)	102.9%	19.3%
1000MCM 28kV Cable ($)	73.42 (2020)	176.58 (2025)	140.5%	24.5%
750MCM 46kV Cable ($)	81.81 (2020)	212.00 (2025)	159.1%	26.9%

Unless otherwise specified below, the general term ‘inflation’ will be used to describe annual inflation rates. Where appropriate in this exhibit, Elexicon will rely on the term ‘CAGR’ (Compound Annual Growth Rate) to describe the average annual growth rate over the stated period given that these inflation challenges have been sustained and persistent across several consecutive years.

1.1 Introduction

The Canadian economy has experienced significant inflationary pressures in the last five years and inflation in the electricity sector has been consistently higher than the broader economy. Though inflation has somewhat subsided recently, the level of inflation continues to be higher than long-term trends and inflation relevant to the electricity industry continues to be higher than economy-wide inflation. A number of factors facing the electricity sector are expected to result in industry-specific inflationary pressures that exceed those of the broader economy.

In its MAADs application, Elexicon's OM&A assumed annual inflation escalation of 1.9% per year. The level of inflation was broadly consistent with economy-wide inflation and OEB inflation parameters when those forecasts were developed but did not reflect realized inflation, particularly for the electricity sector. Inflation was greater than expected primarily due to the combination of COVID-19 pandemic and associated supply chain disruptions and greater demand for the commodities, labour, products, and equipment Elexicon uses to serve its customers. The demand-driven inflationary impacts are expected persist into the 2027-2031 rate period given a number of broader trends facing the electricity sector.

This schedule demonstrates that historical inflation has been greater than forecast, costs relevant to electricity distribution have reached a higher price level, and those costs will continue to increase at a higher rate than economy wide inflation throughout Elexicon's upcoming rate period.

1.2 Inflation

Inflation is caused by a combination of many factors that impact the supply and demand of goods and services across the economy. Inflation is also impacted by inflation expectations. Supply impacts reflect either a reduction in the goods or services available or the increase in input costs to provide the goods or services. For example, during the COVID-19 pandemic supply chain issues caused a reduction in the supply of commodities and products. This caused an increase in prices of the reduced supply volumes for directly impacted goods and an increase in the input prices of other goods and services. Demand impacts reflect the higher prices that are realized when there is more demand for a given supply of goods and services. Expectations about future prices impact current household and business purchasing decisions so those expectations about the future will impact current levels of inflation. For example, expectations about

future price increases can cause workers to expect higher wage increases, which causes higher input prices for products and services to be realized.

The supply and demand of goods and services differs among industries so there can be disparities in inflation among those industries. Inflation specific to any industry is influenced by the supply and demand of all input commodities, products, labour, and services relevant to the industry.

As discussed later in this schedule, inflation of the electricity distribution sector has been consistently higher than overall inflation that has been experienced in the wider economy. Price levels for the goods and services used by electricity distributors have increased at a higher rate than overall inflation – and this spread has been consistent and, in some cases, continues to grow. Though inflation directly caused by COVID-19 related supply pressures has somewhat subsided from the extreme levels experienced during and in the immediate period after the pandemic, supply constraints remain for some types of products and inflation in the electricity distribution sector continues to be higher than historical levels of inflation due the demand pressures of increased electricity consumption across North America. These demand pressures exist directly on the goods and services procured for electricity distribution but also exist for input goods that are used in other parts of the electricity industry. The demand pressures experienced in recent years are expected to continue throughout Elexicon's rate period due to the significant increase in forecasted demand growth across North America.

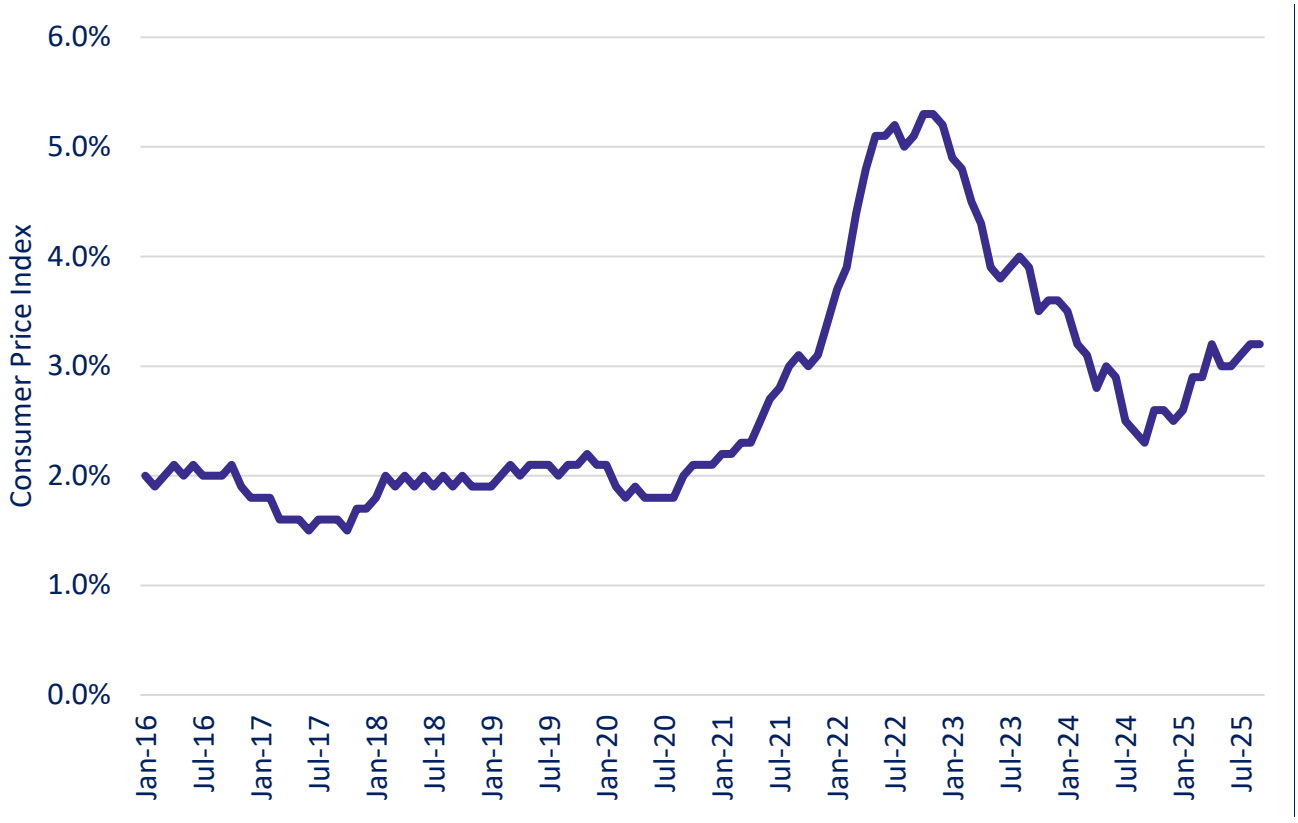
2. INFLATION (2016-2025)

2.1 Inflation Methodology in Elexicon's Previous Applications

OM&A forecasts in Elexicon's MAADs application were underpinned by an inflation assumption of 1.9%. This rate of inflation was a reasonable assumption when those forecasts were produced given the historical inflation trends and OEB inflation factors. Actual inflation experienced by Elexicon, consistent with inflation in the broader economy, was materially higher than 2% in the 2021 to 2025 period.

As shown in Figure 1, the annualized change in the Consumer Price Index was relatively stable around 2.0% from 2016 to 2020 before increasing significantly in the 2021 to 2025 period – with inflation once again increasing in 2025.[1]

Figure 1: Annualized Change Consumer Price Index (2016-2025)



The increase beginning in 2021 was primarily caused by the COVID-19 pandemic and associated supply chain issues. While direct COVID-19 impacts have moderated to some extent more recently, inflation continues to be above the historic 2.0% benchmark and has recently increased above 3.0%.

[1] Bank of Canada, "Key Inflation Indicators and the Target Range", (September 2025), https://www.bankofcanada.ca/rates/indicators/key-variables/key-inflation-indicators-and-the-target-range, CPI Median

2.2 OEB Inflation Parameters

Table 3: OEB Inflation Parameters

Year	Non-Labour (GDP-IPI)	Labour (AWE)	Inflation Factor
2017	1.6%	2.6%	1.9%
2018	1.2%	1.1%	1.2%
2019	1.4%	1.9%	1.5%
2020	1.6%	2.9%	2.0%
2021	1.9%	2.7%	2.2%
2022	1.7%	7.0%	3.3%
2023	3.8%	3.5%	3.7%
2024	5.9%	2.3%	4.8%
2025	3.7%	3.2%	3.6%
2026	3.2%	4.9%	3.7%

3. ELECTRICITY INDUSTRY INFLATION

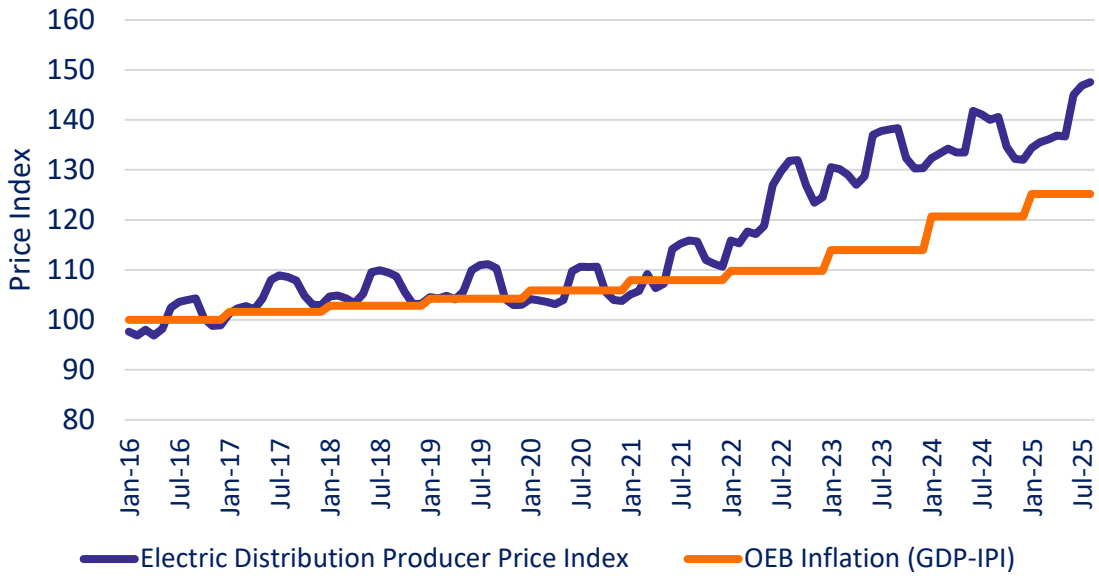
3.1 Introduction

The price of commodities, labour, products, and services necessary to provide electricity distribution service has increased at a higher rate across the electricity distribution sector than inflation for the economy as a whole. This is supported by price index statistics from Statistics Canada and the Federal Reserve Economic Data database from the United States Federal Reserve Bank.

3.2 Electricity Distribution Producer Price Index

The Federal Reserve Economic Data database tracks a price index specific to the costs of electricity distributors. The price index is roughly in line with OEB inflation parameters from 2016 to 2020 before increasing at a higher rate beginning in 2021, as shown in Figure 2.

Figure 2: Electricity Distribution Producer Price Index (2016-2025)



The electricity distribution producer price index continues to show that inflation in the electricity distribution sector continues to outpace economy-wide inflation. Prices in the most recent month available (August 2025) are 5.4% higher than prices in the same month of the prior year. Additionally, there is larger in-year volatility in the post 2020 period compared to prior to 2020 on a seasonal basis. This has an additive effect on the cost pressures faced by Elexicon.

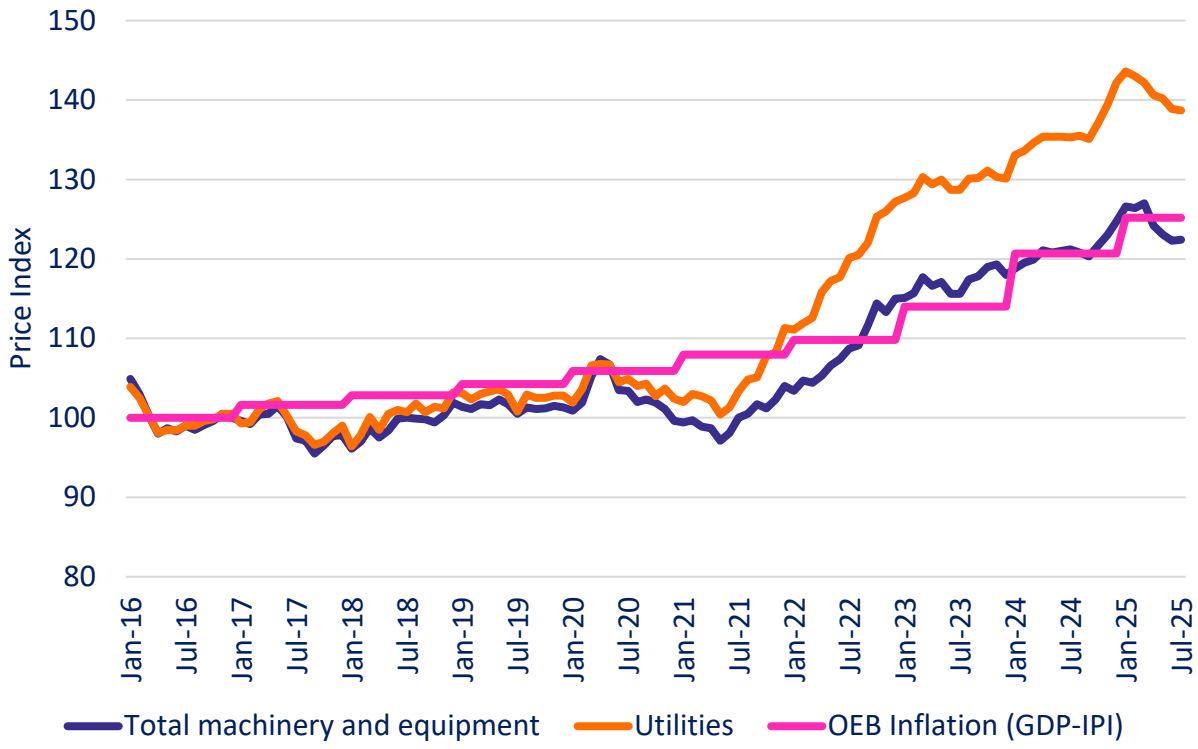
3.3 Machinery and Equipment Price Index

The machinery and equipment price index from Statistics Canada illustrates the higher rate of inflation experienced by utilities compared to the broader economy.[2] Inflation of machinery and equipment across all industries have broadly tracked with the GDP-IPI inflation parameter that is used by the OEB to measure

[2] Statistics Canada does not provide an index for electric utilities. This index includes natural gas and water utilities.

non-labour inflation. However, inflation of machinery and equipment purchased by utilities has increased at a higher rate.

Figure 3: Machinery and Equipment by Industry Price Index (2016-2025)

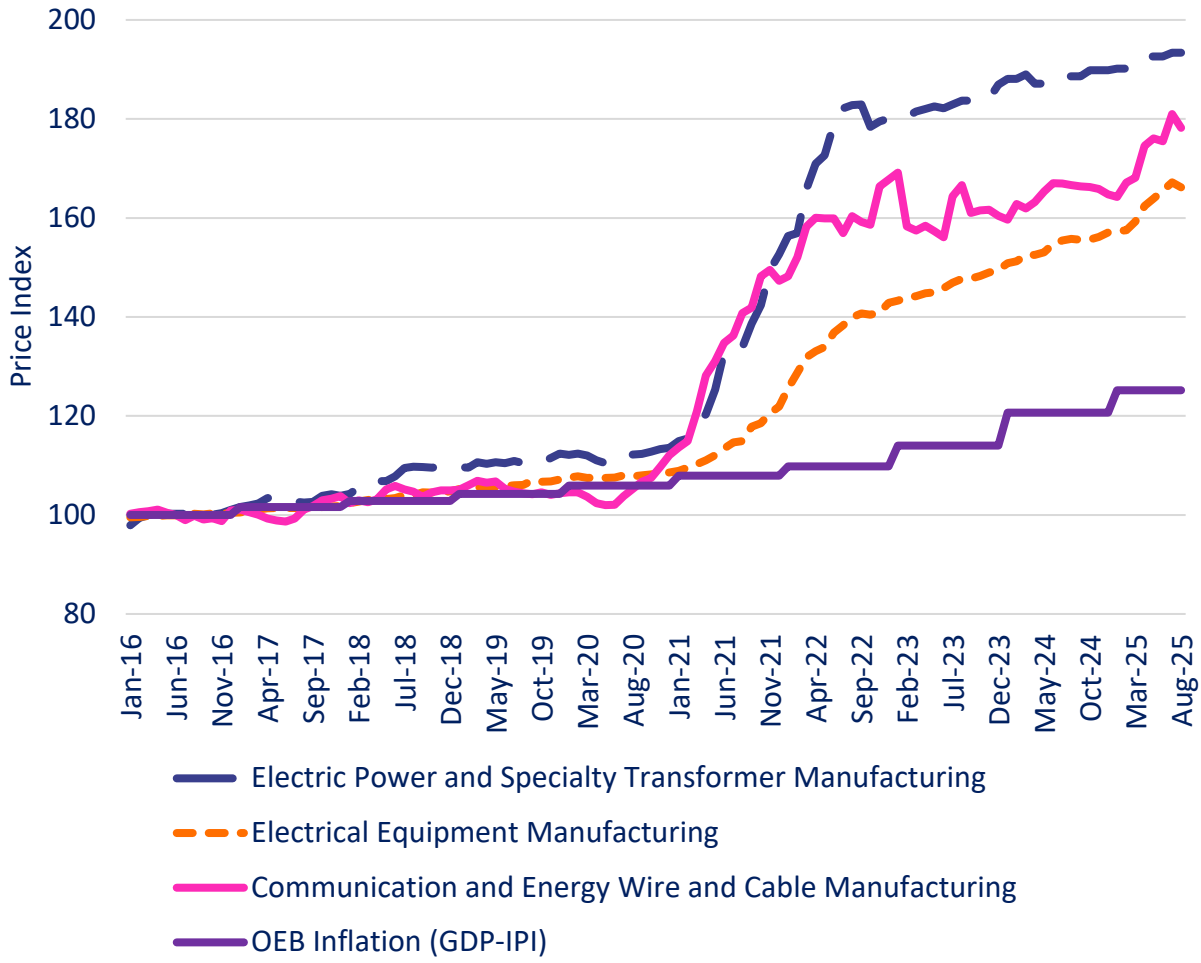


The rate of machinery and equipment inflation has been higher for utilities than among all industries in each year from 2017 to 2025.

3.4 Electrical Manufacturing Price Indices

The price indices of electric equipment manufacturing, electric power and specialty transformer manufacturing, and communication and energy wire and cable manufacturing have increased at a materially higher rate than economy-wide inflation and continues to grow at a high rate, as illustrated by the Federal Reserve Economic Data in Figure 4.

Figure 4: Electrical Equipment Manufacturing Price Indices (2016-2025)



The price index for electric equipment manufacturing in the most recent 12-month period (September 2024 to August 2025) is 5.7% higher than the index over the prior 12 months. The price index for communication and energy wire and cable manufacturing in the last 12 months is available is 4.6% higher than the index over the prior 12 months. The index for electric power and specialty transformer

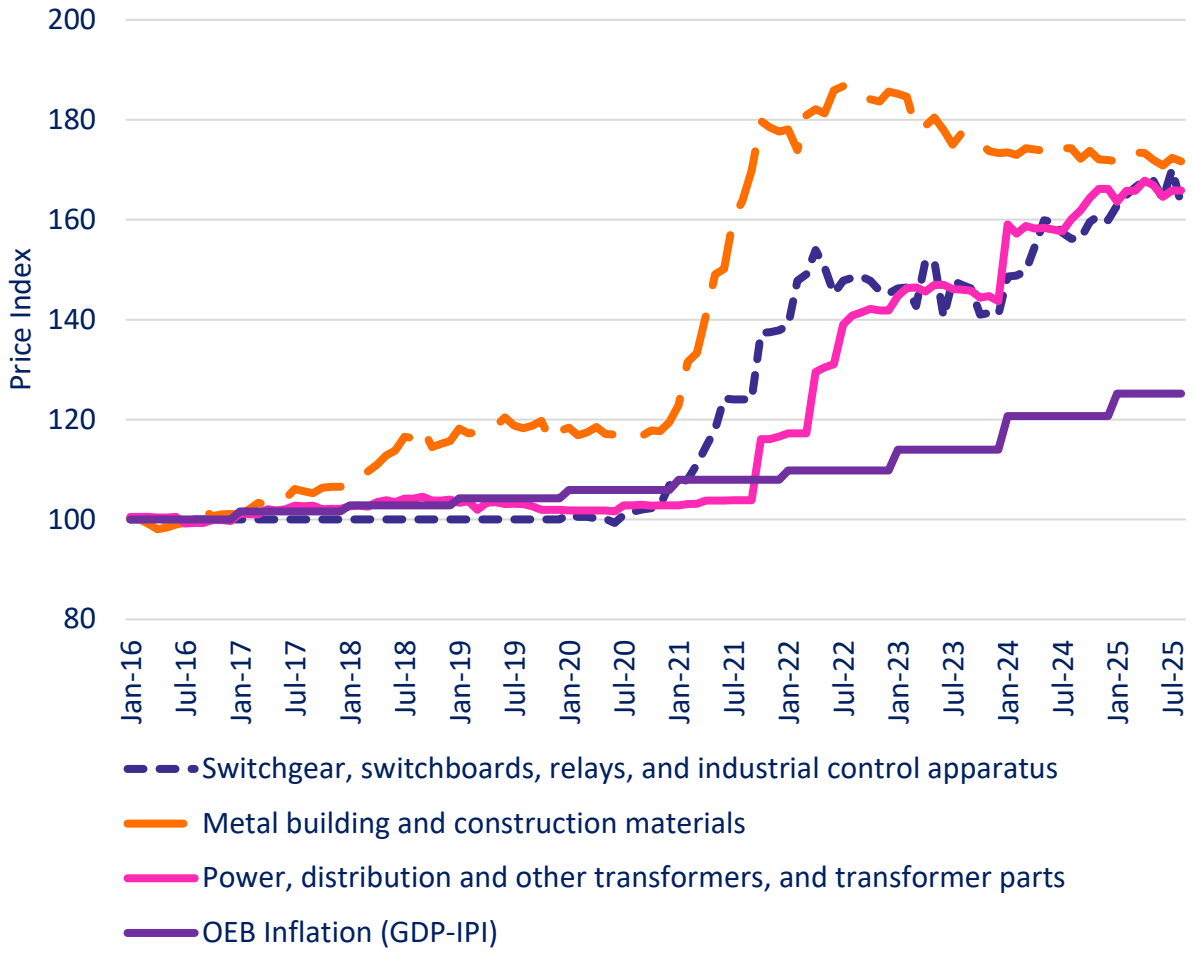
manufacturing has been a lower 2.3% over this period but has the highest overall price increase since 2020 (71.4% total, or 11.4% per year).

In 2020, Elexicon purchased a 15/20/25 MVA transformer for approximately $0.78M from a Canadian manufacturer. In 2024, the same type of 15/20/25 MVA transformer from the same manufacturer was purchased for approximately $1.75M, an increase of 124% over four years. In addition to material costs, the costs to complete substation projects have significantly increased since the last rate period. A substation build project includes the costs for material procurement (e.g., transformer, high voltage switchgear, low voltage switchgear, control building, cable, DC system and protection equipment), electrical design and construction, and civil design and construction. In 2019, Elexicon completed a new single transformer Municipal Substation (MS) for approximately $2.5M, and in 2024 a similar MS was completed for approximately $4.5M. Based on the most recent quotations, the current estimate for a new single transformer MS that will be completed in 2027 is approximately $9.9M.

3.5 Electricity Distribution Product Price Indices

The “Metal building and construction materials”, “Power, distribution and other transformers, and transformer parts” and “Switchgear, switchboards, relays, and industrial control apparatus” price indices from Statistics Canada have increased at a materially higher rate than the overall rate of inflation, as illustrated in Figure 5.

Figure 5: Electricity Distribution Product Price Indices (2016-2025)



The price index for power, distribution and other transformers and transformer parts in the most recent 12-month period (September 2024 to August 2025) is 7.5% higher than the index over the prior 12 months. The price index for switchgear, switchboards, relays, and industrial control apparatus in the last 12 months 8.8% higher than the index over the prior 12 months.

In 2021, Elexicon's price of a single phase dual voltage (13.8kV/27.6kV) 100 kVA padmount transformer was $3.38k from a Canadian manufacturer, which is approved standard equipment and widely used on the Elexicon distribution system. In 2024, the same padmount transformer cost was approximately $6.62k, which represents a 96% increase. Similarly, the cost of a three-phase dual voltage (13.8kV/27.6kV) 300

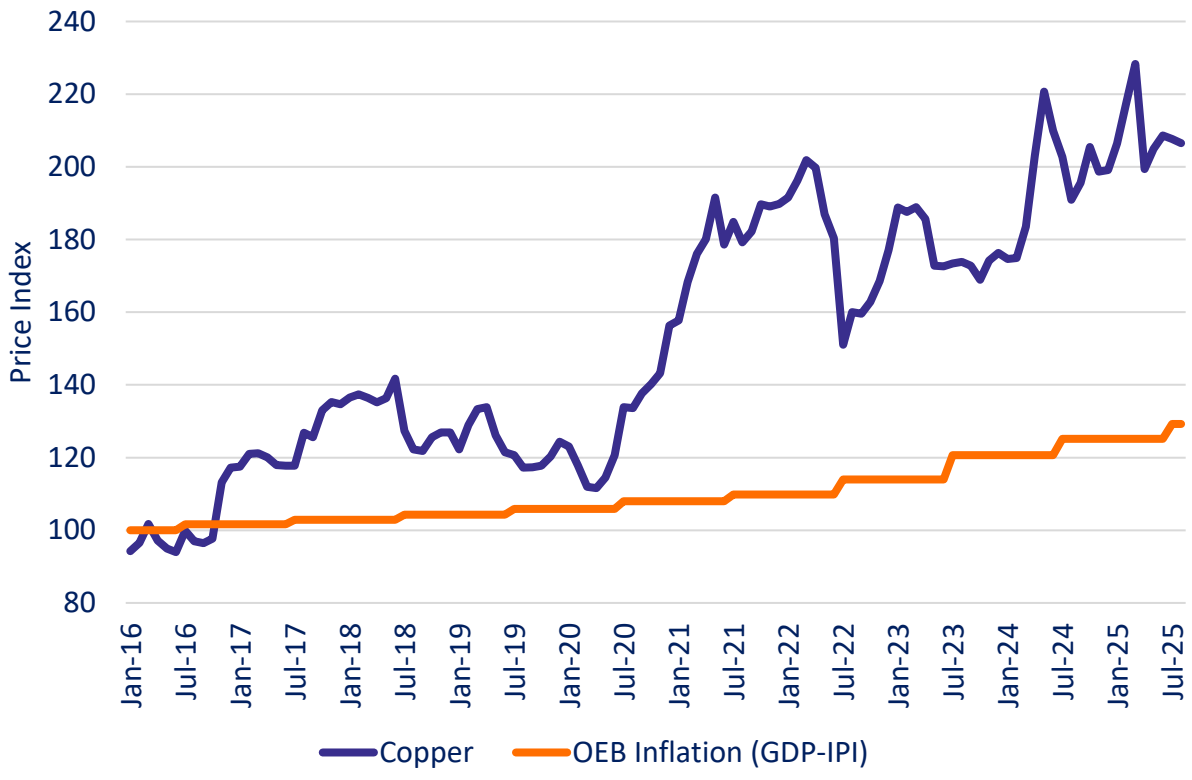
kVA padmount transformer in 2021 was approximately $6.09k. The same rated transformer was purchased for approximately $12.91k in 2024, representing a 112% increase. This cost reflects only the material price increase for a system renewal project, which involves a like-for-like replacement of an asset due to deteriorating age or condition, excluding labour and civil costs.

3.6 Commodities

Inflation of the costs incurred by Elexicon and other electricity distributors is partly caused by the increase of input costs. These supply-side impacts cause additional inflationary pressures on top of the pressures caused by increased demand. This section demonstrates that many of the commodities used in producing distribution equipment have increased more than the OEB inflation factor.

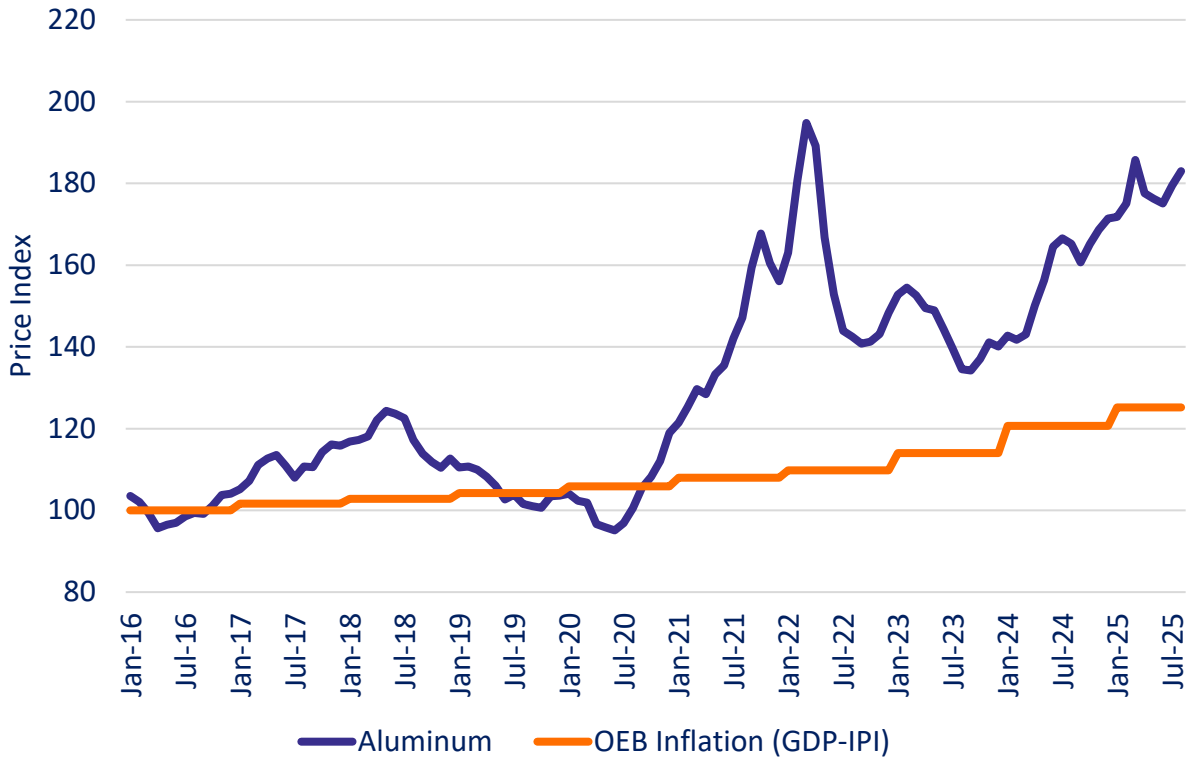
3.6.1 Copper

Figure 6: Copper Price Trend (2016-2025)



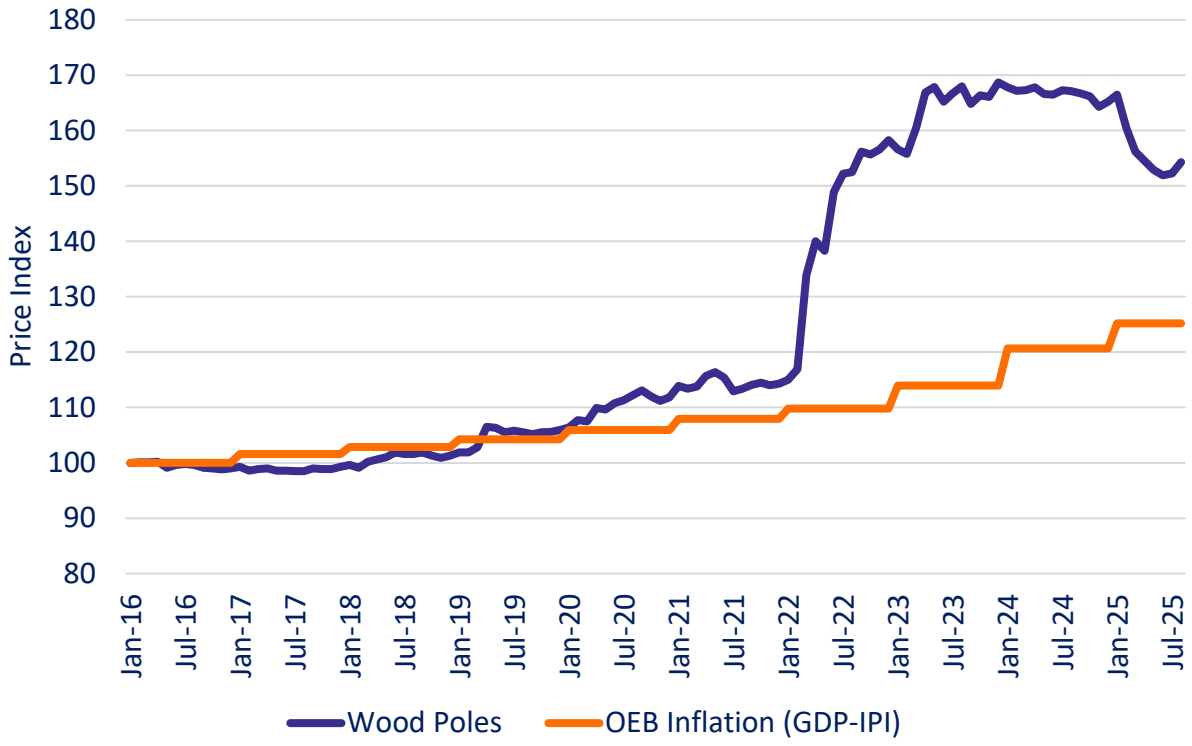
3.6.2 Aluminum

Figure 7: Aluminum Price Trend (2016-2025)



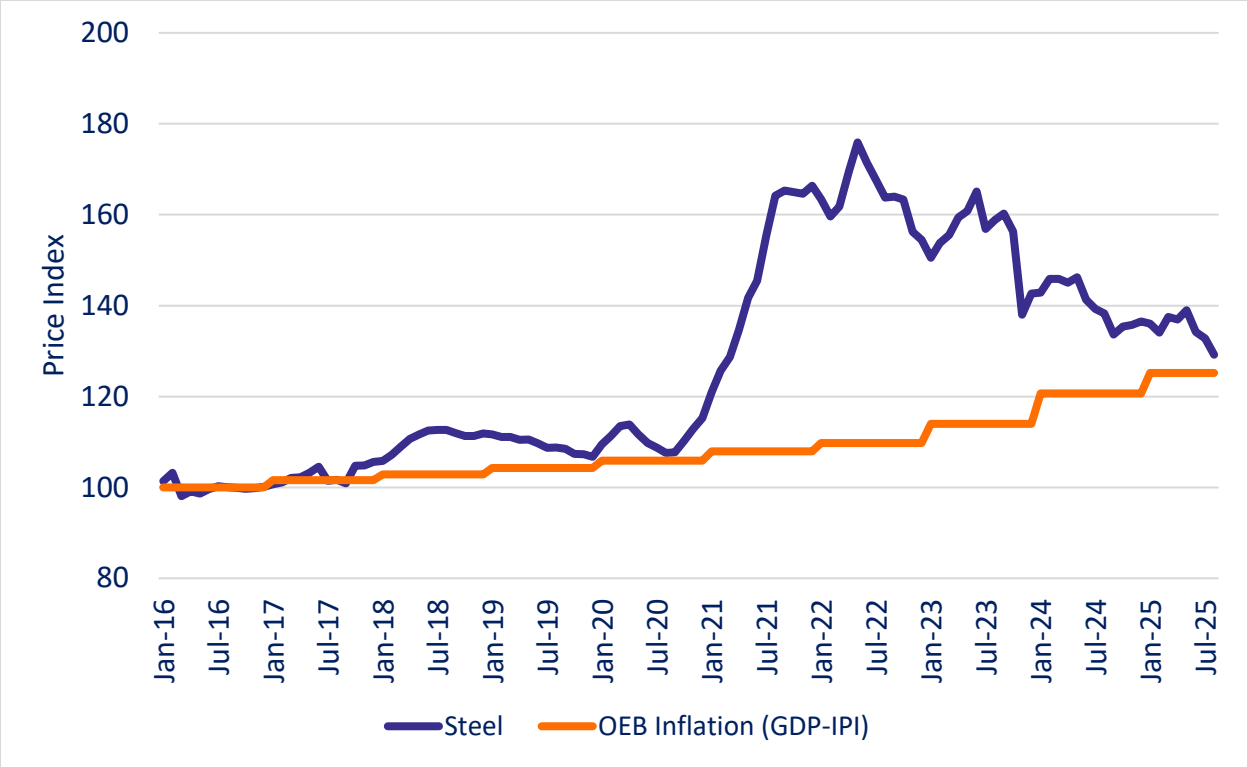
3.6.3 Wood Poles

Figure 8: Wood Poles Price Trend (2016-2025)



3.6.4 Steel

Figure 9: Steel Price Trend (2016-2025)



4. EXTERNAL GENERAL INFLATION FORECASTS

4.1 Electricity Sector Demand

Electricity demand is increasing in worldwide and this has caused increases in the demand for electricity products and services. Electricity consumption increased by 4.3% from 2023 to 2024 and is forecast to increase by 3.9% per year.[3] The IESO forecasts electricity demand in Ontario to increase by 75% by 2050.[4]

A National Renewable Energy Laboratory (NREL) study on transformer demand increases in the United States, attributed the increase to electrification, new customers, increased failures from aging

[3] International Energy Agency, "Electricity 2025", (February 2025), https://www.iea.org/reports/electricity-2025
[4] IESO, "Annual Planning Outlook", (April 2025), https://www.ieso.ca/en/Sector-Participants/Planning-and-Forecasting/Annual-Planning-Outlook

infrastructure, accelerated thermal aging from increased loading, and extreme weather event failures. NREL estimates that the majority of distribution transformers are older than 33 years and approaching their end of life.[5]

Wood Mackenzie indicates that demand for distribution transformers have increased by 41% since 2019 in the United States, and there will be a supply shortage of 10% in 2025. [6]

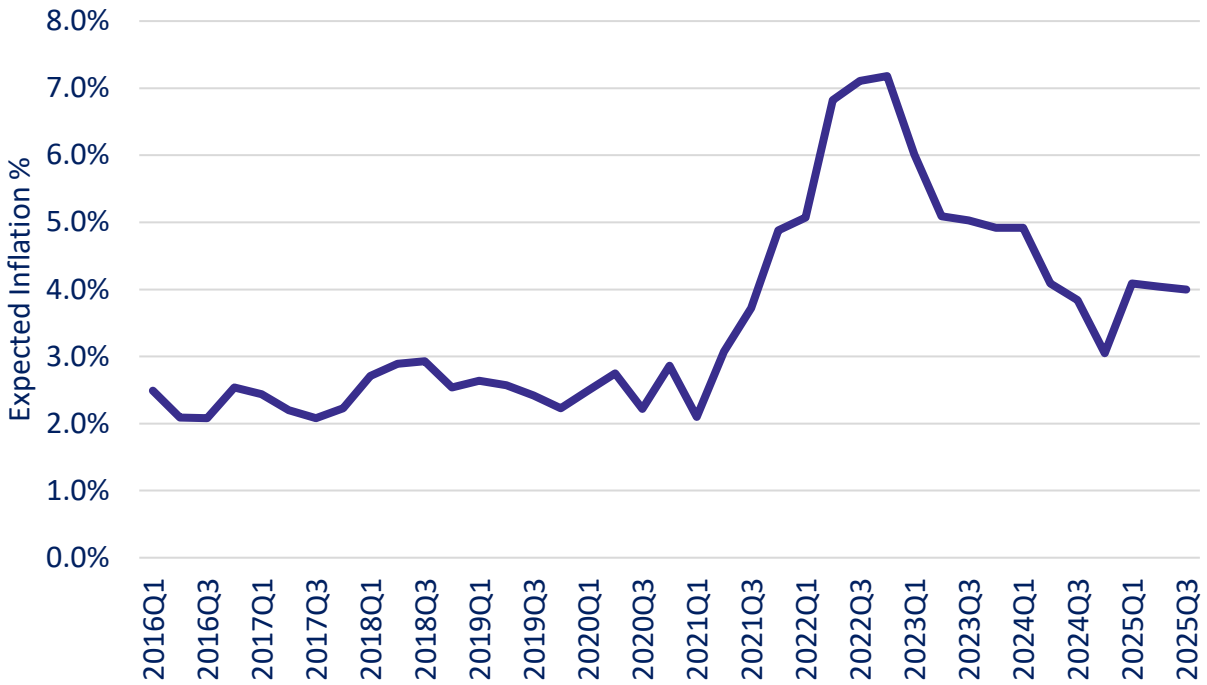
4.2 Inflation Expectations

The Bank of Canada produces quarterly Canadian inflation expectations surveys. Figure 10 provides the survey results for the expected rate of inflation in the following year. After the COVID-19 inflation impacts subsided, expectations have increased to approximately 4.0%.

[5]NREL, "Major Drivers of Long-Term Distribution Transformer Demand", (February 2024) https://docs.nrel.gov/docs/fy24osti/87653.pdf

[6] Wood Mackenzie, "Power transformers and distribution transformers will face supply deficits of 30% and 10% in 2025", (August 2025), https://www.woodmac.com/press-releases/power-transformers-and-distribution-transformers-will-face-supply-deficits-of-30-and-10-in-2025

Figure 10: Canadian Inflation Expectations



5. ELEXICON INFLATION (2020-2025)

5.1 Labour

Labour represents about half of Elexicon's OM&A expense, as well as a portion of its capital expenditures. As demonstrated in Table 4 below, Elexicon's labour costs have increased at a rate higher than 2.0% since 2020. However, the escalation in wages has been lower than the escalation of average weekly earnings in Ontario, the measure used by the OEB in its calculation of the inflation factor.

Table 4: Labour Rate Increases

Year	Union	Non-Union	OEB Labour - AWE
2020	2.00%	2.40%	2.88%
2021	2.10%	2.10%	2.72%
2022	3.25%	2.30%	7.04%
2023	3.00%	4.04%	3.53%
2024	2.30%	4.39%	2.33%
2025	4.00%	3.50%	3.19%
Average	**2.77%**	**3.12%**	**3.60%**

Wages have escalated by an average of 2.77% for unionized workers from 2020 to 2025 and by 3.12% for non-union workers over the same time-period. This escalation is lower than the 3.60% average increase in Ontario average weekly earnings.

5.2 Non-Labour

5.2.1 Frequently Purchased Materials and Equipment

Elexicon's material and equipment costs escalated at a significantly higher rate from 2021 to 2024 than the OEB's inflation factor. The unit prices of specific materials and equipment used by Elexicon in 2021 and 2024 are provided in Tables 5 to 12 below. These costs are based on the average current cost for the year in our inventory management system. The items selected are those with the highest volume purchased by Elexicon and/or the highest extended cost.

Table 5: Materials and Equipment Price Increase Summary

Materials and Equipment	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Hardware/Connectors ($)	58.57	78.70	34.38%	10.35%
Wire & Cable ($)	7.42	24.43	229.24%	48.77%
Wood Poles ($)	1,737.08	2,561.90	47.48%	13.83%
Arresters ($)	83.51	106.69	27.76%	8.51%
Switches ($)	1,316.16	1,780.17	35.25%	10.59%
Switchgear ($)	21,454.73	23,164.36	7.97%	2.59%
Transformers ($)	1,551.52	2,690.48	73.41%	20.14%

Table 6: Hardware and Connectors Price Increases

Hardware/Connectors	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$58.57	$78.70	34.38%	10.35%

- Hardware and Connectors category consists of general hardware used by Elexicon, including Post line insulators, ground plate ConduDiscs, strain guy insulators, and brackets

Table 7: Wire & Cable Price Increases

Wire & Cable	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$7.42	$24.43	229.24%	48.77%

- The Wire and Cable category consists of the most commonly utilized types of Copper, Aluminum, bare, and insulated wire and cable

Table 8: Pole Price Increases

Poles	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$1,737.08	$2,561.90	47.48%	13.83%

- The Pole category consists of the most commonly utilized types of poles across multiple classes, including treated pine and cedar, in heights ranging from 40 feet to 75 feet.

Table 9: Arrester Price Increases

Arresters	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$83.51	$106.69	27.76%	8.51%

- The Arrester category consists of the most commonly utilized types of arresters for distribution and substation use.

Table 10: Switches Price Increases

Switches	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$1,316.16	$1,780.17	35.25%	10.59%

- The Switches category consists of the most commonly utilized types of switches across multiple voltage ratings for distribution use.

Table 11: Switchgear Price Increases

Switchgear	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$21,454.73	$23,164.36	7.97%	3.91%

- The Switchgear category consists of the most commonly utilized types of switchgear for different applications.

Table 12: Transformer Price Increases

Pole-Mounted Transformer	2021 Unit Cost	2024 Unit Cost	2021-2024 Increase	CAGR
Weighted Average	$1,551.52	$2,690.48	73.41%	20.14%

- The Transformer category consists of the most commonly utilized types of transformers in a range of kVA ratings and configurations for distribution use.

5.3 Procurement and Market Dynamics

Elexicon is procuring equipment in an increasingly global marketplace. Demand for electrical distribution products is strong in Canada and the United States, driving greater competition for constrained supplies of transformers and switches.

Specialty equipment manufacturers such as those who supply heavy vehicles also frequently require significant advance notice to procure new equipment. Often the supplier will require a firm commitment on a production schedule position several years prior to the delivery of the equipment, with minimal flexibility to order more later. Procuring key infrastructure components with long lead times, such as substation transformers and switchgear, can take 24 to 36 months, impacting timely project execution. These extended lead times require capital expenditures well in advance of the planned project completion

date. Ordering transformers and other major materials involves inherent pricing risk. Manufacturers generally provide preliminary estimates, but final costs may vary as commodity prices shift during the production cycle. While advanced payments can help reduce this risk, it does not eliminate the possibility of price adjustments.

Wire and cable suppliers that Elexicon deals with have updated their pricing and terms recently. Suppliers are frequently setting prices for their cable based partially on the current market price for the underlying commodities. A price of a reel of cable will fluctuate with the market price of the conductor material – either copper or aluminium. Long term contracts are still useful to manage lead times and avoid surcharges for minimum order quantities, however even contracts with suppliers cannot remove commodity market price risks from the procurement process.

Elexicon has taken several actions to mitigate these risks to our operations. Elexicon has developed strong relationships with our suppliers over decades in order to ensure reliable supply and reduce price uncertainty for critical distribution equipment. These relationships, along with Master Services Agreements (MSAs) provide Elexicon with opportunities for shorter lead times to meet system equipment needs. Elexicon would face potential supply chain uncertainty on both the availability and lead time of distribution equipment, which would have a direct impact on the executability of the capital and maintenance work program.

Elexicon also issues periodic Request for Quotes (RFQs) to suppliers to get price certainty and support capital and OM&A procurement strategies. Elexicon has found that while suppliers are willing to make commitments on lead times, they will hold their pricing only when the manufacturer holds its pricing. Tariffs or commodity inflation will cause price escalation to be passed to distributors, even with pricing agreements. See Exhibit 4 - Tab 3 - Schedule 2 for more information on Elexicon's procurement policy.

Despite engaging in industry best practices such as competitive procurement and longer-term supply contracts to insulate from pricing shocks and guarantee a steady supply of equipment to deliver our capital plans, Elexicon is still exposed to significant procurement and market dynamics uncertainty. Tariff changes more recently have compounded this uncertainty, with suppliers being resistant to providing price

certainty. Other industry peers are in similar situations, contending with the rising costs of utility goods and services in a highly competitive market.

5.4 Large Equipment

5.4.1 Vehicles

Table 12 provides the cost of vehicles purchased by Elexicon in the 2020 to 2025 period. Elexicon did not purchase each type of vehicle in each year so the years the vehicles were purchased are also provided. The annual average increase reflects the compounded average growth rate within the relevant time period.

Table 13: Vehicle Price Increases

Vehicles	Price (Reference Year)	Price (Most Recent Year)	Total Price Increase	CAGR
1/2 Ton ($)	45,448 (2020)	59,410 (2025)	30.7%	5.5%
3/4 Ton ($)	44,859 (2020)	75,912 (2024)	69.2%	14.1%
1 Ton ($)	61,887 (2021)	64,891 (2023)	4.9%	2.4%
Cargo Van ($)	42,861 (2020)	90,309 (2025)	110.7%	16.1%
RBD (Digger) ($)	409,800 (2021)	530,000 (2022)	29.3%	29.3%
Double Bucket ($)	377,043 (2022)	703,620 (2025)	86.6%	23.1%

5.4.2 Station Equipment

Given its capacity constraints and aging substation assets, Elexicon will be investing over $250M, nearly a third of its capital expenditures, in the Substations Growth and Substations Renewal investment programs. As such, the cost of substation equipment is a primary contributing factor to Elexicon's overall investment plan. Substation equipment has experienced a doubling, or higher, of equipment price increases over the historical period. For instance, low voltage switchgear experienced a 145% price increase from 2021 to 2025. Due to the criticality of substation investments, Elexicon was required to embed inflationary assumptions exceeding 2% into the substation related investment programs. Recent purchase orders indicate there is minimal expectation of a decline in stations equipment prices, with a continuing risk of annual increases approaching or exceeding 10% per year. Elexicon has captured its recent equipment purchases in the list below in Table 13.

Table 14: Station Equipment Increases

Station Equipment	Price (Reference Year)	Price (Most Recent Year)	Total Price Increase	CAGR
15/20/25 MVA Transformer ($)	782,407 (2020)	1,750,167 (2024)	123.7%	22.3%
LV Switchgear ($)	50,684 (2021)	124,321 (2025)	145.3%	25.1%
HV Switchgear ($)	126,979 (2020)	257,600 (2025)	102.9%	19.3%
1000MCM 28kV Cable ($)	73.42 (2020)	176.58 (2025)	140.5%	24.5%
750MCM 46kV Cable ($)	81.81 (2020)	212.00 (2025)	159.1%	26.9%

5.4.3 Outside Services

The cost of outside services procured by Elexicon has outpaced OEB inflation parameters in the 2020 to 2026 period, which Elexicon anticipates to continue on an annual basis as the need for experienced skills-trades in construction, and specifically power systems and related construction trades becomes tighter as utilities are reckoning with aging infrastructure and capacity constraints similar to Elexicon. See Table 15 below for examples of contractor increases for 2025 and 2026. Larger LDCs in Ontario rely on a relatively small number of key vendors to supplement their capital programs and provide flexibility in intermittent demand for construction services. This competitive market for qualified and high-performing contractors is expected to contribute to cost pressures. Although costs for external vendors remains competitive through MSAs and competitive bidding, through the implementation of improved procurement and work management software (i.e. the Dx NEXT SAP ERP implementation), Elexicon will be better positioned to evaluate long term needs, build more detailed vendor agreements and secure more favourable agreements with critical external partners.

Table 15: Outside Services Average Price Increases (2020-2026)

	Increase From 2024 to 2025	Increase from 2025 to 2026
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]

Table 16 provides the price increase examples of OM&A expenses that have materially outpaced the OEB's inflation parameters over the 2020 to 2025 period.

Table 16: Select OM&A Price Increases (2020-2025)[7]

	2020	2021	2022	2023	2024	2025
Locates (Gravenhurst)	NA	NA	70% to 162%	2.00%	2.50%	NA
Locates (GTA)	NA	NA	30% to 107%	4.00%	4.00%	NA
Locates (Eastern)	NA	NA	34% to 113%	4.00%	4.00%	NA
Ontario One-Call Fees	7.00%	2.00%	2.90%	NA	20.00%	20.00%
Postage	4.61%	6.59%	0.07%	9.82%	10.78%	25.50%
Insurance	NA	15.00%	14.80%	-3.10%	21.30%	12.80%

6. INFLATION IN ELEXICON'S 2027-2031 RATE APPLICATION

6.1 Labour

Elexicon is forecasting a decline in labour escalation rates through the rate period. A summary of forecast labour escalation rates is provided in Table 17. Elexicon's current collective agreement expires June 30, 2029, and its assumptions for labour escalation in the next collective agreement are confidential.

Table 17: Labour Escalation

	2026	2027	2028	2029	2030	2031
Management	4.50%	3.50%	3.50%	3.50%	2.50%	2.00%
Non-Management, Non-Union	4.50%	3.50%	3.50%	3.50%	2.50%	2.00%
Unionized	4.00%	3.25%	3.00%	[Redacted]		

6.2 Capital

Elexicon has forecasted the cost of capital expenditures at the program level. The weighted average inflation rate applied to capital expenditures is summarized in 18.

Table 18: Capital Inflation

	2027	2028	2029	2030	2031
Weighted Average Inflation Rate	3.90%	4.65%	4.84%	4.79%	5.18%

[7] NA means no data available for that year.

Although inflation assumptions vary based on the nature of the DSP program, the same rate of inflation is used in each year of the plan. The weighted average reflects the change in the relative gross capital expenditures in each year.

6.3 Other OM&A

Other OM&A expenses are forecast based on expense-specific inflation assumptions or general inflation factors if specific assumptions have not been applied. In general, non-labour OM&A is forecast to increase by 3.7% in 2026, aligned with the OEB's 2026 inflation factor, and is forecast to increase by 2.0% per year throughout the rate period.

Table 19: Non-Labour OM&A Inflation Assumptions

	2026	2027	2028	2029	2030	2031
Purchases	3.7%	2.0%	2.0%	2.0%	2.0%	2.0%
Subcontracts	3.7%	2.0%	2.0%	2.0%	2.0%	2.0%

7. INFLATION SUMMARY

Inflation in the electricity distribution sector has been materially higher than inflation in the broader Canadian economy and the OEB's inflation calculation. Supply chain constraints and increases in demand for electricity have caused increased demand for electricity distribution related commodities, labour, products, and equipment and corresponding increases in the costs of those items.

Over the historic period, Elexicon's realized inflation for both OM&A and capital expenditures has greatly exceeded the OEB's inflation parameters for reasons outside of its control. As demonstrated in Section 3, the commodities and products used in the electricity distribution industry have increased at a higher rate than the broader economy and continue to increase despite a reduction in inflation on the overall economy.

Elexicon has budgeted its 2027 to 2031 OM&A and capital expenditures using conservative, but reasonable, inflation assumptions given its recent experience and price trends relevant to the electricity distribution sector. Inflation in the electricity sector has been higher than the broader economy for a sustained period and – given the many factors that will continue to increase the demand for electricity-specific goods and services – is likely to continue for the foreseeable future. Inflationary assumptions are

between 3.90% and 5.18% per year for capital expenditures, which reflects an expectation that materials and external labour costs are expected to escalate greater than 2% per year, and for certain types of equipment greater than 5% per year over the forecast period.

BENCHMARKING ANALYSIS

1. OVERVIEW

Benchmarking is a key component of the OEB's Renewed Regulatory Framework (RRF) performance measurement toolkit. In the RRF Report[1], the OEB determined that "[e]xpanded use of benchmarking will be necessary to support the Board's renewed regulatory framework policies." The Handbook for Utility Rate Applications further reinforces the OEB's expectation requiring utilities to provide benchmarking analyses that support proposed plans and programs and demonstrate continuous improvement.[2]

Elexicon's cost efficiency was reviewed and assessed by Clearspring using total cost econometric benchmarking, filed as Exhibit 1 - Tab 5 - Schedule 1, Appendix A (the "Clearspring Report"). Clearspring's findings indicate Elexicon continues to be a cost-efficient utility with forecast costs expected to be below benchmark by an average of 13.9% over the Custom IR period.

To supplement the total cost benchmarking provided, Elexicon has compared its performance over time against the Ontario average and a customer peer group of Ontario electricity distributors, using OEB open-source data.[3]

The benchmarking evidence provided in this section comprises of Elexicon specific metrics ("Supplemental Industry Metrics"), and Activity and Program-Based Benchmarking (APB). This benchmarking is intended to inform the Board about Elexicon's operational effectiveness and performance trends and efficiency relative to peers, supporting its assessment of the utility's proposed capital and operational plans.

In producing this schedule, Elexicon has identified several characteristics that make its service territory unique amongst Ontario local distribution companies. The findings from these analyses underscore the outcomes of Elexicon's investment planning process, validating its spending plan and the proposed

[1] Ontario Energy Board, "Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach", (October 18, 2012).
[2] Ontario Energy Board, "OEB Handbook for Utility Rate Applications", (October 13, 2016).
[3] Elexicon developed benchmarking from RRR data and selected a peer group with relatively comparable customer size: Alectra Utilities Corporation, Burlington Hydro Inc., ENWIN Utilities Ltd., Elexicon Energy Inc., Enova Power Corp., GrandBridge Energy Inc., Hydro Ottawa Limited, London Hydro Inc., Oakville Hydro Electricity Distribution Inc., Toronto Hydro-Electric System Limited.

performance baselines as well as reinforcing the reasonableness of the level of funding sought in this application.

The benchmarking results affirm the reasonableness of the projected staffing increases, capital investments, and OM&A expenses for the 2026-2031 period. As part of its productivity and good utility management, Elexicon plans to continually assess benchmarking results during the rate term as a key tool in its performance management processes. The following sections detail Elexicon's cost performance relative to its customer peer group.

2. ELEXICON'S DISTINCT OPERATING CHARACTERISTICS

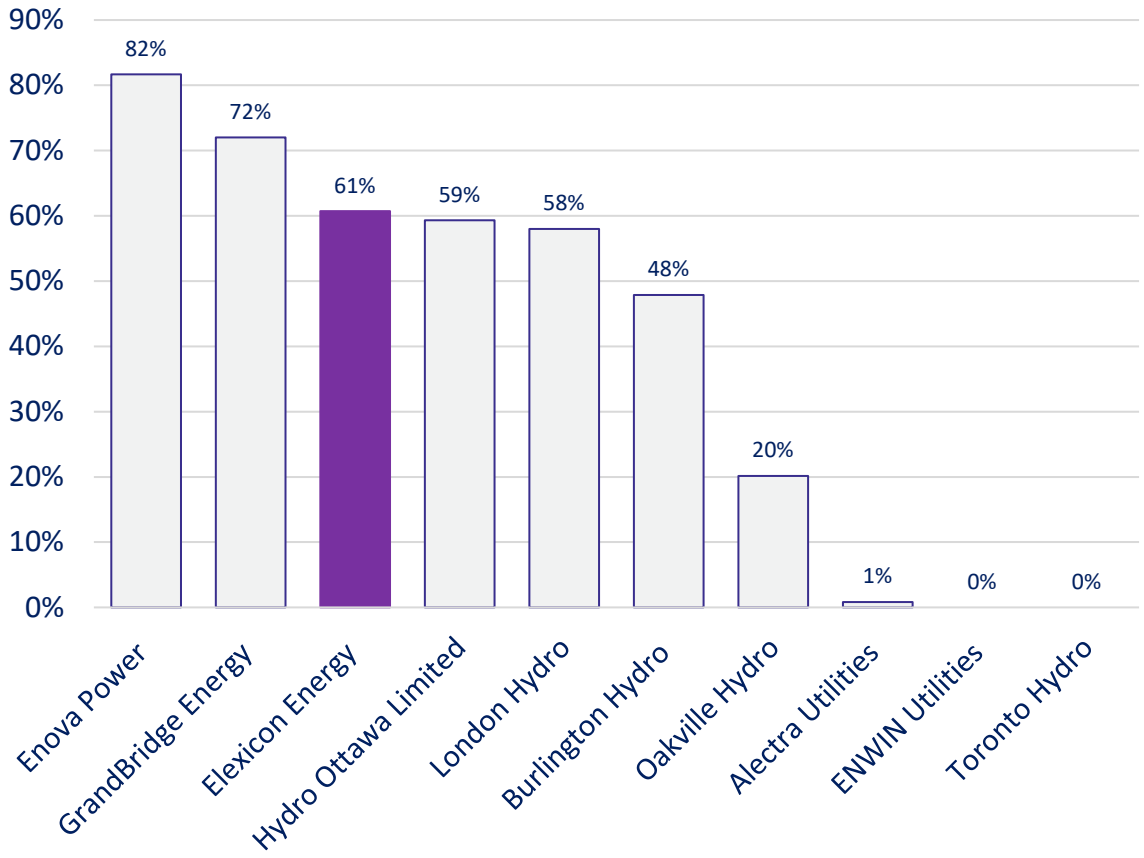
Elexicon, formed in 2019, has some acute challenges relative to other Ontario electricity distributors due to its operational characteristics. Although benchmarking to distributors with a comparable number of customers is a helpful exercise in understanding cost trends, Elexicon's service territory has characteristics which create challenges and cost pressures that are more pronounced than other LDCs in the customer peer group[4]. The business conditions that differ materially from other utilities include: density and geography, and customer growth trends and projections.

2.1 Mix of Urban and Rural Area Coverage

Elexicon serves a large and geographically dispersed customer base across its service territory. Its customer mix comprises of a large number of rural customers compared to many of its peers. As per the 2024 RRR statistics, approximately 61% of Elexicon's service area is rural, the third highest among its customer peer group, as shown in Figure 1. Rural distribution networks often require increased costs for system maintenance, vegetation management, and storm response. The balance of Elexicon's service territory is suburban and urban, which continues to grow and densify impacting system needs due to electrification, commercial and industrial capacity, and reliability needs.

[4] Composition of the customer peer group is defined in Section 2 of this Exhibit.

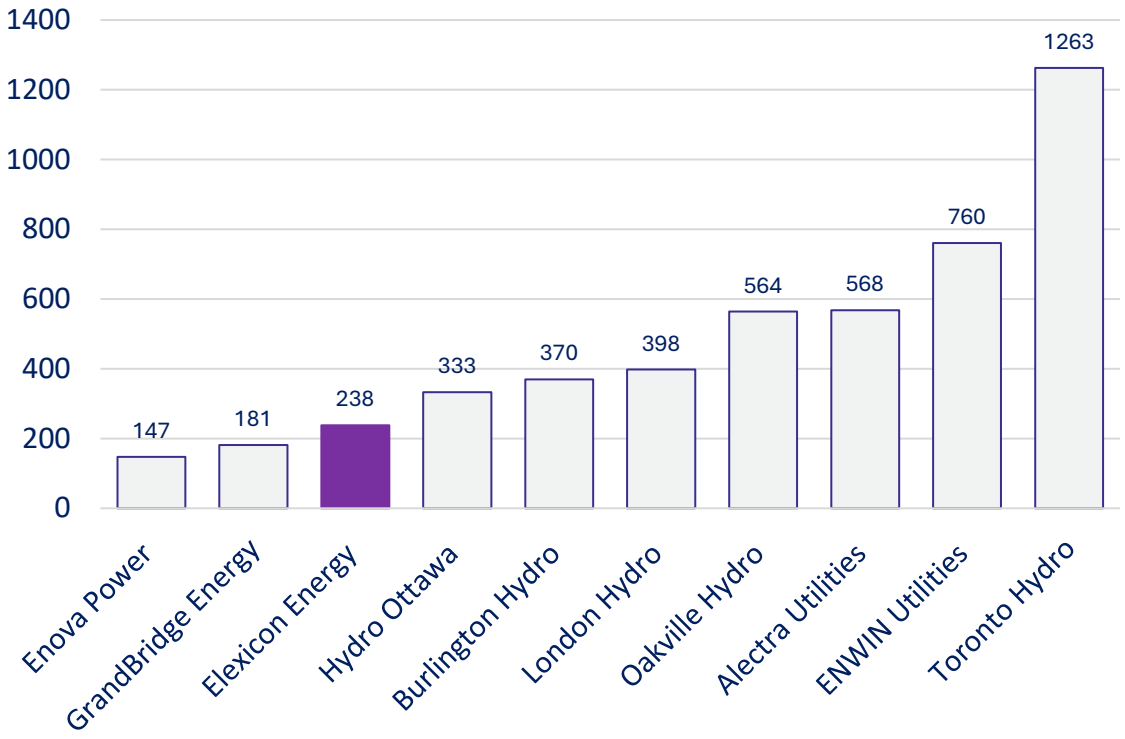
Figure 1: Elexicon vs. Peer Group Rural Service Area (2024)



2.2 Large Non-Contiguous Service Territory and Low Customer Density

Elexicon's service territories are anchored by the dense areas of Whitby, Pickering, and Ajax, coupled with pockets of suburban and rural territories such as Gravenhurst, Scugog, and Clarington, as well as a customer base in Belleville with significant commercial and industrial customers. As per the 2024 RRR data set, Elexicon's customer density, measured as total customers per total service area in square kilometres, is 238 customers per km^2, well below the customer peer group average of 509 customers per km^2, and represents the third-lowest density amongst its peers, as seen in Figure 2.

Figure 2: Elexicon vs. Peer Group Customers per Total Service Area (2024)



Elexicon's large service territory is also non-contiguous, which significantly impacts operations in general and OM&A costs in particular. For example, crews spend more time traveling to remote sites for emergency restoration and maintenance. Notwithstanding these geographic challenges, Elexicon maintains a centralized operational footprint in the Durham region, which provides efficiencies such as consolidated dispatching and shared inventory management. Critically, centralizing operations in Ajax and Whitby also eliminates the need for duplicative administrative staff stationed throughout the service territory. While geography drives certain costs, this centralized model allows Elexicon to operate with and pay for fewer facilities, reducing overhead compared to a decentralized approach.

2.3 Fastest Growing Large Electricity Distributor

Elexicon has the fourth-largest customer base within its customer peer group in 2024, as shown in Figure 3. It serves both fast-growing suburban communities and already-established rural areas. Over the past five years (2020-2024), Elexicon's customer base has grown by 5.6%, with a compound annual growth rate (CAGR) of 1.4%, compared to the province's 3.4% and 0.8% CAGR, respectively, as seen in

Figure 4 below. The dual pressures of growth-related investment and rural infrastructure maintenance are not common to all LDCs in the customer peer group.

Figure 3: Elexicon vs. Peer Group: Total Customers (2024)

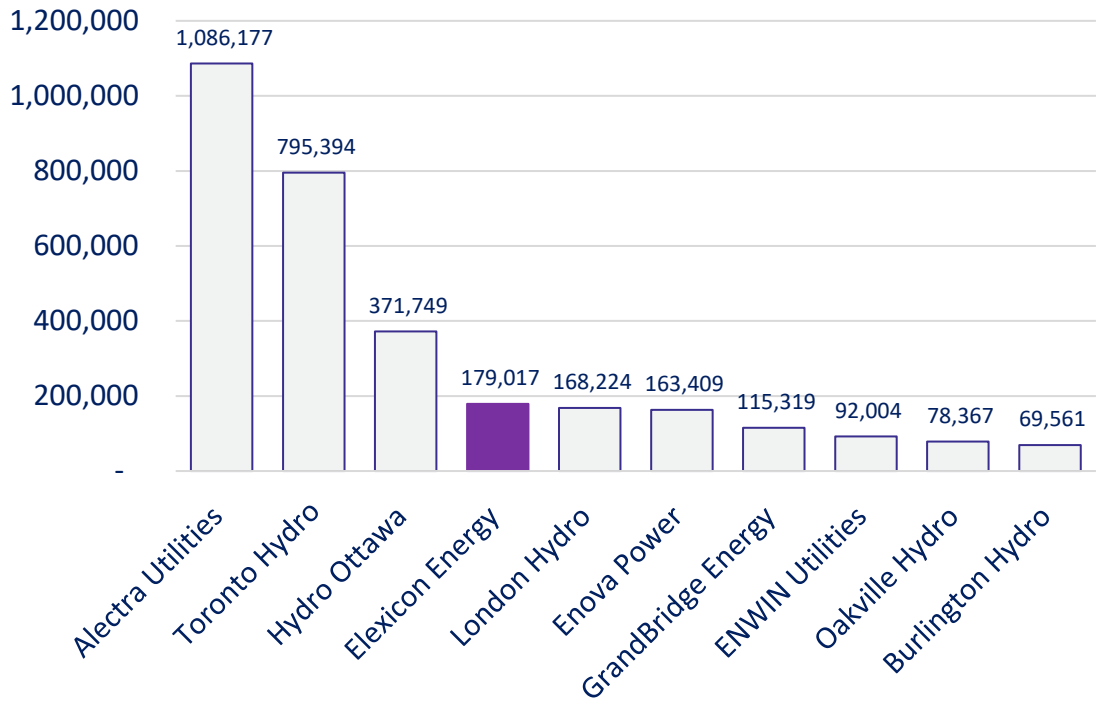
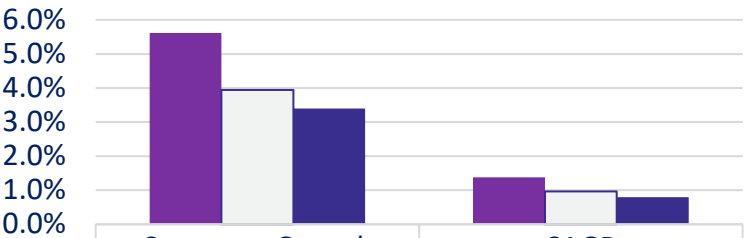


Figure 4: Elexicon vs. Ontario Average: Customer Growth (2020-2024)



	Customer Growth	CAGR
Elexicon Energy	5.6%	1.4%
Peer Group Average	3.9%	1.0%
Ontario Average	3.4%	0.8%

The above business conditions pose distinct challenges for delivering safe, reliable power, at a time where demand for infrastructure growth is paired with an urgent need to renew aging assets across

its system. Despite such challenges, the econometric benchmarking results indicate Elexicon is a good cost performer relative to its peers as detailed in the Clearspring Report in Exhibit 1 - Tab 5 - Schedule 1.

3. BENCHMARKING METRICS & PEER GROUP SELECTION

Elexicon leveraged the OEB's open-source data to assess its workforce size and cost structures. As noted, it constructed a peer group to undertake benchmarking analysis in order to assess its position relative to larger sized utilities in terms of customers served, rather than looking solely at the Ontario average. Utilities with larger customer size were grouped together under the assumption that serving a comparable number of customers may drive similar operational challenges and economies of scale. The customer count data is also readily available across all electricity utilities and has historically been used for cost benchmarking analysis.

Table 1 outlines the Ontario electricity distributors selected for Elexicon's customer peer group[5].

Table 1: Benchmarking Peer Groups

Source	Criteria	Distributors	Customers (2024)
2024 RRR Data Inventory	**Customer**	Alectra Utilities Corporation	1,086,177
		Burlington Hydro Inc.	69,561
		ENWIN Utilities Ltd.	92,004
		Elexicon Energy Inc.	179,017
		Enova Power Corp.	163,409
		GrandBridge Energy Inc.	115,319
		Hydro Ottawa Limited	371,749
		London Hydro Inc.	168,224
		Oakville Hydro Electricity Distribution Inc.	78,367
		Toronto Hydro-Electric System Limited	795,394

The customer peer group is a reasonable comparator for a utility of Elexicon's scale. Despite the acute challenges facing Elexicon, it has consistently demonstrated efficiency in its operations relative to the peer group.

[5] Elexicon remains excluded from the calculation of peer group average.

4. SUMMARY OF BENCHMARKING FINDINGS

Elexicon's benchmarking analysis comprised of evaluating industry standard metrics and those metrics that are specific to its business conditions. Elexicon evaluated its performance against the peer group using two categories of metrics: Supplemental Industry Metrics and Activity and Program-Based Metrics.

Table 2 below summarizes Elexicon's performance relative to averages of both its respective peer group, outlined in Table 1, and the Ontario average (i.e. average of all electricity customers in Ontario). In this table:

- Below Average indicates that Elexicon's result was lower than the peer group and/or Ontario averages, reflecting a favourable performance.
- Above Average indicates that Elexicon's result was higher than the peer group and/or Ontario averages, reflecting an unfavourable performance[6].

Table 2: Summary Table of Benchmarking Results

Benchmarking	Metric	Performance	
		Peer Group	Ontario Average
Supplemental Industry	Customer Growth (5-year)	Above Average	Above Average
	Customer Growth (CAGR)	Above Average	Above Average
	CAPEX per Customer	Below Average	Below Average
	OM&A per Customer	Below Average	Below Average
	OM&A per CAPEX	Below Average	Below Average
	FTE per 1000 customers	Below Average	Below Average
	FTE per 1 Million of CAPEX	Above Average	Below Average
Activity and Program-Based	Billing O&M	Above Average	Below Average
	Metering O&M	Below Average	Below Average
	Vegetation Management O&M	Below Average	Below Average
	Distribution System (Lines) O&M	Below Average	Below Average
	Stations O&M[7]	Below Average	Below Average
	Poles, Towers and Fixtures O&M	Below Average	Below Average
	Stations CAPEX[8]	Above Average	Below Average
	Poles, Towers and Fixtures CAPEX	Above Average	Above Average
	Line Transformers CAPEX	Below Average	Above Average
	Meters CAPEX	Below Average	Below Average

[6] An exception applies to the Customer Growth metric, where "above average" denotes a higher-than-average increase in customer count relative to its comparators.
[7] Data unavailable: Enwin and Grandbridge.
[8] Data unavailable: Enwin and Grandbridge.

5. SUPPLEMENTAL INDUSTRY BENCHMARKING

To expand on the OEB's RRF benchmarking approach, Elexicon opted to include its own custom supplemental benchmarking using data from the OEB's annual Reporting and Record Keeping Requirements (RRRs) process. The supplemental benchmarking focuses on utility-level metrics and compares Elexicon to selected Ontario distributors in four areas: customer growth, labour force, OM&A, and capital expenditure ("CAPEX") performance.

Table 3 below shows the relative customer growth of Elexicon to Ontario utilities over 2020-2024.

Table 3: Summary Table of Customer Growth 2020-2024

Metric	Elexicon Average	Ontario Average	Performance
			Ontario Average
Customer Growth (5-year)	5.6%	3.4%	Above Average
Customer Growth (CAGR)	1.4%	0.8%	Above Average

Table 4 provides a summary of Elexicon's position relative to its peer group and Ontario average, showing the cumulative performance for the period 2020-2024.

Table 4: Summary Table of Supplemental Benchmarking Results (Cumulative 2020-2024)

Metric	Elexicon Average	Peer Group Average	Ontario Average	Performance	
				Peer Group	Ontario Average
CAPEX per Customer ($)	228	282	240	Below Average	Below Average
OM&A per Customer ($)	273	295	367	Below Average	Below Average
OM&A per CAPEX ($)	1.22	1.24	2.25	Below Average	Below Average
FTE per 1000 customers	1.51	1.55	1.88	Below Average	Below Average
FTE per $1M of CAPEX	6.78	6.52	10.74	Above Average	Below Average

Overall, Elexicon outperformed the peer group in four of the five metrics, demonstrating effective cost control and operational efficiency. Moreover, Elexicon's performance was favourable relative to the Ontario average across all six metrics, further highlighting the utility's strong performance relative to the broader sector.

The summary of the analysis, along with drivers for the above-average results, is provided below.

5.1 Customer and Capital Expenditure Benchmarking

5.1.1 Customer Growth

The customer growth metric is calculated using two approaches: (i) 5-year overall growth in customer count, and (ii) 5-year compound annual growth rate (CAGR). These metrics measure the rate at which a utility's customer base expands over time, providing insight into anticipated system growth, future demand trends, and planning requirements necessary to sustain service quality.

Between 2020 and 2024, Elexicon has been one of the fastest growing utilities in Ontario experiencing above-average customer growth relative to both its peer group, as seen in Table 5. Over the past five years, Elexicon's customer base has grown by 5.6%, with a CAGR of 1.4%. In contrast, the peer group experienced a 3.9% increase in customers with a CAGR of 1.0% CAGR over the same period.

Despite these pressures, Elexicon has managed operational and capital challenges over this time period. As described in Exhibit 3, Elexicon's customer base is expected to expand further with average customer growth anticipated to be 1.9% per year. This rate of growth would be the highest rate of growth experienced by an any other utility in the peer group or in Ontario.

Table 5: Elexicon vs. Peer Group Customer Growth (2020-2024)

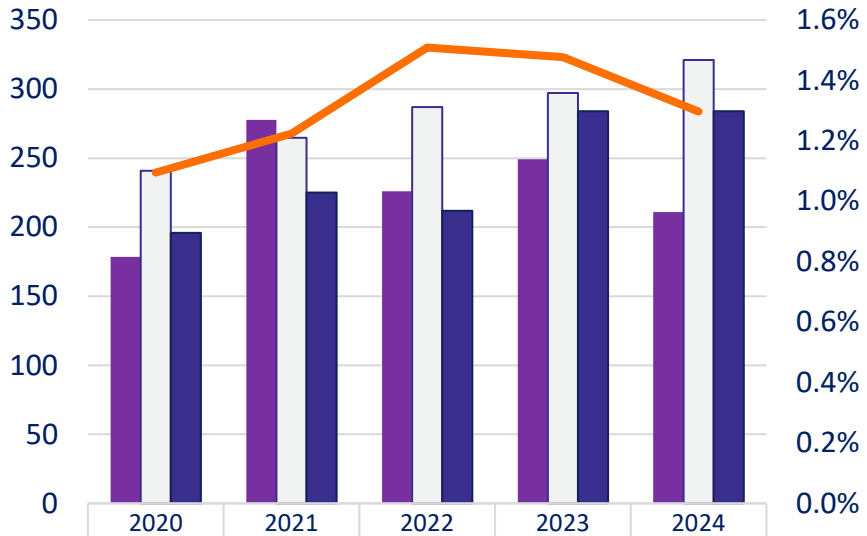
Year (2020-2024)	Elexicon Energy	Alectra Utilities Corporation	Burlington Hydro	Enova Power	ENWIN Utilities	GrandBridge Energy	Hydro Ottawa Limited	London Hydro	Oakville Hydro	Toronto Hydro	Peer Group Average
Customer Growth	5.6%	2.3%	1.4%	3.8%	2.1%	6.8%	7.3%	3.8%	5.9%	2.1%	3.9%
CAGR	1.4%	0.6%	0.4%	0.9%	0.5%	1.7%	1.8%	0.9%	1.4%	0.5%	1.0%

5.1.2 Capital Expenditure per Customer

The capital expenditure (CAPEX) per customer metric is sum of capital expenditures (RRR s.2.1.5.2) divided by the total customer count (RRR s.2.1.2) as reported in the OEB's open-source data. As this measure of the level of capital investment is not inclusive of OEB-approved utility Incremental Capital Module ("ICM") amounts allocated per customer, Elexicon acknowledges that this methodology can pose limitations in making comparisons to its peers. However, Elexicon notes that the majority of utilities in the customer peer group are either not eligible for ICM funding due to operating under a Custom IR framework or, have not made ICM filings over the 2020-2024 period.

Between 2020 and 2024, Elexicon's CAPEX per customer remained below its peer group average in all years except 2021, and consistently below the Ontario average in all years except 2021 and 2022 (See Figure 5). The temporary increase in 2021 and 2022 was primarily attributable to the resumption of capital projects deferred during the COVID-19 pandemic, reactive spending in 2022 related to major weather, combined with infrastructure investments to address system growth pressures. Overall, Elexicon has managed its capital investments over this time period to meet non-discretionary service needs. Despite investing capital at levels higher than what is funded through rates, Elexicon's CAPEX/customer metrics were still lower than the peer group and Ontario average reflecting the financial constants and underfunding available for planned investments, specifically those related to renewal and capacity. To reasonably assess CAPEX/customer, Elexicon has layered in customer growth rate average into this metric, to demonstrate the pressures of non-discretionary capital spending during this time period.

Figure 5: Elexicon vs. Ontario and Peer Group CAPEX per Customer with Elexicon's Customer Growth (2020-2024)



	2020	2021	2022	2023	2024
Elexicon Energy	179	278	226	249	211
Peer Group Average	241	265	287	297	321
Ontario Average	196	225	212	284	284
Customer Growth- Elexicon	1.1%	1.2%	1.5%	1.5%	1.3%

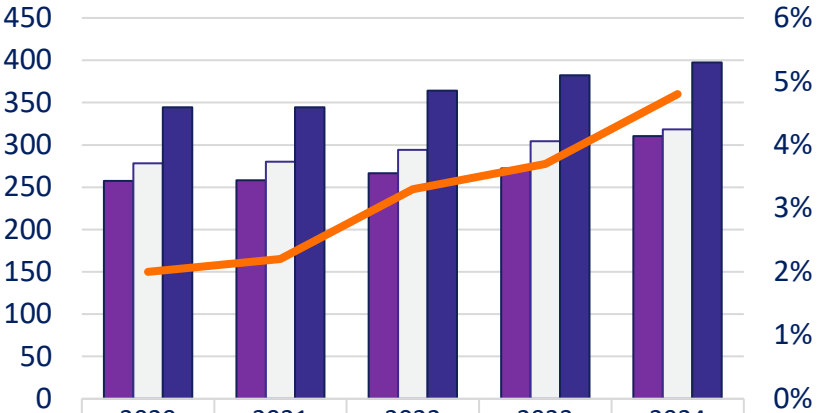
5.2 Operations, Maintenance, And Administrative (OM&A) Cost Benchmarking

5.2.1 OM&A Costs Per Customer

The operations, maintenance, and administrative (OM&A) costs per customer is the sum of OM&A expenses (RRR s.2.1.7) divided by the total customer count (RRR 2.1.2) as reported in the OEB's open-source data. This metric measures the utility's cost efficiency in operating its network to serve its customers.

Elexicon's OM&A per customer modestly increased between 2020 and 2024. The increase matched the Ontario and peer group increases over time, indicating broader macroeconomic pressures being a driver of increases to all utility costs. Despite the cost pressures, Elexicon's five-year average remained below its Ontario and peer group averages, demonstrating that Elexicon managed its operations efficiently relative to peers. Elexicon's growth in OM&A per customer roughly aligns with the sector's inflationary trend, indicating that cost increases were consistent with overall economic conditions rather than specific operational inefficiencies. See Figure 6 below for details.

Figure 6: Elexicon vs. Ontario and Peer Group OM&A Costs Per Customer with OEB Inflation (2020-2024)



	2020	2021	2022	2023	2024
Elexicon	258	258	266	272	310
Peer Group Avg.	278	280	294	304	318
Ontario Average	344	345	364	382	397
OEB Inflation	2.00%	2.20%	3.30%	3.70%	4.80%

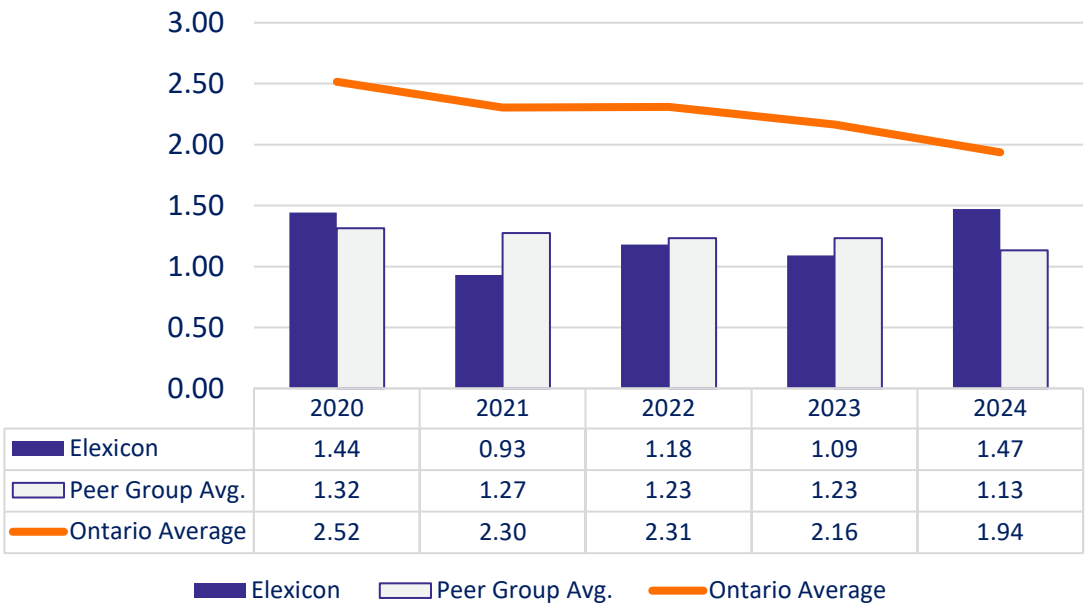
5.2.2 Operations, Maintenance, and Administrative Cost per Capital Expenditure

The Operations, Maintenance, and Administrative (OM&A) cost per dollar of capital expenditure (CAPEX) is the sum of OM&A expenses (RRR s.2.1.7) divided by the capital expenditure (RRR s.2.1.5.2) as reported in the OEB's open-source data. As noted above, CAPEX reported through RRR does not include ICM-related capex. As noted above, the lack of ICM-related information does not impact the majority of the peer group in this analysis.

Elexicon has included this metric to provide a baseline. Elexicon also acknowledges that this ratio of spending will shift in light of the adoption of cloud computing and non-wires solutions. As utilities adopt cloud-based software that is not capitalizable, OM&A spending will increase. This measure is significantly impacted by both (i) a distributor's business conditions and (ii) how efficiently a utility manages operating costs relative to its capital investment.

Between 2020 and 2024, Elexicon's OM&A per CAPEX remained at the level of its peer group. This is indicative of Elexicon appropriately managing its level of operating and capital costs to a similar level of its peers. See Figure 7 below for details.

Figure 7: Elexicon vs. Ontario and Peer Group OM&A per CAPEX (2020-2024)



	2020	2021	2022	2023	2024
Elexicon	1.44	0.93	1.18	1.09	1.47
Peer Group Avg.	1.32	1.27	1.23	1.23	1.13
Ontario Average	2.52	2.30	2.31	2.16	1.94

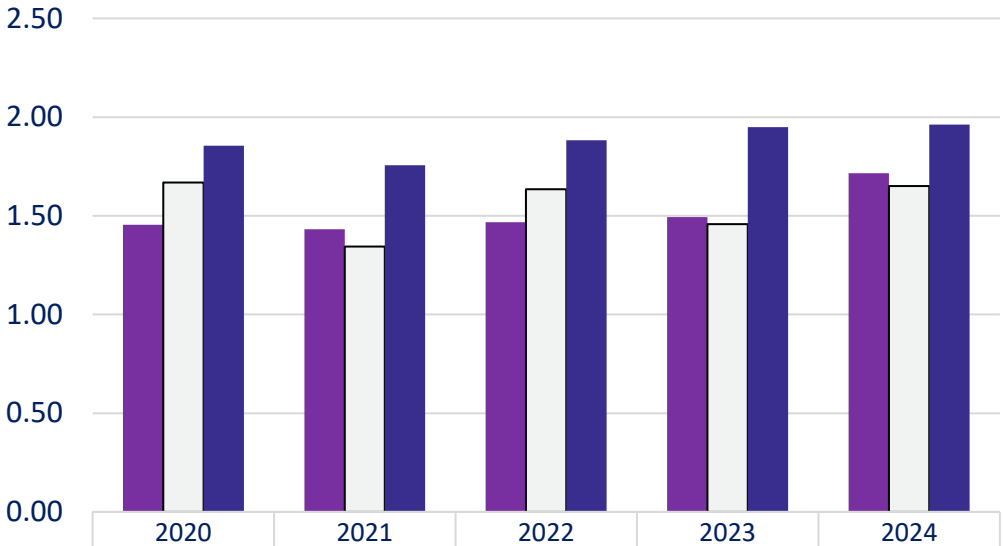
5.3 Workforce Benchmarking

5.3.1 Full-Time Equivalent Per 1,000 Customers

The FTE per 1,000 customers is the annual FTEs (RRR s.2.1.5.1) divided by the total customer counts (RRR 2.1.2) converted into thousands, as reported in OEB open-source data. This metric provides operational insight into how effectively a utility can allocate its human resources to serve its customers.

Elexicon's workforce size is influenced by its capital requirements, the complexity of operating conditions, and growth expectations. Despite its workforce changes, Elexicon is in line with its Ontario peers. Elexicon's FTE per 1,000 customers metrics remain close to both peer-group and Ontario averages over the period, as shown in Figure 8.

Figure 8: Elexicon vs. Ontario and Peer Group FTE per 1,000 Customers (2020-2024)



	2020	2021	2022	2023	2024
Elexicon	1.45	1.43	1.47	1.49	1.72
Peer Group Avg.	1.67	1.34	1.63	1.46	1.65
Ontario Average	1.86	1.76	1.88	1.95	1.96

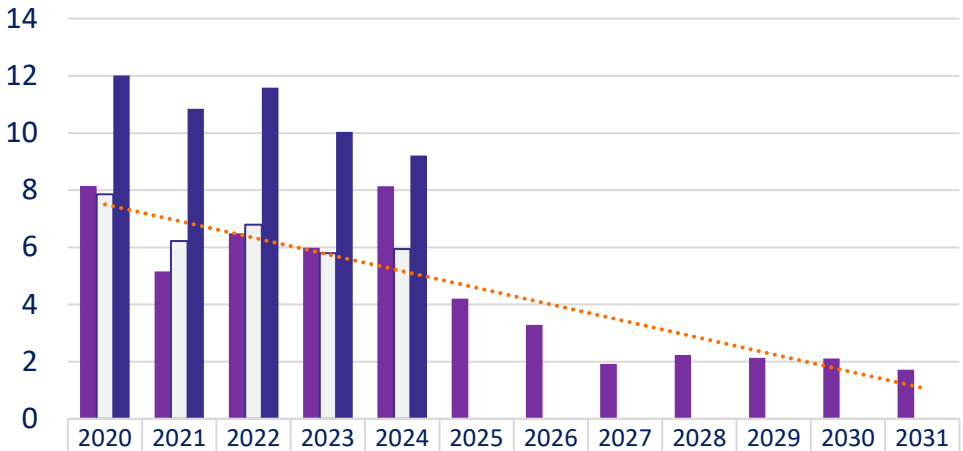
5.3.2 Full-Time Equivalent per $1M CAPEX

The FTE per $1M CAPEX metric is the annual FTEs (RRR s.2.1.5.1) divided by the total capital expenditure (RRR s.2.1.5.2) converted into millions, as reported in OEB open-source data. It measures

staffing relative to the utility's capital investment, providing insight into the efficiency of workforce deployment in supporting system growth and infrastructure projects.

As seen in Figure 9, between 2020 and 2023, Elexicon's FTE per $1M of CAPEX remained at a similar level to its peer group average. The higher than peer group performance in 2024 can be partially attributed to Elexicon increasing its FTEs (see discussion of workforce growth in Exhibit 4 - Tab 2 - Schedule 1) reflecting capacity building to prepare for larger and more complex capital and maintenance programs in the bridge and forecast period, ensuring Elexicon has the resources and expertise to deliver its planned investments effectively. Over the forecast period, Elexicon's FTE per $1 million of CAPEX is projected to decrease substantially. The metric is forecast to decrease by approximately 50% in 2025 and continue declining thereafter, indicating significantly improved labour productivity as capital investments scale.

Figure 9: Elexicon vs. Ontario and Peer Group FTE per $1M CAPEX (2020-2031)

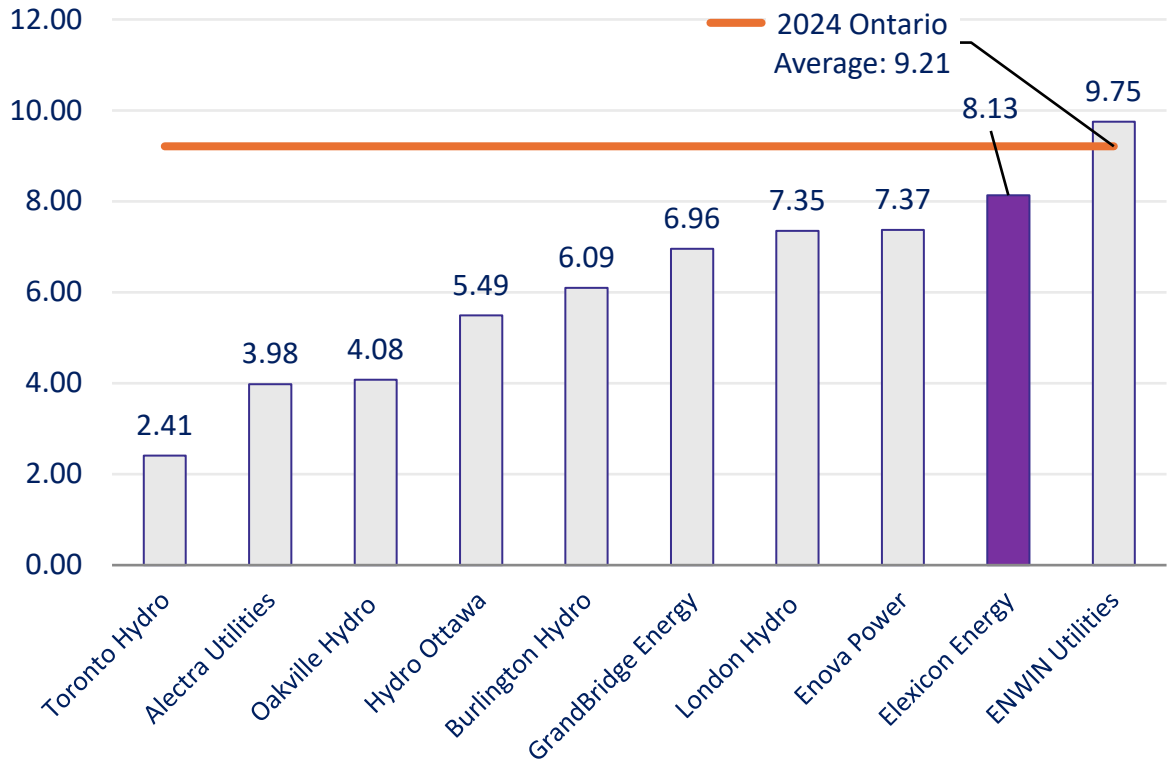


	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Elexicon	8.14	5.16	6.49	5.99	8.13	4.20	3.29	1.92	2.23	2.14	2.11	1.72
Peer Group Avg.	7.86	6.22	6.79	5.79	5.94							
Ontario Average	12.02	10.85	11.58	10.04	9.21							

To better understand Elexicon's position in 2024, a comparative analysis was conducted relative to utilities in the peer group, as shown in Figure 10, below. This graph shows that Elexicon's FTE per $1M CAPEX ranks as the second highest among its peers but remains closely within the range of other utilities. As noted above, the capital expenditure data does not include ICM related spending. Elexicon's position relative to its peers in historical period is indicative of Elexicon's needs to increase

its staffing resources in a timely fashion to be capable and ready to execute a scaling work program over the bridge and forecast period. As noted, in Figure 9, above, Elexicon forecasted this metric out to the end of the forecast period which shows a dramatic adjustment downward as its capital program ramps up, and Elexicon accrues greater productivity from investments in enabling technologies such as its cloud-based Enterprise Resource Platform (the Dx NEXT project, Exhibit 4 - Tab 1 - Schedule 6, Appendix A).

Figure 10: Elexicon vs. Peer Group FTE per $1M CAPEX (2024)



6. ACTIVITY AND PROGRAM-BASED (APB) BENCHMARKING

In accordance with section 2.1.6 of the Chapter 2 filing Requirements, Table 6 provides a summary of the APB's ten metrics and Elexicon's position relative to its peer group and Ontario average, showing the cumulative average performance for the historical period.

Elexicon notes volatility in unit cost results from year to year across Ontario distributors in the source data, with some reporting missing unit costs. The volatility of these unit costs suggests that some of

the programs are not pragmatically quantified and that variability in spending is driving large differences in unit costs between years.

With exception to four programs (Billing O&M, Stations CAPEX, Poles, Towers, and Fixtures CAPEX, and Lines Transformer CAPEX), Elexicon remains below its peer group average and Ontario average in the remaining six metrics. These results are particularly noteworthy given Elexicon's acute operational challenges, including lower customer density, mix of urban and rural service territory, a service territory that is not contiguous in nature, and simultaneous pressures of system growth and degrading asset condition and demographics.

Table 6: Summary Table of APB Metrics (Cumulative 2020-2024)

Unit Cost Calculations (2020-2024)	Elexicon						Peer Group Average	Ontario Average	Performance with	
	2020	2021	2022	2023	2024	Average			Peer Group	Ontario
Billing O&M ($)	29.15	34.76	31.58	30.52	33.73	31.95	19.15	37.19	Above Average	Below Average
Metering O&M ($)	8.20	8.98	7.57	7.61	6.84	7.84	13.86	19.68	Below Average	Below Average
Vegetation Management O&M ($)	28.15	35.49	31.52	35.46	41.85	34.49	44.79	41.65	Below Average	Below Average
Distribution System (Lines) O&M ($)	1,102.47	1,071.08	1,158.51	982.64	1,038.10	1,070.56	2,199.00	1,811.99	Below Average	Below Average
Stations O&M[9] ($)	583.91	696.06	428.56	454.95	2,199.28	872.55	2,519.71	1,795.04	Below Average	Below Average
Poles, Towers and Fixtures O&M ($)	3.00	2.47	1.86	1.94	0.92	2.04	13.37	11.95	Below Average	Below Average
Stations CAPEX[10] ($)	2,273.07	4,851.74	1,544.44	3,279.27	3,542.78	3,098.26	2,191.34	6,233.75	Above Average	Below Average
Poles, Towers and Fixtures CAPEX ($)	11,363.76	14,416.96	18,870.29	24,546.30	23,001.27	18,439.72	14,755.24	11,223.65	Above Average	Above Average
Line Transformers CAPEX ($)	11,916.74	15,239.80	14,015.50	17,909.46	15,992.40	15,014.78	21,586.98	14,232.88	Below Average	Above Average
Meters CAPEX ($)	7.60	6.83	5.21	9.07	11.36	8.01	12.51	12.93	Below Average	Below Average

6.1 Billing O&M

The Billing O&M unit cost is the sum of USoA 5315, Customer Billing, divided by the total number of customers. Customer billing includes the cost of labour and expenses incurred issuing bills and processing customer payments. The higher average relative to the peer group was primarily due to limitations with the current legacy systems (i.e. Veridian and Whitby information systems). These

[9] Data unavailable for ENWIN Utilities and GrandBridge Energy.
[10] Data unavailable for ENWIN Utilities and GrandBridge Energy.

limitations are due to the outdated and manual processes of Elexicon's billing system. The manual nature of billing processes requires a greater number of labour hours to address billing exceptions.

By implementing a modern cloud-based CIS/ERP ("Dx NEXT" project summary, Exhibit 4 - Tab 1 - Schedule 6, Appendix A), Elexicon will see reductions in billing costs per customer due to avoided labour costs. As its customer numbers increase, Elexicon's billing team will remain stable. Future labour costs will be avoided through the adoption of a modern system that allows for the current complement of staff to reduce time on rudimentary billing issues and enable the processing of a greater number of bills per FTE. Elexicon also anticipates billing costs to be reduced as a result of an expected uptick in e-billing through the rate term which offsets printing and postage costs. These changes will reduce costs per customer and improve this APB metric over the 2027 to 2031 time period. Even with its poorer performance in this metric compared to its peer group, Elexicon's performance is substantively better than the Ontario average over the same period.

Table 7: Elexicon vs. Ontario and Peer Group Billing O&M (2020-2024)

Billing O&M	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [5315]	4,940.2	5,964.4	5,499.5	5,393.8	6,037.6	5,567.1		
Scale (1,000 Customers)	169.5	171.6	174.2	176.7	179.0	174.2		
Unit Cost ($/Customer)	29.15	34.76	31.58	30.52	33.73	31.95	19.15	37.19
Year Over Year Change (%)	-	19%	-9%	-3%	11%			
Elexicon Total Change (%) (2020-2024)	16%							

6.2 Metering O&M

The Metering O&M unit cost is the sum of USofA 5065 - Meter Expenses, USoA 5175 - Maintenance of Meters, and USofA 5310 - Meter Reading Expenses, divided by customer counts. Elexicon's unit costs declined over time, reflecting cost improvements in meter installation, maintenance, and reading activities. Elexicon's metering OM&A is well below both the peer group average and the Ontario average.

Table 8: Elexicon vs. Ontario and Peer Group Metering O&M (2020-2024)

Metering O&M	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [5065+5175+5310]	1,389.8	1,540.4	1,318.2	1,344.2	1,224.2	1,363.4		
Scale (1,000 Customers)	169.5	171.6	174.2	176.7	179.0	174.2		
Unit Cost ($/Customer)	8.20	8.98	7.57	7.61	6.84	7.84	13.86	19.68
Year over year change (%)	14%	9%	-16%	0	-10%			
Elexicon Total Change (%) (2020-2024)	-17%							

6.3 Vegetation Management O&M

The Vegetation O&M unit cost is the sum of USofA 5135 - Overhead Distribution Lines and Feeders Right of Way, divided by pole counts. Vegetation management O&M includes costs incurred for tree trimming and for maintaining the right of way during line construction. The unit costs increased over time but remained below the peer-group and Ontario averages. The increase, particularly the 26% escalation in 2021 was mainly due to performing a significantly higher proportion of planned feeder clearing in rural areas compared to 2020. For more details on Sustainment OM&A expenditures refer to Exhibit 4 - Tab 1 - Schedule 4.

Table 9: Elexicon vs. Ontario and Peer Group Vegetation Management O&M (2020-2024)

Vegetation Management O&M	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [5135]	1,034.9	1,320.9	1,174.7	1,325.7	1,571.8	1285.6		
Scale (1,000 Poles)	36.8	37.2	37.3	37.4	37.6	37.2		
Unit Cost ($/Pole)	28.15	35.49	31.52	35.46	41.85	34.49	44.79	41.65
Year over year change (%)	-	26%	-11%	13%	18%			
Elexicon Total Change (%) (2020-2024)	49%							

6.4 Distribution System (Lines) O&M

The Distribution System (Lines) O&M unit cost is the sum of USofA 5020 to 5025 - Overhead Distribution Lines and Feeders Labour, and Supplies, USofA 5040 to 5045 – Underground Distribution Lines and Feeders Labour, and Supplies, USofA 5125 to 5130 - Maintenance of Overhead Conductor and Devices, and Service, and USofA 5145 to 5155 - Maintenance of Underground Conduit, Conductors and Devices, and Services, divided by circuit kilometres of primary line. Lines O&M includes the cost of labour and expenses incurred in operating and maintaining distribution lines. As shown in Table 10, the unit cost fluctuated over the period but remained below the peer-group and Ontario averages.

Table 10: Elexicon vs. Ontario and Peer Group Distribution System (Lines) O&M (2020-2024)

Distribution System (Lines) O&M	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [5020+5025+5040+5045+5090+5095+5125+5130+5245+5150+5155]	4,263.3	4,197.6	4,579.6	3,943.3	4,244.8	4,245.7		
Scale (Circuit km of Primary Line)	3,867.0	3,919.0	3,953.0	4,013.0	4,089.0	3,968.2		
Unit Cost ($/Circuit km of Primary Line)	1,102.47	1,071.08	1,158.51	982.64	1,038.10	1,070.56	2,199.0	1811.99
Year over year change (%)	-	-3%	8%	-15%	6%			
Elexicon Total Change (%) (2020-2024)	-6%							

6.5 Stations O&M

The Station O&M unit cost is the sum of USofA 5016 - Distribution Station Equipment Operation Labour, USofA 5017 - Distribution Station Equipment Operations Supplies and Expenses, and USofA 5114 - Maintenance of Distribution Station Equipment, divided by megavolt-amperes (MVA). Station O&M includes the cost of labour and expenses incurred in operating and maintaining distribution station equipment.

The increase in costs from 2023 to 2024 were related to an incident of vandalism that caused an oil spill, resulting in significant remediation costs in 2024, and additional expected costs in 2025 (please see page 39 of Exhibit 4 - Tab 1 - Schedule 4 for details on this incident).

Removing the costs specifically related to the spill, Elexicon's unit costs for Stations O&M would be $1.038 M, compared to the $3.351M reported in RRR for 2024. Normalizing for one-time costs, Elexicon's 2024 unit cost and five-year average remain well below the peer group and Ontario average, as does Elexicon's 5-year average performance. This is illustrated in Table 11 below.

Table 11: Elexicon vs. Ontario and Peer Group Stations O&M (2020-2024)

Stations O&M	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [5016+5017+5114]	686.4	818.2	638.1	703.8	3,351.7	1,239.6		
Scale (Total MVA)	1,175.5	1,175.5	1,4889.0	1,547.0	1,524.90	1,382.2		
Unit Costs ($/MVA)	583.91	696.06	428.56	454.95	2,199.28	872.6	2,519.71	1,795.04
Year over year change (%)	-	19%	-38%	6%	383%			
Elexicon Total Change (%) (2020-2024)					277%			
Normalized cost ($1,000) (removal of oil spill one-time expenses)					1,038			
Restated Unit Costs ($/MVA)					680.8	568		
Y-o-Y Change (%)					+49%			

6.6 Poles, Tower and Fixtures O&M

The Poles, Towers, and Fixtures O&M unit cost is the sum of USofA 5120—Maintenance of Poles, Towers, and Fixtures divided by pole counts. Poles, Towers, and Fixtures O&M includes the cost of labour, materials, and expenses incurred in maintaining overhead line facilities. Table 12 shows that Elexicon's O&M cost for this metric have consistently declined over the period and are well below both the peer group and Ontario averages.

Table 12: Elexicon vs. Ontario and Peer Group Poles, Tower and Fixtures O&M (2020-2024)

Poles, Towers & Fixtures O&M	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [5120]	110.2	92.1	69.4	72.6	34.6	75.8		
Scale (1,000 Poles)	36.8	37.2	37.3	37.4	37.6	37.2		
Unit Cost ($/Pole)	3.0	2.47	1.86	1.94	0.92	2.04	13.37	11.95
Year over year change (%)	-	-17%	-25%	4%	-53%			
Elexicon Total Change (%) (2020-2024)					-69%			

6.7 Stations CAPEX

The Stations Capital Expenditures (CAPEX) unit cost is the sum of USoA 1820 - Distribution Station Equipment Normally Primary Below 50 kV divided by MVA. Station additions include the installation cost of transforming and switching equipment used for stepping down to distribution voltages.

The higher average reflects substantive investments aimed at improving both station's asset condition and system capacity. While these investments do not materially increase the overall system capacity, they were required to maintain system reliability and long-term asset health. However, it is important to note that there are inherent limitations in comparing this metric across utilities due to the variability of assets captured under USoA 1820.

As shown in Table 13, while Elexicon's stations CAPEX metric was greater than the peer group, it was substantively better than the Ontario average over the same time period.

Table 13: Elexicon vs. Ontario and Peer Group Stations CAPEX (2020-2024)

Stations CAPEX	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – USoA [1820]	2,672.0	5,703.2	2,299.7	5,073.0	5,399.2	4,229.4		
Scale (total MVA)	1,175.5	1,175.5	1,489.0	1,547.0	1,524.0	1,382.2		
Unit Cost ($/MVA)	2,273.07	4,851.74	1,544.44	3,279.27	3,542.78	3,098.26	2,191.34	6,233.75
Year Over Year Change (%)	-	113%	-68%	112%	8%			
Elexicon Total change (%) (2020-2024)	56%							

6.8 Poles, Towers, and Fixtures CAPEX

The Poles, Towers, and Fixtures CAPEX unit cost is the sum of USoA 1830 - Poles, Towers, and Fixtures divided by pole installations in the same year. The Poles, Towers, and Fixtures additions include the installation cost of poles, towers, and appurtenant fixtures used to support overhead distribution conductors and wires.

As shown in Table 14, Poles, Towers, and Fixtures CAPEX unit costs increased due to the ongoing replacement of aging poles, and emergency pole replacements in 2022 due to several adverse weather storms. As outlined in Elexicon's inflationary section (see Exhibit 1 - Tab 5 - Schedule 2), the cost of poles has increased by 47% over the historical period which has placed upwards pressure on costs. Additionally, over 2022-2024 Elexicon has seen an elevated number of poles replaced reactively which is inherently more costly than proactive pole replacements.[11] Over the 2027-2031 period, Elexicon is proposing increased system renewal investments for overhead assets. These investments will ensure that poor condition assets are replaced before they fail which, all other things equal, should help to reduce the number of reactive replacements and provide downwards pressure on unit costs.

Table 14: Elexicon vs. Ontario and Peer Group Poles, Towers and Fixtures CAPEX (2020-2024)

Poles & Towers CAPEX	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – UsoA [1830]	8,897.8	8,275.3	12,378.9	11,978.6	11,109.6	10,528.1		
Scale (Pole Additions)	783.0	574.0	656.0	488.0	483.0	596.8		
Unit Cost ($/Pole Addition)	11,363.76	14,416.96	18,870.29	24,546.30	23,001.27	18,439.72	14,755.24	11,223.65
Year Over Year Change	-	27%	31%	30%	-6%			
Elexicon Total Change (%) (2020-2024)	102%							

6.9 Lines Transformers CAPEX

The Lines Transformers CAPEX unit cost is the sum of USofA 1850 - Line Transformers divided by new line transformer installations in the same year. The Lines Transformers additions include the

[11] Exhibit 2B - Tab 4 - Schedule 3, Appendix H, Figure 6.

installation cost of overhead and underground distribution line transformers for use in transforming electricity to the voltage used by customers.

As shown in Table 15, Elexicon's average Line Transformers CAPEX unit cost is lower than the peer group average. The year over year change in 2021 of 28% was primarily driven by the make-up of the transformers installed in that year. In 2021, Elexicon installed significantly more underground transformers which are typically higher in cost to install. In 2023, a significant share of transformers was installed reactively which drove an increase in the unit costs relative to the prior year.

Table 15: Elexicon vs. Ontario and Peer Group Lines Transformers CAPEX (2020-2024)

Lines Transformers CAPEX	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – UsoA [1850]	6,840.2	8,412.4	6,629.3	8,041.3	4,142.0	6,813.1		
Scale (Line Transformer Additions)	574.0	552.0	473.0	449.0	259.0	461.4		
Unit Cost ($/Line Transformer Addition)	11,916.74	15,239.80	14,015.50	17,909.46	15,992.40	15,014.78	21,586.98	14,232.88
Year over year change (%)	-	28%	-8%	28%	-11%			
Elexicon Total Change (%) (2020-2024)	34%							

6.10 Meters CAPEX

The Meters CAPEX unit cost is the sum of USofA 1860 - Meters divided by the total customer count. The Meters CAPEX includes installation costs for meters or devices used in measuring electricity delivery to customers. As shown in Table 16, Elexicon's unit cost remained below the peer-group and Ontario averages throughout the historical period. After a significant decrease in 2020-2022 period due to supply disruptions and extended order lead times, it increased in 2023 and 2024 mainly due to sector demand inflating unit costs and a significant effort in 2023 to replenish inventory after supply disruptions in 2022. Unit costs in this metric reflect the costs of purchasing metering supplies but do not account for the time delay between using the meter and energizing the new customer, which may result in some customers not being recognized until the subsequent reporting year.

Table 16: Elexicon vs. Ontario and Peer Group Meters CAPEX (2020-2024)

Meters CAPEX	2020	2021	2022	2023	2024	Elexicon Average	Peer Group Average	Ontario Average
Cost ($1,000) – UsoA [1860]	1,287.3	1,171.3	907.4	1,603.2	2,033.3	1,400.5		
Scale (1,000 Customers)	169.5	171.6	174.2	176.7	179.0	174.2		
Unit Cost ($/Customer)	7.60	6.83	5.21	9.07	11.36	8.01	12.51	12.93
Year over year change (%)	-	-10%	-24%	74%	25%			
Elexicon Total Change (%) (2020-2024)	50%							

OEB BENCHMARKING MODEL

In accordance with 2.1.6 of the OEB's Chapter 2 Filing Requirements, Elexicon has completed the OEB's approved benchmarking model ("the PEG model"). The excel version of the PEG model is attached to this schedule as Attachment 1. The PEG model forecasts that Elexicon's test year costs would assign Elexicon to the Group 3 stretch factor ranking and result in a stretch factor of 0.3%. Elexicon does not propose to adopt this stretch factor.

To support the determination of its stretch factor, Elexicon's cost efficiency has been evaluated by Clearspring Energy Advisors. Clearspring has been retained on behalf of Elexicon to conduct an empirical total cost benchmarking study (see Exhibit 1 - Tab 5 Schedule 1, Appendix A). The findings of Clearspring's report inform the determination of its custom rate framework, and the appropriateness of the factors proposed (see Exhibit 1 - Tab 5 - Schedule 1). Based on that analysis, Elexicon proposed to adopt a stretch factor of 0.15%.

LIST OF ATTACHMENTS

- Attachment 1 (Excel): OEB Benchmarking Model

EXHIBIT 1 - TAB 5 - SCHEDULE 4: ATTACHMENT 1
"OEB BENCHMARKING MODEL"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

CUSTOM PERFORMANCE SCORECARD

As a utility with significant capital investment needs, and a rapidly growing service territory, Elexicon's costs will escalate as its capital and maintenance programs ramp up over the rate term. Elexicon is proposing a comprehensive Custom Incentive Rate Setting framework (see Exhibit 1 - Tab 5 - Schedule 1) which provides the right balance of ratepayer protection and utility incentive to ensure its critical work program can be delivered. To ensure this investment plan aligns with the outcomes Elexicon has committed to in its business plan, Elexicon will implement comprehensive and rigorous performance measurement to establish a baseline of performance outcomes, and ensure its investments deliver the appropriate outcomes for customers.

In this exhibit, Elexicon proposes a custom scorecard that aligns with the OEB's Rate Handbook, which states:

> "The electricity distributor is also expected to discuss its **plans for continuous improvement**. It is expected to identify **performance improvement targets** that will lead to improvement in its scorecard performance over the term of the rate-setting plan."[1][emphasis added]

Elexicon's custom performance measures, captured in the scorecard below (Table 1) correspond to Elexicon's objectives of addressing capacity constraints, enabling growth, and restoring reliability to historical levels of performance, while also setting appropriate measures for cost control, customer experience, and safety.

[1] Ontario Energy Board, "Handbook for Utility Rate Application", page 17, (October 13, 2016).

Table 1: Elexicon's Custom Performance Scorecard for 2027 to 2031

Performance Outcome	Performance Category	Metrics	Targets
Operational Effectiveness	System Reliability	SAIDI SAIFI FESI-7	1.49 – 1.52 (by end of 2031) 1.14 – 1.16 (by end of 2031) ≤ 10% (by end of 2031)
	Asset Management	Incremental Station Supply Capacity Incremental Distribution System Capacity Stations with Limited Capacity Asset Condition Assessment Distribution Assets TUL Substation Assets TUL	180 MVA (by end of 2031) 101 MVA (by end of 2031) 21 (by end of 2031) Monitor ≤ 28% (by end of 2031) ≤ 32% (by end of 2031)
Financial Performance	Cost Control	Planned Vegetation Management	Monitor
Customer Focus	Satisfaction and Experience	Telephone and Email Interactions Portal Experience Enrollment and Self Service eBill Enrollment	Monitor Feedback Monitor Feedback 15% Increase (by end of 2031) 15% Increase (by end of 2031)
Employee Safety	Health and Safety	Completion rate of logged actions in Elexicon's Health and Safety Management System and completion rate of target # of annual inspections.	95% Completion Rate (annual target)

1. OPERATIONAL EFFECTIVENESS MEASURES

The measures proposed in the custom scorecard related to the performance categories of System Reliability and Asset Management are discussed in detail in Elexicon's DSP, specifically, at Exhibit 2B - Tab 2 - Schedule 2. The measures proposed correspond to two of the critical outcomes of Elexicon's plan: (i) addressing capacity constraints and enabling growth, and (ii) restoring reliability to historical levels of performance. By tracking and setting targets related to capacity and asset demographics, as well as setting targets for SAIDI, SAIFI, and FESI-7, Elexicon will be able to measure on the progress of delivering on planned outcomes.

2. FINANCIAL PERFORMANCE MEASURES

The DSP also includes a financial performance metric related to its planned vegetation management program. The measure will monitor the cost per kilometre for Elexicon's vegetation management program which mitigates one of the higher contributors to Elexicon's SAIDI performance (i.e. tree contacts). Further details are provided in Exhibit 2B - Tab 2 - Schedule 2.

3. CUSTOMER EXPERIENCE PERFORMANCE MEASURES

The customer-focused measures proposed relate to customer satisfaction and customer enrolment and self-service in Elexicon's portal. Elexicon is making substantial investments to improve its customer information system and provide a better customer experience through an enhanced portal. This is a key aspect of Elexicon's Dx NEXT project (see Exhibit 4 - Tab 1 - Schedule 5, and Exhibit 4 - Tab 1 - Schedule 6, Appendix A, Dx NEXT Project Summary). To ensure these investments provide the outcomes of improved service quality, and cost-effective customer service through increased use of e-billing, Elexicon is proposing four custom measures, discussed in detail below.

Proposed Measure: Telephone and Email Interactions (Monitor Feedback)

This metric monitors customer satisfaction following telephone and email contacts with Elexicon. It captures customer feedback on their experience, with a specific focus on how effectively Elexicon managed the interaction and delivered service quality. The results will be used to identify continuous improvement opportunities across areas such as employee training, internal processes, and interaction quality. By leveraging this feedback, Elexicon aims to enhance service delivery, ensure consistency across channels, and strengthen customer trust and satisfaction.

Proposed Measure: Elexicon Portal Experience (Monitor Feedback)

This metric captures customer feedback following interactions with the Elexicon Portal. It evaluates:

- **Ease of Navigation**: How intuitively customers can find and access services.
- **Perceived Value of Information**: Whether the content presented is relevant, clear, and helpful.
- **Self-Service Effectiveness**: How easily customers can complete tasks independently.

This metric supports Elexicon's broader digital conversion strategy, ensuring that as more services transition online, the customer experience remains seamless, intuitive, and valuable. Elexicon will

continuously monitor this feedback to identify improvement opportunities that enhance portal usability, increase customer engagement, and ensure the portal delivers meaningful value through its products and services.

Proposed Measure: Elexicon Portal (15% Increase)

This customer enrollment and self-service metric targets a 15% increase in customer self-service levels by 2031, measured against 2025 baseline performance. It also tracks operational cost efficiency gains resulting from increased portal usage. The metric complements the customer satisfaction metrics noted above by ensuring that improvements are driven by customer feedback. The intent is to:

- Build customer trust and satisfaction through intuitive, reliable self-service options.
- Drive down operational costs by reducing manual service demands.
- Optimize efficiency across customer-facing processes.

Elexicon will monitor progress regularly to ensure the portal continues to deliver value and meets evolving customer expectations.

Proposed measure: eBill Enrollment Metric (15% increase)

This metric targets a 15% increase in eBill enrollments by 2031, based on 2025 baseline levels. The primary goal is to reduce billing-related costs—specifically postage and stationery—while enhancing the customer experience. Key focus areas include:

- Driving digital adoption through proactive engagement and education.
- Reducing operational costs by transitioning from paper to electronic billing.
- Delivering a valued experience that aligns with customer preferences for convenience, speed, and sustainability.

Elexicon will monitor progress and customer feedback to ensure the eBill service continues to meet expectations and contributes to overall satisfaction and trust.

4. SAFETY PERFORMANCE MEASURES

Elexicon is also including a safety-focused metric as part of its custom performance measures. This measure is already a component of Elexicon's Health and Safety program, and highlights Elexicon's commitment to safety, especially as its work programs grow and become more complex.

Proposed measure: 95% or greater completion rate of logged actions in Elexicon's Health and Safety Management System and target number of annual inspections

This measure targets completion rate of logged actions in Elexicon's Health and Safety System associated with near miss, accident, inspections, and audit reporting, as well as the completion rate of target number of annual safety inspections. Through timely and effective reporting and identification and resolution of items Elexicon will affirm its safety culture, continuously improve processes and work outcomes, and reduce workplace injuries to ensure that employees are safe and remain healthy. The target completion rate for this measure which includes completion of logged actions on time and annual inspections is set at 95%.

The scope of for this metric includes inspections as these are a leading indicator for safety outcomes. This composite metric will enhance the timely and effective identification and resolution of items that will allow the organization to affirm and improve its proactive safety culture and reduce workplace incidents.

OEB PERFORMANCE SCORECARD

In accordance with 2.1.6 of the OEB's Chapter 2 Filing Requirements, Elexicon is providing a copy of its latest scorecard (2024). Elexicon's latest OEB Scorecard is also retrievable at this link: https://www.oeb.ca/documents/scorecard/2024/Scorecard%20-%20Elexicon%20Energy%20Inc..pdf, and provided at Attachment 1 to this schedule.

1. 2024 OEB PERFORMANCE SCORECARD RESULTS: SERVICE QUALITY REQUIREMENTS

As illustrated in the 2024 results, Elexicon successfully connected 98.77% of eligible low-voltage residential and small business customers to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB), which is a year-over-year improvement. Despite facing a sustained high volume of new connection requests from low-voltage customers, Elexicon exceeded the OEB service quality target of 90%. Elexicon also continued to meet the requirement to schedule and attend appointments within the four-hour window arranged with customers (or their representatives) during regular business hours, achieving a score of 99.45% for appointments met on time, which was an improvement from the previous year's results. This performance significantly exceeds the Ontario Energy Board's (OEB) target of 90%. In 2024, Elexicon effectively managed 98,206 customer telephone inquiries, with 75.90% of calls answered within 30 seconds, exceeding the OEB's 65% target.

Elexicon's historical performance related to Service Quality Requirements is included in the OEB Appendix 2-G, provided as Attachment 2 to this schedule, and discussed in detail in the Distribution System Plan at Exhibit 2B - Tab 2 - Schedule 2. This schedule also includes detailed information related to the utility's reliability performance, as well as other metrics on the OEB Scorecard.

LIST OF ATTACHMENTS

- Attachment 1: OEB Performance Scorecard
- Attachment 2 (Excel): OEB Appendix 2-G Service Reliability Indicators

EXHIBIT 1 - TAB 6 - SCHEDULE 2: ATTACHMENT 1
"OEB PERFORMANCE SCORECARD"
(REFER TO ATTACHMENT IN PDF FORMAT)

Scorecard - Elexicon Energy Inc.

9/22/2025

Performance Outcomes	Performance Categories	Measures		2020	2021	2022	2023	2024	Trend	Target	
										Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	**Service Quality**	New Residential/Small Business Services Connected on Time		93.74%	95.97%	96.94%	98.57%	98.77%	↑	90.00%	
		Scheduled Appointments Met On Time		98.80%	99.96%	98.01%	99.12%	99.45%	↑	90.00%	
		Telephone Calls Answered On Time		61.89%	75.99%	76.06%	72.35%	75.90%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution		89.30%	93.00%	91.70%	88.97%	90.42%			
		Billing Accuracy		99.60%	99.75%	99.82%	99.87%	99.91%	↑	98.00%	
		Customer Satisfaction Survey Results		97.00%	97.00%	90.00%	90.00%	95.00%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	**Safety**	Level of Public Awareness		84.00%	87.00%	87.00%	89.00%	89.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	→		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	2	0	0	→		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.510	0.000	0.000	→		0.071
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.37	1.17	1.71	1.37	1.71	↓		1.35
		Average Number of Times that Power to a Customer is Interrupted [2]		1.01	1.12	1.19	0.97	1.16	↑		1.69
	Asset Management	Distribution System Plan Implementation Progress		76.81%	94.00%	92.48%	116.67%	114.79%			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer [3]		$630	$652	$704	$794	$834			
		Total Cost per Km of Line [3]		$27,593	$28,531	$31,028	$34,985	$36,504			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	**Connection of Renewable Generation**	New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	**Financial Ratios**	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.29	1.46	0.33	0.83	0.76			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.07	1.18	1.33	1.46	1.62			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.43%	9.43%	9.43%	9.43%	9.43%			
			Achieved	6.80%	6.87%	4.86%	5.15%	5.39%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

EXHIBIT 1 - TAB 6 - SCHEDULE 2: ATTACHMENT 2 “OEB APP.2-G SERVICE RELIABILITY INDICATORS” (REFER TO ATTACHMENT IN EXCEL FORMAT)

APPLICATION-SPECIFIC CUSTOMER ENGAGEMENT

1. INTRODUCTION

Elexicon's investment plan was developed and refined through multiple stages of customer engagement in 2024 and 2025. To arrive at a plan that meaningfully reflects customer priorities and preferences, as well as trade-offs, Elexicon sought customer input early in its investment planning process.

Given that Elexicon's 2027 to 2031 rebasing application is the first rebasing application of the merged entity, and also Elexicon's first Custom IR application, Elexicon retained external expertise, specifically, Innovative Research Group ("Innovative"), to support its application-specific customer engagement activities. Innovative has prepared a comprehensive summary of these activities and related findings which is appended to this schedule (see Appendix A, "Innovative Report").

2. PHASE I – CUSTOMER PRIORITIES

This process kicked off in early 2024 with the development of an online survey to solicit input on customer needs and preferences. The results of this survey indicated that rates, reliability, and ensuring the grid can withstand severe weather were the top three priorities for both residential, small business, and seasonal customers.

In terms of prioritizing reliability investments, residential and seasonal customers were primarily interested in reducing the length of restoration time during extreme weather events. Small business and key account customers put a greater priority on investments that reduce the overall number of general outages.

Customers were supportive of Elexicon exploring new technologies that make the system better, provided Elexicon is clear about the costs and benefits, even if these enhancements could increase customer rates compared to the lowest cost option. Furthermore, customers were supportive of the idea of Elexicon exploring new technologies today that help prepare for the future, even if the benefits might not be immediately realized.

The Phase I customer engagement surveys revealed that a majority of customers support investments in important aspects of Elexicon's distribution system, even if that meant electricity bills would need to increase. Following the delivery of Phase I findings in the spring of 2024, Elexicon began developing

a draft plan informed by identified customer needs, preferences and expectations on specific investments. Elexicon used these Phase I results to develop a draft investment plan informed by customer needs and preferences as well as system needs. Details on the Phase I survey results are located in Appendices 01 to 09 of the Innovative Report (Appendix A of this schedule).

3. PHASE II – CUSTOMER PREFERENCES AND TRADE-OFFS

After the draft plan was developed, in Phase II of its customer engagement process, Elexicon re-engaged customers to provide feedback on Elexicon's draft plan in the spring of 2025. The engagement focused on evaluating specific trade-offs related to five key investment areas, the associated bill impacts, and the pacing and prioritization of those investments: 1) Renewing the System; 2. Building a Better Grid for the Future (metering and grid modernization), 3) Strengthening Grid Resilience, 4) Running the Business and 5) Enabling Growth. For each category with exception to Enabling Growth[1], customers were given the option to elect to spend more, spend less, or spend in alignment with the draft plan. Each option corresponded to specific outcomes at that level of spending. Details regarding the levels of spending and associated rate impacts shown to customers are provided in Appendices 10-13 of the Innovative Report (Appendix A to this schedule).

3.1 Phase II Results

Customers showed an overwhelming level of support for the draft plan. Across all rate classes, 79% of Elexicon's customers gave Elexicon social permission to proceed with its draft plan.[2] A majority of customers supported the level of spending in the draft plan or greater across each of the five key investment areas noted above.[3]

By undertaking a multi-phased approach to customer engagement, Elexicon could tailor its proposed investments to the system needs that customers value and find opportunities to balance the costs of addressing deteriorating assets with the risks of deferring or under-investing in these assets. The investment plan detailed in Elexicon's Executive Summary and Business Plan (Exhibit 1 - Tab 2 - Schedule 1) does not correct for all system needs but invests in those system assets with the highest

[1] Investments in this category largely consist of mandatory, non-discretionary investments, as such, Elexicon did not have spending optionality related to that investment bucket to offer customers.
[2] Social permission reflects the share of customers that either believe the proposed increase is necessary, support the draft plan, or believe Elexicon should accelerate its spending beyond the level in the plan. See Appendix A, Innovative Report, Executive Summary, page 16.
[3] Appendix A, Innovative Report, Executive Summary, pages 14 and 15.

likelihood of failure, and addresses the most urgent current capacity constraints, while also providing for near-term load growth over the 2027 to 2031 period.

4. CUSTOMER ENGAGEMENT AND INVESTMENT PLANNING OUTCOMES

Elexicon interpreted these results as an endorsement of its draft plan. This outcome also validated the outcomes of the steps taken to reduce bill impacts where possible, and mitigate costs through, for example, the spreading out of hiring and maintenance expenditures over the 2027 to 2031 period, as well as the recovery of Elexicon's cloud-based ERP solution ("Dx NEXT") implementation costs over a longer term (see Exhibit 4 - Tab 6 - Schedule 1, Appendix A and Exhibit 9 - Tab 3 - Schedule 5, section 7.2). Elexicon's multi-phased and iterative approach to customer engagement results in an investment plan that balances outcomes, such as reliability performance, and the ability to ensure capacity for load growth, with reasonable rate increases that customers support.

5. CUSTOMER ENGAGEMENT ON RATE HARMONIZATION

Elexicon also solicited feedback on the pacing of rate harmonization across Elexicon's legacy rate zones (Whitby and Veridian).

Customers were given the option of harmonization by the end of the rate term (by January 1, 2031), or at the start of the rate term (January 1, 2027). As Whitby customers currently pay more than Veridian customers, the 2031 option entailed higher rates for Whitby that gradually lowered throughout the term, and for Veridian, lower rates than the Whitby customers at the beginning of term, but gradually increasing to align with Whitby's rates by the final year. The 2027 option aligns rates at the outset of the term. Across rate classes, customers did not show a clear preference on the pacing of rate harmonization between VRZ and WRZ rate zones. Absent a clear preference, Elexicon is requesting harmonization as of January 1, 2027, see Exhibit 8 - Tab 1- Schedule 1.

6. LIST OF ATTACHMENTS

- Appendix A: Innovative Report

EXHIBIT 1 - TAB 7 - SCHEDULE 1: APPENDIX A
“INNOVATIVE REPORT”

INNOVATIVE RESEARCH GROUP

APPENDIX 00

Customer Engagement Executive Summary

2027 – 2031 Cost of Service Rate Application

November 5th, 2025

elexicon ENERGY

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Customer Engagement Executive Summary

2027-31 Cost of Service Rate Application

November 2025

Confidentiality

This report and all the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy Inc. (Elexicon).

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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Introduction

Elexicon Energy Inc. (**Elexicon**) commissioned Innovative Research Group Inc. (**INNOVATIVE**) to design, execute, and document the results of its customer engagement process under the Renewed Regulatory Framework for Electricity Distributors (RRFE) as part of its business planning process for the 2027-2031 Cost of Service Rate-Setting Application.

Throughout the process of developing its 2027-2031 Cost of Service Rate Application, Elexicon set out to gather meaningful feedback from its customers, specifically when it came to their needs, preferences and trade-offs regarding the pacing and prioritization of specific investment and spending areas.

Findings from Elexicon's customer engagement demonstrates strong support for the draft plan, across all rate classes.

A majority of customers, across all rate classes, felt Elexicon should spend at the draft plan or spend more within each of the five key investment choices. The following summarizes customer feedback on these five key investment choices:

1. **Infrastructure Renewal**: trade-offs regarding the pace of renewing end-of-life or deteriorating infrastructure saw preferences for Elexicon's *draft plan* or *spend more* options at 71% for residential, 79% for seasonal customers, 67% for small business, and 85% for GS>50kW customers.

2. **Metering**: trade-offs regarding replacing meters saw preferences for the *draft plan* or *spend more* options at 68% for residential, 73% for seasonal customers, 64% for small business, and 82% for GS>50kW customers.

3. **Modernization**: trade-offs regarding investments in new technology saw preferences for *draft plan* or *spend more* options at 73% for residential, 81% for seasonal customers, 71% for small business, and 88% for GS>50kW customers.

4. **Grid Resilience**: trade-offs regarding investments to make the grid more resilient against external factors, such as extreme weather, saw preferences for the *draft plan* or *spend more* option at 70% for residential, 78% for seasonal customers, 65% for small business, and 76% for GS>50kW customers.

5. **General Plant**: for trade-offs regarding general plant investments in technology and essential systems, customers were only presented with *draft plan* and *spend more* options, which combined were at 88% for residential, 92% for seasonal customers, 85% for small business, and 91% for GS>50kW customers. Note that General Plant did not have a *spend less* option.[1]

Detailed results can be found in **APPENDIX.10-13**.

[1] Elexicon prioritized cyber security investments in the draft plan, and because these systems are essential, there was no spend less option for this choice.

When customers were asked about the total cost of the Elexicon's draft plan and given the option to support the draft plan or to support spending more or less the amount required by the plan. Social permission[2] for Elexicon's draft plan was 79% among residential customers, 73% among small businesses, 84% among seasonal customers, and 82% among GS>50kW customers.

An average of 79% of customers, across all rate classes, provided *social permission* to proceed with Elexicon's draft plan.[3]

Approach to Meaningful Customer Engagement

The Ontario Energy Board's (OEB) "consumer-centric" approach to rate applications contained in the RRFE requires Local Distribution Companies (LDCs) to demonstrate that their services are provided in a manner that responds to identified customer needs and preferences.[4] LDCs are required to provide an overview of customer engagement activities that they have undertaken with respect to their plans and how customer needs and preferences have been reflected in the LDCs' application. The Handbook for Utility Rate Applications notes the following: *"The OEB expects a utility's rate application to provide an overview of customer needs, preferences and expectations learned through the utility's customer engagement activities."*[5] These requirements have the effect of bringing customers feedback data to bear on utility planning.

The OEB does not specify how customer engagement should be conducted or how customer feedback should be received. However, it has encouraged utilities to use *"both existing and new processes."*[6] Elexicon's customer engagement was designed with this in mind, where customer feedback was collected using multiple methodologies, including virtual and in-person focus groups, one-on-one interviews, and online surveys. Additional information on the approach is provided in subsequent sections of this executive summary and within the relevant appendices.

Between 2024 and 2025, INNOVATIVE gathered feedback from nearly 14,000 Elexicon customers as part of the utility's application-specific customer engagement efforts. In context, this engagement represented Elexicon's first comprehensive customer engagement under the RRFE.

The key objectives of this customer engagement were to:

1. Obtain input as to customers' needs and preferences as they relate to the outcomes and goals that the utility should prioritize over the 2027-2031 rate period.

2. Solicit customer feedback on key investment areas based on pacing, bill impact, and performance outcomes.

3. Assess overall social permission for the draft plan.

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[2] **Social permission** is the percentage of customers who responded to Elexicon's draft plan by indicating either: (1) they think Elexicon should accelerate spending beyond the level in the draft plan to deliver better system outcomes, (2) they support the proposed rate increase in the draft plan, or (3) they feel that the proposed rate increase in the draft plan is necessary, even though they do not like paying more.

[3] 79% overall social permission represents a simple average of all four rate classes (residential, seasonal, small business (GS<50) and GS>50). A pooled average of all customers surveyed would also yield an average social permission of 79%.

[4] OEB Renewed Regulatory Framework for Electricity: Sections 2.4.1, 4.0, and 4.1.
[5] Handbook for Utility Rate Applications, p. 12 (October 13, 2016)
[6] Handbook for Utility Rate Applications, p. 12 (October 13, 2016)

INNOVATIVE and Elexicon developed a two-phased engagement approach to achieve these objectives. Following the customer engagement in Phase I, Elexicon designed a draft plan informed by identified customer needs, preferences, and expectations. Afterwards, INNOVATIVE worked with Elexicon to translate the draft plan into engagement materials that a typical customer could reasonably understand and provide feedback on. INNOVATIVE developed a workbook survey and tested it through a series of one-on-one interviews and focus groups to ensure clarity of the information presented to customers.

After testing and refinements, the workbook was then made available to all customers. It mainly focused on obtaining customer feedback on key investment areas based on pacing, bill impact, and performance outcomes.

This document contains the results of both phases of customer engagement, with a focus on the generalizable results of the representative customer samples from Phases I and II.

Customer Engagement Key Findings

Phase I: Understanding Customer Needs and Preferences

Based on the direction provided by the Handbook for Utility Rate Applications and previous OEB decisions, the first phase of Elexicon's customer engagement focused on understanding customers' **needs** and **preferences**, defined as follow:

Needs	**Needs questions** focus on understanding the gap between the services and experience customers want and the services and experience customers are receiving.
Preferences	**Preference questions** focus on customer views about the outcomes the utility should focus on, priorities among those outcomes, and trade-offs illustrated by choices on specific programs or the pacing and prioritization of investments.

The first phase of the customer engagement took place between **January and June 2024**. Phase I gathered input on customers' needs and preferences as they relate to the outcomes and goals that the utility should focus on over the 2027-2031 rate period.

One of the key objectives of Phase I was to gather input on customers' needs and preferences. With that objective, the engagement activities focused on understanding the diversity of perspectives within Elexicon's customer base, how different customer segments perceive specific issues, and ultimately to produce a summary "Needs and Preferences Planning Placemat" (see **APPENDIX.09**) to guide planners in developing the draft plan.

Phase I Exploratory Qualitative Research Summary

The first phase of engagement was aligned with Elexicon's planning cycle to ensure that the draft plan process was informed by customer input. Building on existing research, INNOVATIVE led a series of exploratory focus groups and in-depth interviews with customers. The graphic below summarizes the qualitative research conducted.

Between January and June 2024, this initial round of qualitative research was conducted with a range of customer types, including residential, seasonal, small business (GS<50 kW), commercial and industrial (C&I, GS>50kW), and key accounts (GS>50kW). These discussions and interviews identified key customer

outcomes, priorities, and expectations of Elexicon, based on the choices under consideration in the utility's 2027–2031 rate application.

Residential Customer Qualitative Feedback
Elexicon engaged residential customers through a series of four online focus groups, which hosted customers from across Elexicon's service territory. The focus groups were structured discussions that allowed customers an opportunity to share their needs, preferences, and priorities from Elexicon (see **APPENDIX.01** for detailed results). During these discussions, most residential customers touched on the value frequent and informative updates from Elexicon during outages. In addition, many customers recognized the growth in their communities and recognized the need to expand the grid to meet this growing demand.

Seasonal Customer Qualitative Feedback
One focus group for seasonal customers was hosted online and explored the needs and preferences specific to their rate class (see **APPENDIX.01**). While many had similar feedback as residential customers, most seasonal customers placed an emphasis on increased vegetation management to prevent outages caused by falling branches and trees. These customers reported longer and or frequent outages due to the location and remoteness of their seasonal residences and expressed a need to get ahead of potential outages by trimming more regularly.

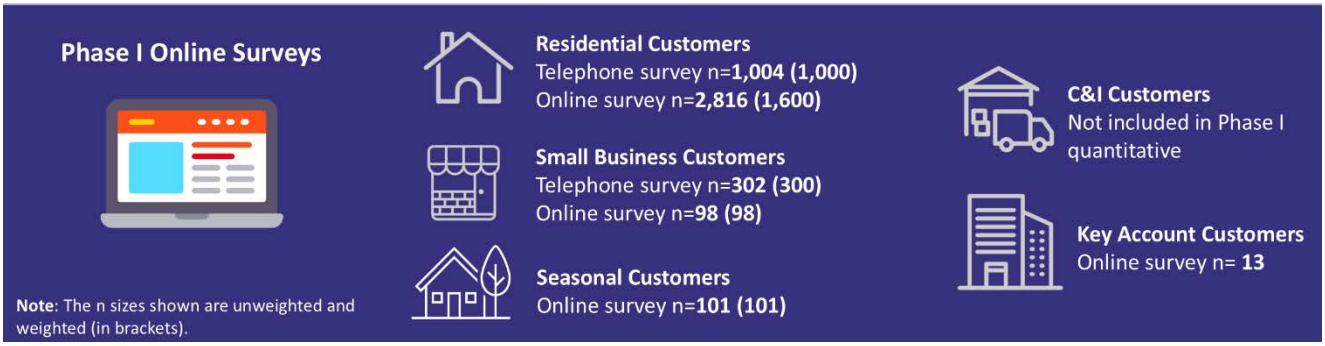
Small Business Customer Qualitative Feedback
Elexicon engaged small business customers through three online focus groups with participants from across the service territory (see **APPENDIX.01** for detailed results). These discussions highlighted several priorities unique to small business customers. Many expressed a need for enhanced customer service, particularly around online resources and tailored advice that could better support their business operations. Outage communication was also a top concern, with participants emphasizing the need for timely updates and accurate resolution estimates to help them make quick operational decisions during service interruptions. In addition, small business customers expressed interest in support from Elexicon to adopt new technologies that could help reduce costs and prepare their businesses for electrification.

Commercial and Industrial Customer Qualitative Feedback
Elexicon engaged C&I customers through 10 one-on-one qualitative interviews with energy decision-makers (see **APPENDIX.02** & **APPENDIX.09**). C&I customers touched on the following needs and preferences: Customers mentioned enhanced customer service, energy transition support, and better outage communication as top areas where Elexicon could improve or take on a greater role. Some C&I customers expressed a willingness to pay more so Elexicon could make investments. Some C&I customers were particularly interested in new technology that could help them better manage their energy consumption, improve reliability, and reduce costs. During Phase I, a representative online survey was not feasible due to limited contact coverage, but C&I perspectives that came out of the interviews were nonetheless incorporated into the Phase I placemat and informed the quantitative survey design. By Phase II, Elexicon had expanded its C&I contact list, enabling a representative online survey, the results of which are included in the GS>50 kW Phase II findings.

Key Account Customer Feedback
Elexicon engaged key account customers through 12 in-depth interviews with energy decision-makers who had existing contacts with the utility (see **APPENDIX.02**). These customers emphasized the importance of building stronger relationships with Elexicon and expressed a desire for deeper engagement in upcoming decision-making processes. Power quality was also raised as a concern, with some customers noting issues related to voltage fluctuations. With population growth and electrification expected to increase demand on the system, several key accounts expressed concern that these issues could worsen without proactive planning and investment.

Phase I Quantitative Research Outline

Elexicon's customer engagement followed an iterative process, where each phase informed the next. Insights from the exploratory qualitative research (see **APPENDIX.01-02**) played a critical role in shaping the questions used in the subsequent online surveys. The results of those surveys provided many of the insights captured during Phase I of the customer engagement. The graphic below summarizes the sample sizes of the online surveys conducted by rate class.



This section provides an overview of customer needs, preferences and expectations as gathered through the representative online surveys conducted in Phase I. Full results can be found in **APPENDIX.05-08**.

1.1.1 Customer Needs

Before understanding customer needs, the survey measured customer satisfaction with the services provided by Elexicon. A majority of customers across each rate class were satisfied with the services provided.

Overall Satisfaction with Elexicon*	Phase I Online Survey Results			
	Residential (n=1,600)	Seasonal (n=101)	Small Business (n=98)	Key Accounts** (n=13)
Satisfied	76%	70%	66%	10/13
Neutral	18%	19%	20%	2/13
Dissatisfied	6%	11%	12%	1/13

* *Don't know* option is not shown.
** Interpret Key Accounts results as directional due to the small sample size.

Understanding customer needs involves identifying the gap between the services and experiences customers expect and those they receive. Overall, when asked if there is anything Elexicon can do to improve its services, most customers did not mention a specific unmet need. Of those who did, low-volume customers most frequently mentioned lowering rates and improving reliability. Key account customers mentioned enhanced customer service and communications, billing improvements, and power quality.

1.1.2 Customer Preferences

Using the findings from the exploratory qualitative research, combined with a preliminary review of Elexicon's past and ongoing customer engagement efforts, a list of potential customer priorities for low volume and key account customers was identified:

Phase I Customer Priorities	
For Residential, Seasonal and Small Business Customers	**For Key Account Customers**
Maintaining reliable electrical service	*Reasonable electricity distribution rates*
Ensuring the grid can withstand severe weather	*Reasonable timelines for capital projects*
Providing timely communications during outages	*Ensuring reasonable costs for capital projects*
Delivering electricity at a reasonable price	*Delivering reliable electrical service*
Helping customers with energy conservation	*Hardening the grid to withstand severe weather*
Expand the grid to meet expected future demand	*Providing enhanced advisory services*
Replacing aging infrastructure	*Ensuring electrical capacity meets future demand*
Investing in new technology to help manage usage	*Investing in technology to help manage usage*
Ensuring the safety of electricity infrastructure	*Ensuring the safe operations of its infrastructure*
Proactively trim vegetation to prevent outages	

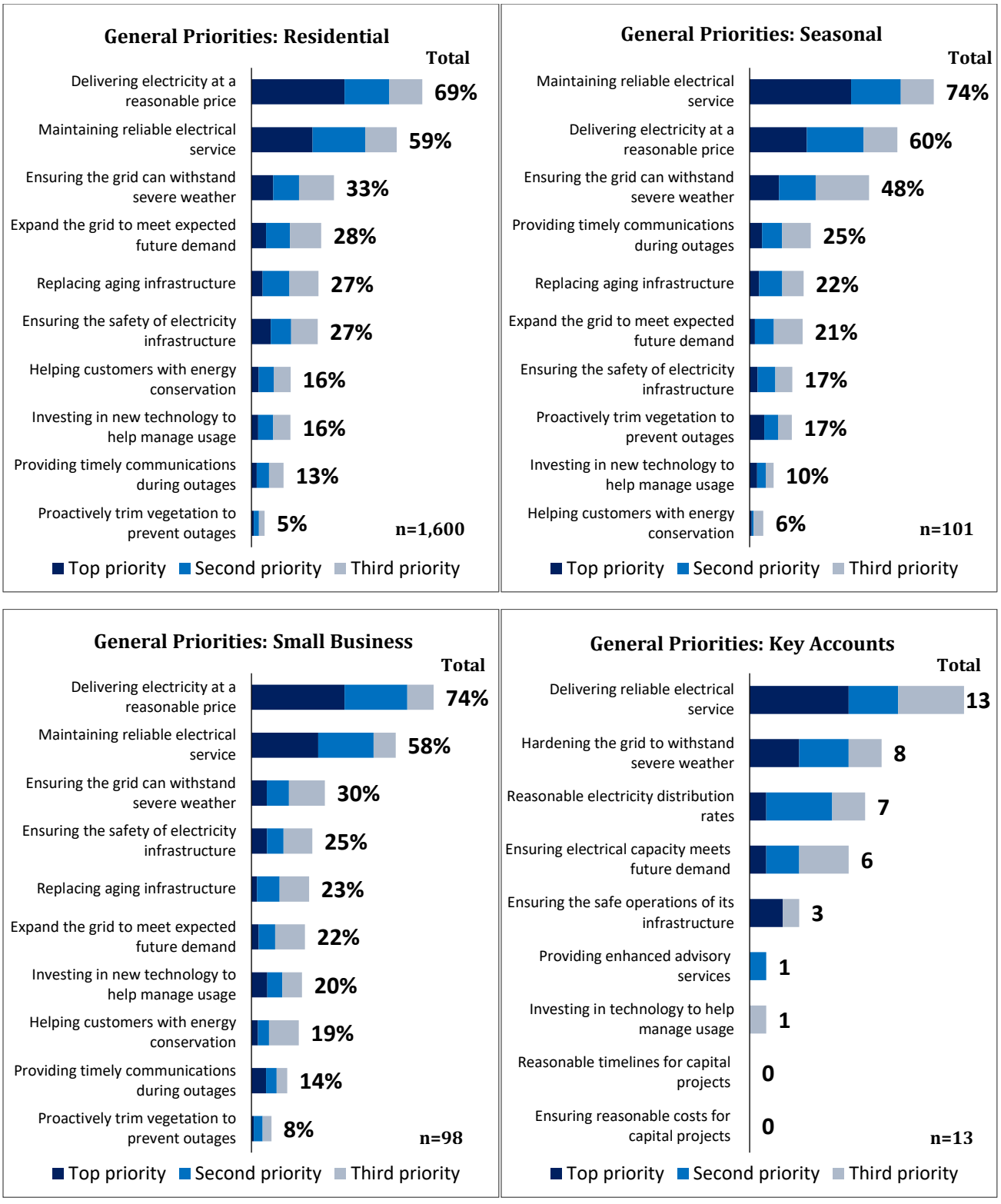
General Priorities

Among outcomes, *rates, reliability,* and *ensuring the grid can withstand severe weather* were the top three priorities for both residential, small business, and seasonal customers. Key account customers prioritized *reliable service, hardening the grid to withstand severe weather* and *rates.*

Prioritizing Outcomes	**Phase I Online Survey Results - Top 3 Outcomes**			
	Residential (n=1,600)	**Seasonal** (n=101)	**Small Business** (n=98)	**Key Accounts*** (n=13)
(%) indicates total percentage by rate class that place specific priority in their top 3 outcomes	**Reasonable rates (69%)**	**Reliable service (74%)**	**Reasonable rates (74%)**	**Reliable service (13/13)**
	Reliable service (59%)	**Reasonable rates (60%)**	**Reliable service (58%)**	**Hardening the grid to withstand severe weather (8/13)**
	Ensuring the grid can withstand severe weather (33%)	**Ensuring the grid can withstand severe weather (48%)**	**Ensuring the grid can withstand severe weather (30%)**	**Reasonable rates (7/13)**

*Interpret Key Accounts results as directional due to the small sample size.

General Priorities: Detailed Results



In addition to identifying top customer needs and general priorities, other preferences around **reliability, investment trade-offs, and grid modernization** were also measured.

Prioritizing Reliability Investments

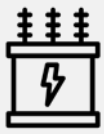
In terms of prioritizing reliability investments, residential and seasonal customers were primarily interested in reducing the length of restoration time during extreme weather events. Small business and key account customers put a greater priority on investments that reduce the overall number of general outages.

Reliability	Phase I Online Survey Results			
	Residential (n=1,600)	Seasonal (n=101)	Small Business (n=98)	Key Accounts* (n=13)
(%) indicates total percentage by rate class that place specific priority in their top 3 outcomes	**Reduce restoration time in extreme weather (62%)**	**Reduce restoration time in extreme weather (76%)**	**Reduce overall number of outages (58%)**	**Reduce overall number of outages (10/13)**
	Reduce overall number of outages (56%)	**Reduce overall length of outages (75%)**	**Reduce restoration time in extreme weather (58%)**	**Improve power quality (9/13)**
	Reduce overall length of outages (56%)	**Reduce overall number of outages (64%)**	**Reduce overall length of outages (56%)**	**Reducing number of outages during extreme weather (8/13)**

* Interpret Key Account results as directional due to the small sample size.

Support for Investment Priorities

The Phase I customer engagement surveys revealed that a majority of customers support investments in important aspects of Elexicon's distribution system, even if that meant electricity bills would need to increase.

Investment Trade-offs (% total support)		Residential (n=1,600)	Seasonal (n=101)	Small Business (n=98)	Key Accounts* (n=13)
	System Renewal Necessary investments in aging infrastructure to maintain system reliability.	**66%**	**83%**	**54%**	**11/13**
	General Plant Necessary investments to ensure staff have reliable equipment and IT systems.	**66%**	**71%**	**60%**	**8/13**
	**System Service** Proactive investments to ensure customers in high-growth areas do not experience a decrease in reliability.	**57%**	**63%**	**42%**	**11/13**

* Interpret Key Account results as directional due to the small sample size.

Support for Grid Modernization

A key component of Elexicon's Phase I customer engagement was to understand customer priorities as they pertain to new technology and the impact of future technology on customer experience.

For System Enhancements, customers were supportive of Elexicon exploring new technologies that make the system better, provided Elexicon is clear about the costs and benefits, even if these enhancements could increase customer rates compared to the lowest cost option.

Furthermore, customers were supportive of the idea of Elexicon exploring new technologies today that help prepare for the future, even if the benefits might not be immediately realized.

Grid Modernization (% total support)		**Residential** (n=1,600)	**Seasonal** (n=101)	**Small Business** (n=98)	**Key Accounts*** (n=13)
	System Enhancements Explore new technologies that would make the system better even if they are not the lowest cost option.	**59%**	**72%**	**56%**	**10/13**
	Future Benefits Explore new technologies that provide future (rather than immediate) benefits if the costs and benefits are clearly articulated.	**61%**	**69%**	**57%**	**9/13**

***** Interpret Key Account results as directional due to the small sample size.

Pacing of Rate Harmonization

Another focus of Elexicon's Phase I customer engagement was understanding customer perspectives on the preferred pace, if rates were to be harmonized between its legacy service areas, Veridian Connections (VRZ) and Whitby Hydro (WRZ). Across both residential and small business rate classes, customers favoured a gradual rate adjustment over time.

Rate Harmonization Pacing	**Phase I Online Survey Results***	
	Residential (n=1,600)	**Small Business** (n=98)
Rate adjustments should be implemented as soon as possible	**12%**	**20%**
Rate adjustments should be implemented gradually to minimize any sudden financial impact on customers	**79%**	**69%**
Don't know	**9%**	**11%**

* GS>50 customers were not surveyed on the topic of rate harmonization until Phase II. Seasonal customers are only part of the VRZ rate zone and were not asked about rate harmonization in Phase I or Phase II.

Delivery of Phase I Findings

The findings from these surveys are also summarized in the *"Needs and Preferences Planning Placemat"* (see **APPENDIX.09**) which was shared with Elexicon planners, to ensure customer feedback could be considered as a key input in the development of Elexicon's draft distribution system and business plan.

Phase II: Evaluating Trade-offs in the 2027-31 Draft Plan

Following the delivery of Phase I findings in the spring of 2024, Elexicon began developing a draft plan informed by identified customer needs, preferences and expectations on specific investments. Elexicon engaged again with INNOVATIVE to design, execute, and document the results of a second customer engagement (Phase II) based on that plan.

The purpose of Phase II of this engagement was to:

1. Solicit customer feedback on specific investment areas based on pacing, bill impact, and performance outcomes.
2. Assess overall social permission for the draft plan.

Customer Engagement Approach

INNOVATIVE worked with Elexicon to gain a clear understanding of the utility's draft plan, identifying areas of flexibility within the plan and examining the potential implications for customers, including service levels and bill impacts. In late 2024 and early 2025, the draft plan was translated into customer-friendly engagement materials. INNOVATIVE developed a workbook survey, which was first tested through a series of focus groups and one-on-one interviews with customers across rate classes. The finalized survey was then made available to all customers in the spring of 2025.

The workbook survey re-engaged customers to provide feedback on Elexicon's draft plan. The engagement focused on evaluating specific trade-offs related to five key investment areas, the associated bill impacts, and the pacing and prioritization of those investments.

The following section summarizes customer feedback from this online survey among residential, seasonal, small business, and GS>50 kW customers (commercial and industrial and key account customers).

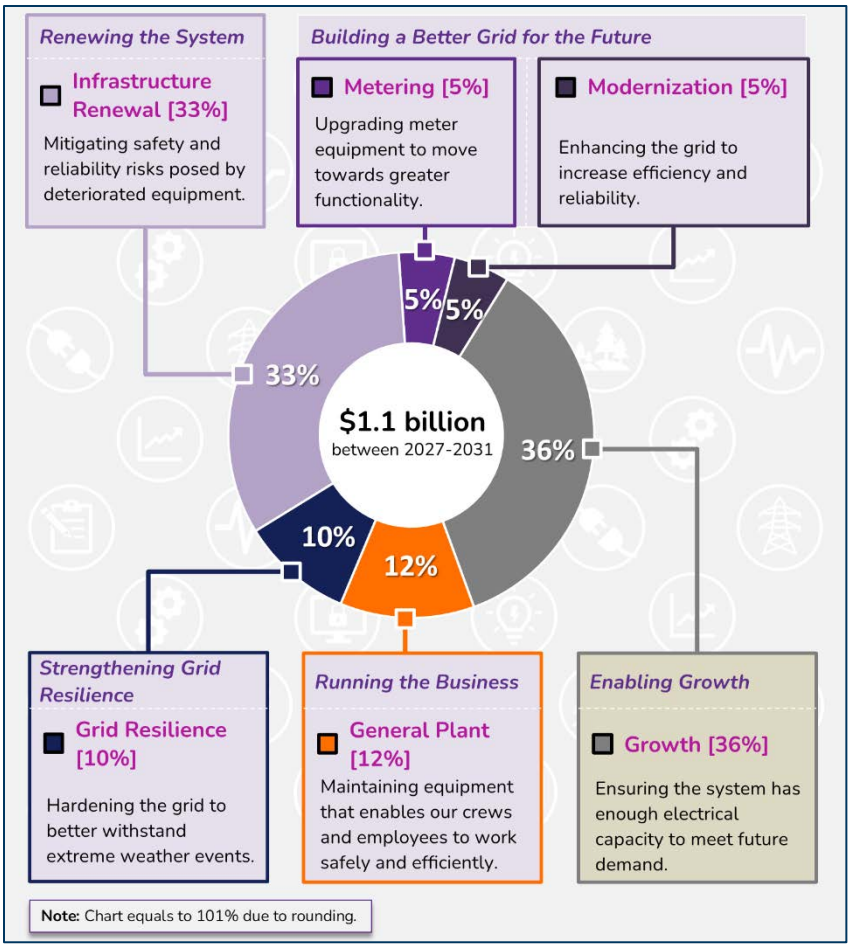
The graphic below summarizes the sample sizes of this engagement by customer rate class.

*GS>50 kW Customers (C&I and Key Account customers) were directed to the same workbook survey which based bill impacts on the typical GS>50kW account. The rationale for this approach is because most Key Account customers represent multiple accounts within the GS>50kW rate class, as opposed to the large use customer rate class.

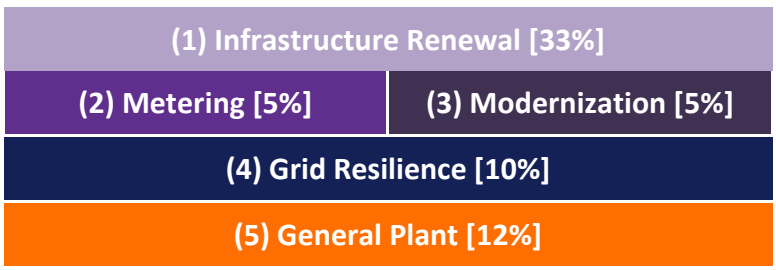
Core Investment Categories

Elexicon's 2027–2031 draft plan was made up of five spending categories:

1. *Renewing the System*
2. *Building a Better Grid for the Future*
3. *Strengthening Grid Resilience*
4. *Running the Business*
5. *Enabling Growth*



Within these **spending categories** (excluding *Enabling Growth*), customers were asked to make choices on trade-offs consisting of **five key investment choices**:



1.1.3 Key Investment Trade-offs

The Phase II survey gauged customer preferences on specific investment trade-offs within the five key investment choices. For each investment choice, customers were given three options* to choose from:

Spend More	A higher spending option that makes additional progress towards better outcomes while recognizing practical limits due to resources and construction issues.
Draft Plan	The option currently in the draft plan. This reflects the planning team's assessment of the right balance between competing priorities and is not necessarily the spending midpoint.
Spend Less**	A minimum spending option that keeps prices lower and meets the basic requirements but may entail some trade-offs on key performance outcomes, such as reliability.

* Customers were also given the option to select "*Don't know*" for any of the investment choices.
** The *General Plant* investment choice did not have a "*Spend Less*" option. Elexicon prioritized cyber security investments in the draft plan, and because these systems are essential, there was no spend less option for this choice.

The tables below show the trade-off preference for each investment area for residential, seasonal, small business, and GS>50kW customers. Due to rounding, numbers presented in the following tables may not add up precisely to the totals provided.

Overall, a majority of customers from each rate class felt Elexicon should spend at the draft plan or spend more for each of the five key investment choices (Spend more + Draft Plan).

More detailed results for each rate class can be found in **APPENDIX.10-13**.

Investment Choice 1: Infrastructure Renewal

Investment Renewal Spending by Rate Class	Investment Options				Spend More + Draft Plan
	Spend More	Draft Plan	Spend Less	Don't know	
Residential	20%	50%	21%	8%	**71%**
Seasonal	20%	60%	16%	5%	**79%**
Small Business	19%	47%	20%	14%	**67%**
GS>50 kW	30%	55%	12%	3%	**85%**

Investment Choice 2: Metering

Metering Spending by Rate Class	Investment Options				Spend More + Draft Plan
	Spend More	Draft Plan	Spend Less	Don't know	
Residential	18%	51%	25%	7%	**68%**
Seasonal	14%	59%	23%	4%	**73%**
Small Business	15%	49%	26%	11%	**64%**
GS>50 kW	21%	61%	15%	3%	**82%**

Investment Choice 3: Modernization

Modernization Spending by Rate Class	Investment Options				Spend More + Draft Plan
	Spend More	Draft Plan	Spend Less	Don't know	
Residential	24%	48%	21%	6%	**73%**
Seasonal	28%	53%	16%	3%	**81%**
Small Business	21%	50%	20%	10%	**71%**
GS>50 kW	27%	61%	9%	3%	**88%**

Investment Choice 4: Grid Resilience

Grid Resilience Spending by Rate Class	Investment Options				Spend More + Draft Plan
	Spend More	Draft Plan	Spend Less	Don't know	
Residential	21%	49%	22%	7%	**70%**
Seasonal	27%	52%	17%	4%	**78%**
Small Business	19%	46%	23%	12%	**65%**
GS>50 kW	21%	55%	18%	6%	**76%**

Investment Choice 5: General Plant

General Plant Spending by Rate Class	Investment Options				Spend More + Draft Plan
	Spend More	Draft Plan	Spend Less	Don't know	
Residential	24%	64%	n/a	12%	**88%**
Seasonal	25%	68%	n/a	8%	**92%**
Small Business	25%	60%	n/a	15%	**85%**
GS>50 kW	24%	67%	n/a	9%	**91%**

1.1.4 Social Permission

An average of 79% of customers, across all rate classes, gave Elexicon social permission to proceed with its draft plan.[7]

These customers provided social permission by indicating either:

1. They think Elexicon should accelerate spending beyond the level in the draft plan to deliver better system outcomes.
2. They support the draft plan and the associated bill increase, or
3. They feel that the proposed bill increase is necessary, even though they don't like the proposed rate increase.

Together, these three customer choices constitute what we define as "social permission".

Overall Social Permission by Rate Class

Rate Class	Residential (n=7,500)		Seasonal (n=115)	Small Business (n=190)		GS>50 kW* (n=33)		Average Across Rate Classes
Proposed Rate Impact** (increase by 2031)	VRZ 22.71	WRZ $21.60	VRZ $45.53	VRZ $39.95	WRZ $35.55	VRZ $447.96	WRZ $418.86	
Accelerate spending	14%		15%	14%		21%		14%
Support proposed bill	24%		26%	21%		18%		24%
Necessary to maintain grid	42%		44%	38%		42%		42%
Oppose the bill increase	14%		13%	15%		12%		14%
Don't know	7%		2%	12%		6%		7%
Social Permission (Accelerate + Support + Necessary)	**79%**		**84%**	**73%**		**82%**		**79%**

Note: Due to rounding, numbers presented in this table may not add up precisely to the totals provided.
* C&I and KA Customers were combined in Phase II to represent the GS>50kW rate class for the purposes of analysis.
** Customers in residential, small business and GS>50 kW rate classes saw a proposed rate impact specific to their legacy rate zone. VRZ corresponds with the legacy Veridian rate zone, while WRZ represents the legacy Whitby rate zone.

[7] 79% overall social permission represents a simple average of all four rate classes (residential, seasonal, small business (GS<50) and GS>50). A pooled average of all customers surveyed would also yield an average social permission of 79%.

OESP/LEAP Qualified Residential Customers

While lower than the average residential customer, 72% of Ontario Electricity Support Program (OESP) and Low-income Energy Assistance Program (LEAP) qualified residential customers gave Elexicon social permission to proceed with its draft plan.

The level of social permission among residential customers whose household income after tax is **less** than $71,000 but who do not qualify for OESP/LEAP is on par with the residential customers overall.

The level of social permission among residential customers whose household income after tax is **more** than $71,000 and do not quality for OSEP/LEAP was higher than residential customers overall.

Social Permission by OESP/LEAP Qualification	Residential Overall	OESP/LEAP Qualification		
		Qualified	Income <$71k Not Qualified	Income >$71k Not Qualified
Accelerate spending	14%	12%	12%	18%
Support proposed bill	24%	20%	28%	28%
Necessary to maintain grid	42%	40%	42%	41%
Oppose the bill increase	14%	17%	12%	10%
Don't know	7%	11%	6%	3%
Social Permission (Accelerate + Support + Necessary)	**79%**	**72%**	**82%**	**86%**

Pacing of Rate Harmonization

Across rate classes, customers did not show a clear preference on the pacing of rate harmonization between VRZ and WRZ rate zones.

Customers were presented with two options in the workbook. Option A, harmonize rates by 2031, and Option B, immediately harmonize rates in 2027. To make sense of the different pacing options, customers were shown a table with the cost impact of options A and B on the proposed draft plan increase from 2027 to 2031. Tables can be found in **APPENDIX.10-13**.

Pacing of Rate Harmonization*	Residential (n=7,500)	Small Business (n=190)	GS>50 kW* (n=33)
Harmonize by 2031	33%	27%	33%
Harmonize in 2027	28%	28%	36%
No preference	26%	26%	21%
Don't know	13%	19%	9%

* Seasonal customers are only part of the VRZ rate zone and were not asked about rate harmonization in Phase I or Phase II.

While customers in Phase I were posed a general question on harmonization pacing, Elexicon was able to provide customers with the estimated impact of each option on the draft plan presented in Phase II. A majority of Residential and Small Business customers in Phase I preferred, *"Rate adjustments should be implemented gradually to minimize any sudden financial impact on customers"* (See page 10 or APPENDIX.03-04). However, in the Phase II results above, customers in each rate class did not show a clear preference between harmonizing in 2027 and gradually harmonizing by 2031. The difference likely reflects the added context on costs, and that the size of that specific cost impact balanced preferences across the options presented.

Building Understanding.

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INNOVATIVE RESEARCH GROUP

APPENDIX 01

Customer Engagement
Low-Volume Focus Groups

elexicon ENERGY

July 2024

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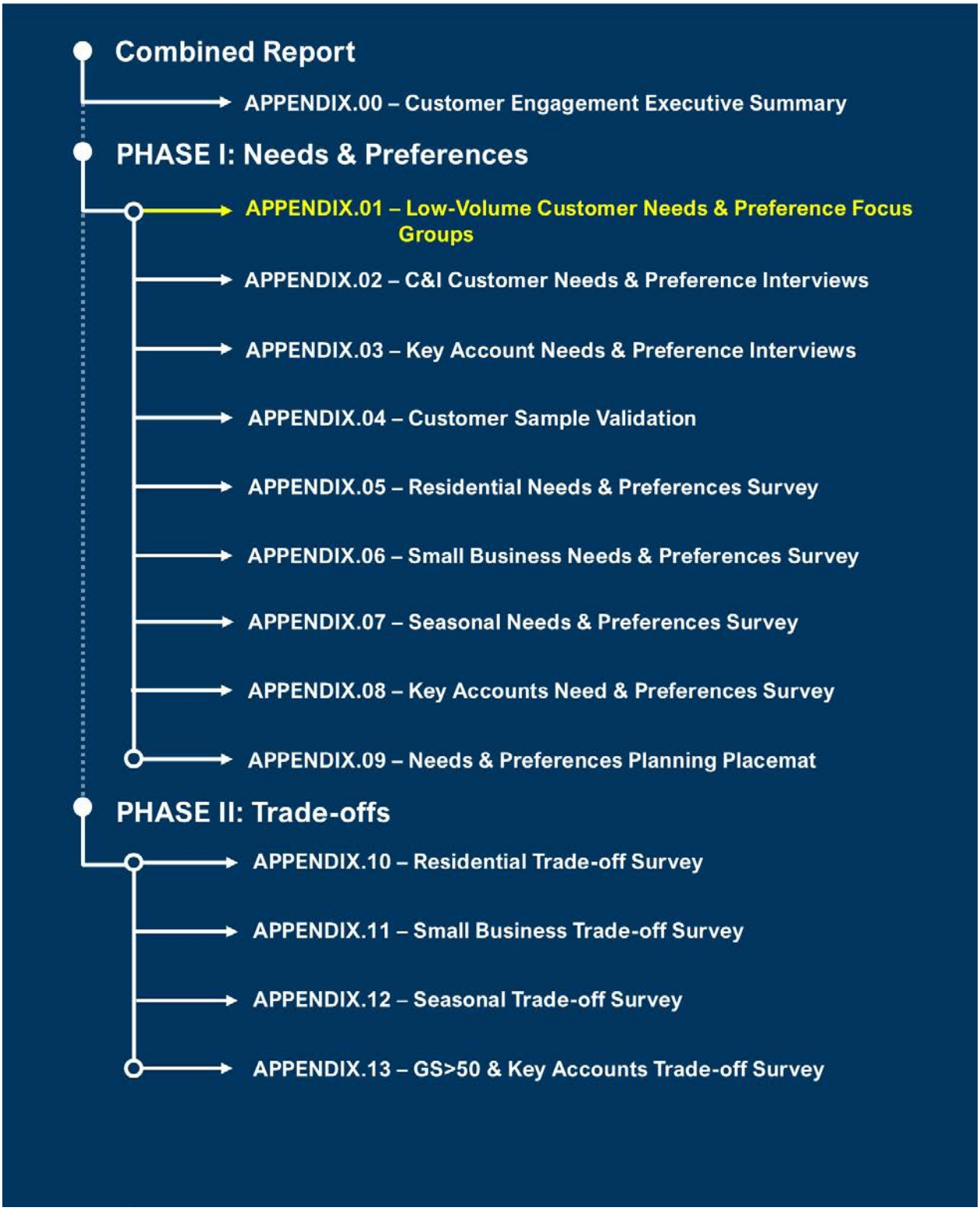
2027 – 2031 Rate Application

Report Navigation



Customer Engagement

2027 – 2031 Cost of Service Rate Application

June 7, 2024

Confidentiality

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Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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1. Introduction

Innovative Research Group Inc. (INNOVATIVE) was engaged by Elexicon Energy (Elexicon) in 2023 to design, execute, and document the results of its customer engagement, as part of Elexicon Energy's Rate Application to the Ontario Energy Board (OEB) for 2027.

The focus group sessions were designed to explore customer priorities and preferences when it comes to the electricity service they receive from Elexicon. This research found both areas where participants felt their service expectations were satisfied as well as areas that needed improvement.

These focus groups were conducted over a two-week period in February 2024. INNOVATIVE engaged with residential, small business, and seasonal customers of Elexicon in separate groups via the Zoom video-conference platform.

Focus Group Structure

The focus groups were facilitated by a trained moderator, following a structured discussion guide and a short stimulus. The introductory discussion focused on familiarizing participants with Elexicon's role in the electricity system and how rates are set by the Ontario Energy Board (OEB).

Participants were then asked how satisfied they were with the service they receive from Elexicon, and what, if anything, Elexicon could do or prioritize to better serve them.

The next part of the discussion was focused on Elexicon's future challenges over the next decade. Participants were asked to think about these challenges within the backdrop of the coming energy transition, the costs customers could face, and the expectations they might have about Elexicon.

Following the topic of energy transition, the moderator introduced the context behind legacy distribution rates and brought up the question of fairness when it comes to rate harmonization. Participants offered their views on whether Elexicon should harmonize rates within the service area, as well as commented on the pace at which it could be implemented.

The discussion wrapped up with comments on the customer engagement process, touching on how Elexicon should consult customers about their electricity needs and preferences in the future.

This report summarizes the key findings from these discussions. Verbatim comments from participants have been included in *italics* to provide as much information as possible. These comments have been coupled with observations and interpretations where necessary.

Note to the Reader

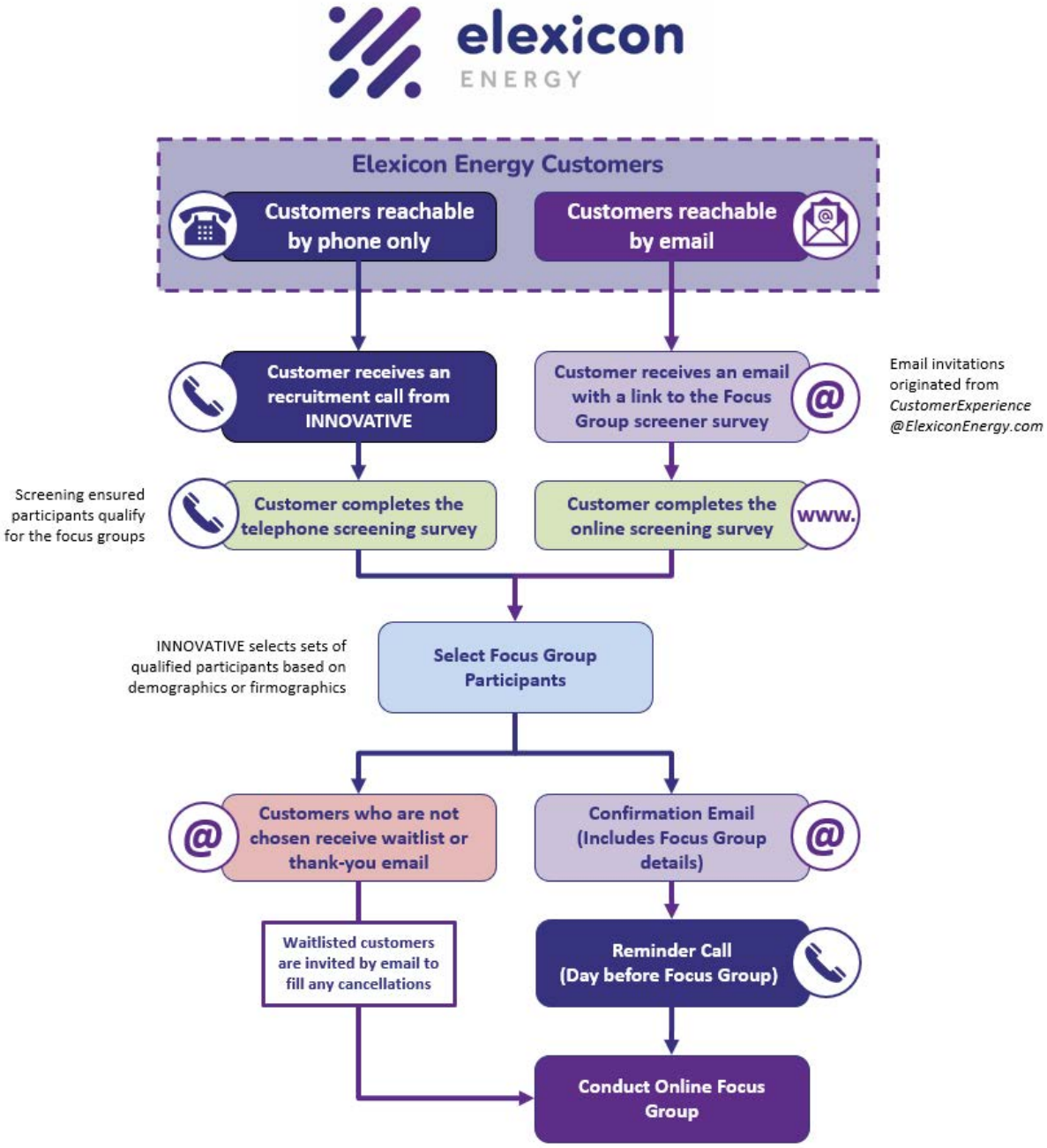
Focus groups are an example of qualitative research which does not hold the same statistical reliability as quantitative research. Focus groups are an exploratory research technique that should be used for strategic direction only.

In qualitative research, the value of the findings lies in the *depth* and *range* of information provided by the participants, rather than in the *number* of individuals holding each view. References in this report such as "most" or "some" participants cannot be projected to the full population. Only a large sample, quantitative survey would be accurately projectable to the full population.

Focus Group Customer Recruitment Process

Residential, small business (GS<50) and seasonal customers were recruited over the phone and e-mail using a customer list provided by Elexicon. A random selection of participants was invited to complete a screening survey. Qualified participants were selected to make sure customers from a range of demographic or firmographic group. Selected participants were then confirmed to attend the focus group study via e-mail. The following graphic outlines this process in greater detail.

Residential and seasonal customers who participated in the focus group received a $100 cash incentive as compensation for their time. Small business customers who participated in the group received a $150 cash incentive.



2. Low-Volume Customer Focus Groups

2.1 Methodology

Eight focus groups with residential, small business (GS<50) and seasonal customers from across Elexicon's service area took place between February 21st and 27th, 2024. INNOVATIVE segmented these participants into service area groups to ensure the discussion remained relevant to their communities. The details of each of these groups can be found in the following table.

Date	Focus Group Times	Number of Participants	Customer Type	Service Area
February 21st, 2024	5:30 pm – 7:30 pm	10 participants	Small business	Ajax & Pickering
	7:30 pm – 9:30 pm	6 participants	Residential	
February 22nd, 2024	5:30 pm – 7:30 pm	5 participants	Small business	Whitby
	7:30 pm – 9:30 pm	8 participants	Residential	
February 26th, 2024	5:30 pm – 7:30 pm	2 participants	Small business	Brock & Clarington
	7:30 pm – 9:30 pm	8 participants	Residential	
February 27th, 2024	5:30 pm – 7:30 pm	6 participants	Seasonal	Gravenhurst
	7:30 pm – 9:30 pm	5 participants	Residential	Belleville

3. Key Findings

Familiarity with Elexicon was limited.

Most participants knew that Elexicon is their local electricity provider and handles power restoration during outages. However, there was some confusion regarding its relationship with the Ontario Energy Board (OEB) and the utilities before the merger.

Most participants were generally satisfied with the electricity service from Elexicon, particularly in terms of power reliability.

Some participants noted the lack of outages, or the reliability of power compared to other neighbourhoods or the past as reasons for their satisfaction. However, there were concerns about the demand for electricity due to heavy development in certain areas, leading to power interruptions. Several seasonal participants also expressed concerns about Elexicon's approach to vegetation management, advocating for a more proactive strategy to ensure power reliability.

While most participants were satisfied with Elexicon's power reliability, those who experienced outages felt there was room for improvement in providing more accurate information about outage locations and estimated restoration times.

Participants acknowledged several future challenges for Elexicon.

These challenges include aging infrastructure, increasing cyber security threats, growing electricity demand, and the need to enable customers to adopt new technology. Many hoped Elexicon would plan and invest for the future rather than waiting for the demand to increase further.

Many participants anticipated an increase in their electricity bill to address these challenges.

However, they wanted Elexicon to educate them on the reasons for the increase, the cost implications of the energy transition, and how the funds would be used to address these challenges. Some also looked to Elexicon to collaborate with and lead the community in implementing energy transition successfully.

4. Detailed Findings – Elexicon Today

4.1 Familiarity with Elexicon

The focus group discussion started by gauging participants' awareness of Elexicon's role in the electricity system. It was then followed by the moderator explaining Elexicon's role in the system and seeking participants' reactions to it.

Most participants were aware that Elexicon is an electricity provider responsible for maintenance, construction, and support across multiple municipalities, unprompted. Other participants had limited understanding and did not know that Elexicon's role was responsible for regional distribution only.

> *"I think Elexicon is an infrastructure provider that focuses on basically the upkeep and responsibility of electricity and delivery. And I think that's important. Because when you start to think about what happens when things go wrong, they're the ones that are jumping in to make sure that we still get our electricity, and we can still power our lights. So, it's like full lifecycle turnkey electricity services."*

> *"Well, I know they bring electricity to my house."*

> *"The transmissions system… so do they own it or maintain or how does that work?"*

A few participants were not entirely sure of Elexicon's responsibility and guessed that they would be responsible for restoring power during an outage in their neighbourhood.

> *"I think they troubleshoot power issues if there are outages? I assume they oversee that, but I don't know."*

After explaining Elexicon's role in the Ontario electricity system, some participants were still unsure who owned Elexicon. Some participants expressed confusion surrounding the name change that occurred during amalgamation.

> *"I guess through a Crown Corporation, they might own this utility company that enables us to have electricity but allow them to have some level of their own governance and I guess one without complete oversight from the government…"*

> *"Weren't they previously called Veridian?"*

Most participants were unfamiliar with the electricity system in Ontario. To continue the discussion, moderators explained how the system works, and how rates are set by the Ontario Energy Board (OEB) in Ontario. Many still had questions about how the OEB regulates the different parties, including local distribution companies (LDCs). There were some concerns about accountability when there were many parties involved.

> *"Are they [Elexicon] a separate entity? Or are they somehow connected to the Ontario Energy Board?"*

> *"I have a quick question. Is there a bid process like every five years to determine who will be that distributor? Whether it be somebody else or is there just you [Elexicon]?"*

4.2 General Satisfaction and Needs

Following the introductory discussion, participants were asked to comment on their level of satisfaction with the service they receive from Elexicon, as well as areas of services that Elexicon could do better.

Reliability

Most participants were satisfied with their service experience with Elexicon, particularly when it comes to reliability.

> *"I've been fairly fortunate. I haven't had to experience any sort of outages."*
>
> *"Very satisfied. When we moved here in the mid-90s, it felt like the power went out every week. It's a lot more reliable now."*
>
> *"They never crossed my mind. The bill comes in, we pay the bill, and the lights turn on. The only time we ever start thinking about them is when the lights don't turn on."*
>
> *"Very satisfied in this new neighbourhood I live. The wires are underground. I see power outages and other parts of the town but not here."*

Participants who had experienced an outage were quick to jump into the discussion. Some associated the beginning of nearby construction and development in their communities with the cause of those outages.

> *"I think just service-wise we've had some hiccups. They recently also built a huge addition down the road from us, and we noticed a few power hiccups while that was happening, because I think they were drawing a lot more power."*

A few seasonal participants reported frequent and long-lasting outages in recent years, and now that they've seen an increase in reliability, there is some apprehension about it continuing.

> *"We have a ridiculous number of power outages, except for this past summer, touch wood, which was, frankly, the best in the long time, as far as lengthy power outages. Often those power outages go on for two or three or even more days… it seems like when a line goes down, they start working for the center of town outwards to fix the lines and possibly replace a pole sometimes. And it works out from the center of town. And we're left to the very end always."*

When asked specifically what Elexicon could better serve them, a few seasonal participants were concerned that vegetation around their cottages has been left to grow unchecked. Most participants said that Elexicon should take a more aggressive approach to cutting back on this growth to both prevent outages and save on costs.

> *"We haven't seen anybody cruising through our area at all in ages, you feel a bit neglected."*
>
> *"In the long term, if you're not spending on clearing the trees, it will have a major impact. And if once you let it go for a certain period of time, then the cost jumps because you have to go down every single line removing a pile of vegetation."*

Outage Communications

Several participants were not very satisfied with Elexicon's communication efforts, especially related to outages. Most participants wanted Elexicon to proactively inform customers of an outage and provide customers with more accurate resolution time estimates. This was especially important among many small business participants.

> *"If they just tell you that there is a power outage, and this is the expected type, an SMS (alert) would solve a lot more issues than we think."*
>
> *"But definitely, if they communicate a little more regularly, we feel better about it."*
>
> *"This goes back to communication. Is this going to be 10 minutes, or is this going to be three days? At what point do I send my workers home and say, 'Okay, let's just call it.'"*
>
> *"It's just very difficult to find out what is going on with the outage. The estimated time of restoration is just not too precise... so I think that's the only thing, is just getting a little bit more updates when an outage occurs."*

Some participants voiced frustration with current communication features. A few participants found that the online outage map did not accurately reflect the location of an outage in their neighbourhood.

> *"And when there are issues like updating the maps, because like everyone else has said the maps are like never updated. I don't think there's been one time where there's been a power outage, and the map showed a power outage for our area."*

Cost/Billing

Cost was also brought up as concerning. Some participants voiced dissatisfaction and lack of clarity regarding the cost of Elexicon's services. There was some concern and confusion over unexpectedly high bills, particularly due to fluctuations in pricing based on usage patterns. Some participants desired greater communication and education to help them better understand their bills.

> *"And I keep looking at the bills and it's making me feel like very surprised only because we don't use much electricity… there's no explanation as to why it's on-peak for example."*
>
> *"When [the customer is] aware of it, aware of the reason and they feel that they're being noticed. If it's any utility. If you can reach a person, and they communicate with you quickly, you will accept the reasons why [your bill is] going up and down."*
>
> *"I guess if I did get a notification… to say, 'you're paying a lot more than usual' from Elexicon, that would be helpful."*

Some seasonal participants were very concerned about getting charged a delivery fee during the winter months while their power is shut off. Many were wondering what this delivery charge is paying for, and without that description, many saw it as an unfair levy.

> *"And someone else may have mentioned as well, which is always my pet peeve is for five or six months of the year when I'm not there, I still get a delivery charge."*
>
> *"I receive a delivery charge, which absolutely amazes me because the hydro shut down. There is no delivery of anything. There hydro is shut down. There's no one up there. It's there's no usage and I still get a bill of $50-$60 or whatever dollars every month."*

Some participants expressed a desire for a better online billing system.

> *"I actually find the online billing tool (to be) very clunky."*

While there were concerns about the cost of their electricity bills, a few small business participants commented that the potential economic losses during an outage would far exceed their current electricity costs.

> *"I guess, in a way, as much as it's expensive. I got to be grateful."*

> *"I'm going to be crazy honest with you as it is. If we had a power outage, it destroys my business."*

Customer Service

Only a handful of participants had distinct customer service experience, most of which found the service to be friendly and helpful on the occasion they needed to get in contact.

> *"I found when I did have to call them, they were really friendly and helpful. Which was a nice surprise. I'm not sure if it was like a small-town thing… But the few times that I did have to call the person on the other end was very friendly and accommodating."*

When asked specifically what Elexicon could better serve them, some participants expressed a desire for greater customer service that is closely associated with providing education and resources to help customers conserve energy and find equipment inefficiencies to bring down costs.

> *"Proactively contact the customer, and ask for maybe suggest ways to some house to some savings of the electricity bill?"*

> *"But if they can, and they can add it to the dashboard, saying, 'Hey, this month, your bill is this much because of the high usage of the laundry machine.'"*

Some participants expected Elexicon to proactively provide information on tools or new technologies to customers on how to manage their usage, making their homes and workplaces more efficient and cost-effective.

> *"So that's my point, they should have been a little bit more knowledgeable into guiding the customers to find the information that they need to make sure they have the means… that's something that they need to improve."*

> *"Knowing means a lot… I don't know how smart the meters are. But if they can build technology into these meters to track things like high peak low peak usage… If they could have identified [the technology] sooner, and then communicated it. It could have translated into real savings, less frustration, a lot of benefits."*

A few small business participants emphasized the need for tailored customer service recommendations, as the current one-size-fits-all approach didn't effectively address diverse business needs.

> *"We have spa services, these are all very different things. And so, when you get a bill, and it says these are ways that you can save money, it's a one size fits all kind of approach…"*

5. Detailed Findings – Elexicon Tomorrow

Following the discussion about customer needs, the discussion shifted towards Elexicon's future challenges over the next decade as it prepares for energy transition.

5.1 Energy Transition

To begin with, the moderator shared a short description of energy transition. Participants were then asked to think of challenges Elexicon will face in preparation for the transition. While some challenges (e.g. aging infrastructure and increasing cyber security threats) are not a direct challenge resulting from energy transition, others (e.g. growing demand and enabling customers to adopt new technologies) are. They were also asked to comment on their willingness to pay for these investments.

Aging Infrastructure

When probed on the need to address aging infrastructure and equipment, some participants expressed a willingness to pay more if it meant Elexicon would take a proactive approach to maintaining reliability.

> *"For me, the number one thing is reliability. Without reliability, there's no business. We're not making money. I would even be willing to pay more to ensure [there are] more redundancies and things like that."*

But some seasonal participants felt the old infrastructure could potentially have a longer lifespan if vegetation was managed properly. While the infrastructure is aging, proactive vegetation management can help extend its life and delay investment.

> *"I think in addition to the aging infrastructure, as we've talked about before, they have to be very concerned with and doing something to make sure that the vegetation is properly managed, because that'll mean that the old equipment can last a little longer if it's not constantly being assaulted by tree branches."*

Increasing Cyber Security Threats

When probed on the need to defend against cyber security attacks that may damage the grid, some participants recognized the threats and the importance of protecting against them. A few participants were also worried that the adoption of new technologies could make the grid more susceptible to intrusion if not implemented correctly or monitored effectively.

> *"The fact that they're using computers to determine whether to send electricity. If somebody hacked in, they could create great havoc... so, cyber security is really important."*

> *"Technology is going to allow you to do that... In my mind, it poses a lot more risk of vulnerability to break down or a cyber-attack…"*

Growing Demand

Many participants emphasized the need to keep pace with growing capacity needs caused not only by new residential developments but also by the adoption of electric vehicles and electrification resulting from energy transition. This discussion called for Elexicon to keep up with increasing

capacity demands to maintain overall system reliability during this period of rapid growth and construction in their communities.

> *"Keeping up with the growth and the growing demand."*
>
> *"So there's going be a population boom. We're already seeing it. How many houses have just popped up in the last like five years alone, and we're still seeing more construction? So, I don't know, I imagine that Elexicon is equipped to be able to handle that level of scale. But let's just assume that we're not growing at a linear rate, we're growing at an exponential rate. Is Elexicon going to be able to keep up 10 years from now?"*
>
> *"We have a lot more new houses being built, with a lot more EVs coming onto the grid. Will the grid be able to feed all these new houses and power all these cars, trucks or whatever type of vehicle they're building? In the next five years, we're going to have more people buying single-family houses. Will they be able to sustain all those because if we're having so many power outages now, imagine when they have 10,000 more houses on that grid, what's going to happen?"*

Enabling Customers to Adopt New Technology

Many participants were looking for directions and guidance from Elexicon to adopt new technologies as they become more available. The benefits, as they perceived them, were twofold. Not only the adoption will help customers manage their energy consumption and bills; but it can also help contribute to the grid, alleviating strain from the growing demand and delaying investments. Whether customers would act on those recommendations would depend on the level of trust Elexicon has built with customers, as many indicated.

> *"I would like to rely on Elexicon to be directing towards the right thing. If they're going to tell me to put solar panels on your roof, I want to be able to trust them that that's the best thing for the environment, and for me, as an individual living in this world."*
>
> *"I guess getting into the future technologies that we don't even know about yet. Definitely solar. I think they should offer every household in all the neighborhoods they want to put solar panels on and contribute into the grid."*
>
> *"I think they'd have to build up that rapport with their customers. I don't think any of that exists. Not for me anyway. They could come to you and give you options. They say this is what you're doing great, this way you can do better. This is how we're doing it as a community, this is what we're doing, this is what the next 10 years will look like. Let's do it together. Now you build that trust. Of course, I'm going to go to Elexicon and I'm going to be part of this revolution of change."*

Some participants emphasized the importance of Elexicon providing guidance during the early construction stages of new developments to maximize the benefits to customers and of enabling energy transition.

> *"But that could help if they helped, especially the new homes that can be greener, right from the beginning. They're built with solar panels on the roof and geothermal and their driveways. If they started this infrastructure in the new homes, especially because we have such a blast of new homes. Like I said, the initial bills, our monthly bills may be going down for the new homes, but that would help. Like it's a long-term plan. It would help the transition."*

5.2 Willingness to Pay

Many participants expected an increase in their electricity bill as energy transition requires expanding the grid to meet the growing demand.

Some participants desired more education from Elexicon regarding the transition, proposed investments to the grid, and cost implications to customers. They felt the education can lead to wider support from customers.

> *"I think the key here is education. People will not understand or support anything if they don't know what's happening. If I don't know how this works, I will say, 'No, thank you', especially because I know you have to pay for that. To say, 'Okay, let's try to do this. I'm going to join this project. I'm going to help' is to have the knowledge to know the ins and outs of how things are being done, the pros and cons. Less people complaining and more people helping if they know exactly what is happening."*

> *"If we need to upgrade ourselves to support the new system, tell us on the front end."*

Other participants emphasized the need for Elexicon to appeal to the communities they serve, such as offering incentives to promote a more communal effort to address the emerging energy challenges. Elexicon could also collaborate with other key stakeholders in the society as energy transition relies on multiple entities working in partnership.

> *"'We're going to pay you to do that but as a community we can do this' and I think that's where they got to come out in order to make it work."*

> *"When I think about these things, it's an undertaking, and there needs to be a lot of partnership that needs to happen, not just with cars, but throughout the whole economy."*

However, a few participants questioned the overall delay in beginning the transition to greener forms of generation despite the longstanding knowledge of its feasibility. Those who recognized this delay explained that costs are going to be higher now as a result.

> *"How many years and we've known that it is possible to generate electricity from solar power, from the wind, from water moving through a creek, and yet, nobody's done anything to make that transition."*

> *"I think it's going to be [greater] cost this point, because it hasn't been done over time… everything's going to push now."*

6. Rate Harmonization

Following the topic of energy transition, the moderator introduced the context behind legacy distribution rates and brought up the question of fairness when it comes to rate harmonization. Participants offered their views on whether Elexicon should harmonize rates within the service area, as well as commented on the pace at which it could be implemented. Many participants were generally unaware of the rate differences within Elexicon's service area.

> *"Do the rates differ if you're in Gravenhurst? Are you paying a different rate than in Ajax?"*

Most participants found it unfair if customers paid different rates due to legacy reasons rather than a difference in the levels of service they receive. Many found such disparities unpleasant.

> *"I wouldn't be happy if I had a business in Whitby paying more than my business in Oshawa."*
>
> *"If it's the same service, everything's the same, then why should the price be different?"*
>
> *"I think if it's the same company, it should be the same rate across the company. Because we don't get better power for an extra 4%."*

Some participants questioned why harmonization had not occurred already during the merge, especially if one area was experiencing cost savings while others were paying more. These participants expressed that harmonization simply made sense.

> *"I have no control over that. That's something that the people that would be [Whitby] Hydro and Elexicon should have talked about."*
>
> *"It would seem logical to me, you take two systems, they become one. And now they're asking for rate adjustments. So sure."*

However, a few participants thought that the differences were for a reason. One participant thought fairness should be limited to the cities and communities that had similar energy needs and infrastructure investments. Another participant explained that if those legacy companies effectively managed their assets in the past, the differences are justifiable.

> *"I'm sorry, in my view, it's not fair, as in the nationwide, we cannot really keep [rates] the same, because depending upon the electricity, depending upon the complexity, the rate goes up. But when it is in the same city, probably the rate should be similar."*
>
> *"If you've managed your assets properly, you've put in the time, you put in the effort. Everyone's done what they needed to do. And they did it well. Their customers should reap the rewards if you want to, if you want a discount on your pricing and move out there."*

Others acknowledged the potential challenges in achieving complete fairness but expressed the desire for explanations if future disparities could not be avoided.

> *"If it could be fair, that's amazing. And if it can't be, explain as to why."*

Additionally, there's an acknowledgment from some participants that any rate adjustments should be implemented gradually to mitigate the impact on customers.

> *"Maybe if they do raise the rates, they do it incrementally, so it doesn't sting."*

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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INNOVATIVE RESEARCH GROUP

APPENDIX 02

Customer Engagement
C&I Interviews

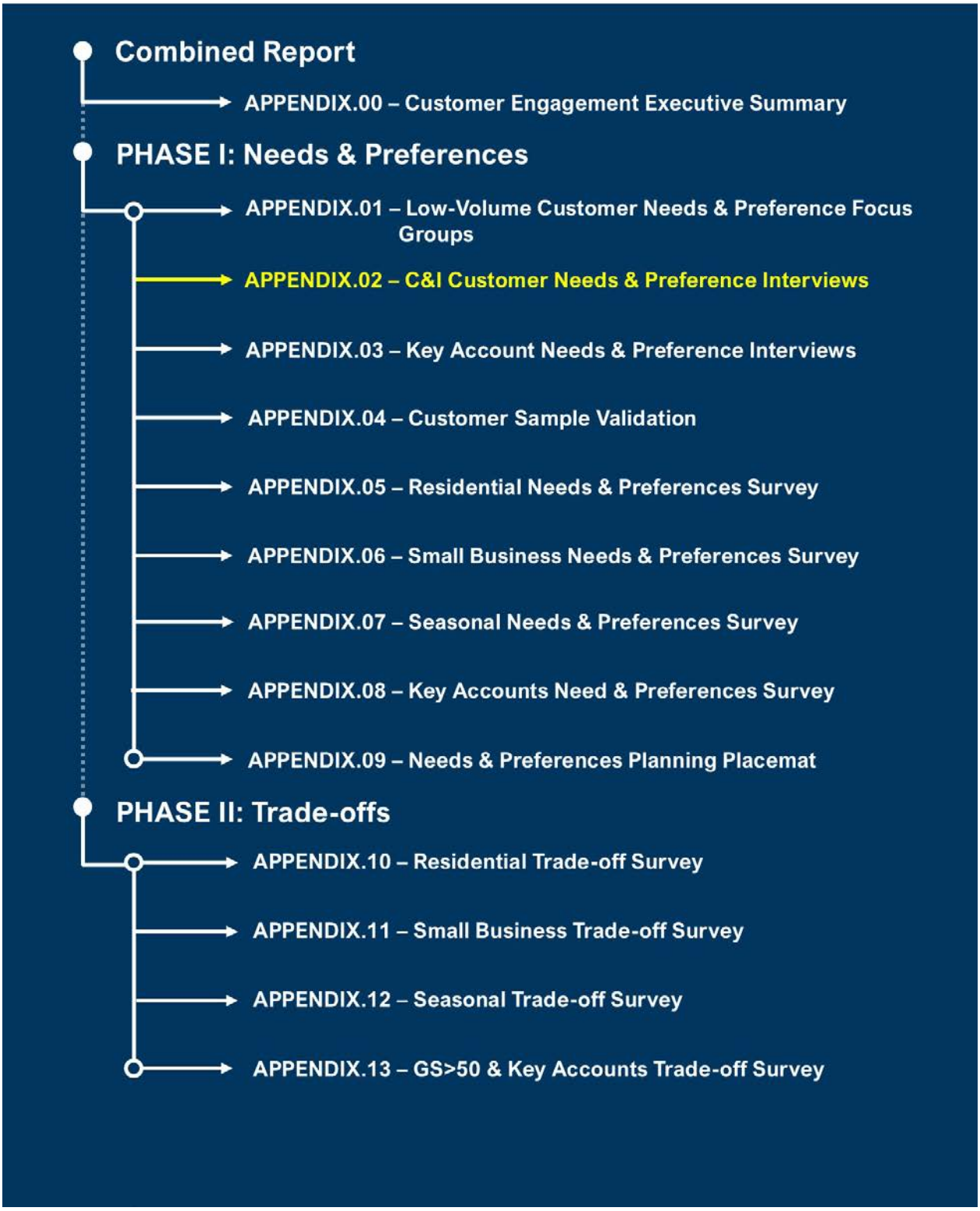
elexicon ENERGY

July 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

2027 – 2031 Rate Application

Report Navigation



Customer Engagement

2027 – 2031 Cost of Service Rate Application

May 2024

Confidentiality

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1. Introduction

Innovative Research Group Inc. (INNOVATIVE) was engaged by Elexicon Energy (Elexicon) in 2023 to design, execute, and document the results of its customer engagement, as part of Elexicon Energy's Rate Application to the Ontario Energy Board (OEB) for 2027.

Commercial and industrial (C&I) interviews were 1-on-1 meetings designed to identify customer priorities and preferences when it comes to the electricity service they receive from Elexicon. This research identified areas where participants felt their service expectations were satisfied as well as areas that needed improvement.

These interviews were conducted between March 12th and April 5th, 2024 via the Zoom video-conference platform.

Interview Structure

The interviews were facilitated by a trained moderator, following a structured discussion guide. The introductory discussion focused on participants' roles and their typical interaction with Elexicon. Participants were then asked how satisfied they were with the service they receive from Elexicon, and what, if anything, Elexicon could do to better serve them. Additionally, participants were asked to discuss their needs and expectations of Elexicon, as well as the top priorities that matter the most to their organization.

The next part of the discussion focused on Elexicon's future challenges over the next decade. Participants also discussed their willingness to pay more for Elexicon's services. The discussion wrapped up with comments on the customer engagement process, touching on how Elexicon could consult customers about these topics in the future.

This report summarizes the key findings from these discussions. Verbatim comments from participants have been included in *italics* to provide as much information as possible. These comments have been coupled with observations and interpretations where necessary.

Note to the Reader

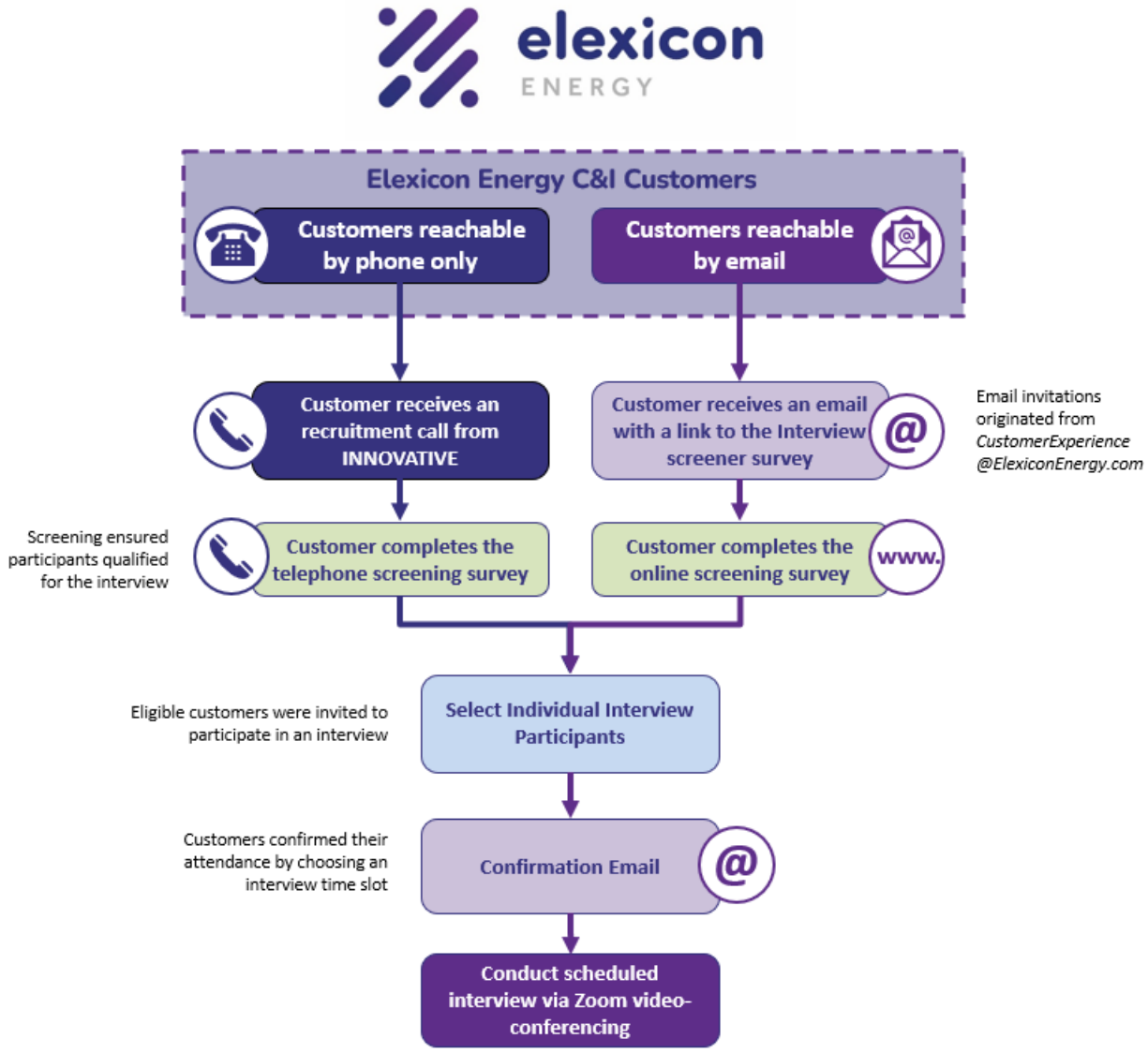
1-on-1 interviews are an example of qualitative research which does not hold the same statistical reliability as quantitative research. Interviews are an exploratory research technique that should be used for strategic direction only.

In qualitative research, the value of the findings lies in the *depth* and *range* of information provided by the participants, rather than in the *number* of individuals holding each view. References in this report such as "most" or "some" participants cannot be projected to the full population. Only a large sample, quantitative survey would be accurately projectable to the full population.

Interview Recruitment Process

C&I Customers were recruited over the phone and e-mail using a customer list provided by Elexicon. This process contacted C&I customers on file, followed by a screening process, and concluding with an interview confirmation via email. The following graphic outlines this process in greater detail.

Interviewees received a $200 cash incentive as compensation for their time.



2. C&I Customer Interviews

2.1 Methodology

Nine interviews took place between March 12th and April 5th, 2024. The details of each of these interviews can be found in the following table.

Interview #	Interview Date	Gender	Industry	Service Area
1	March 12	Man	MASH[1]	Whitby
2	March 19	Man	Commercial	Whitby
3	March 21	Woman	Industrial	Belleville
4	March 22	Woman	MASH	Gravenhurst
5	April 3	Man	Commercial	Ajax
6	April 4	Man	Commercial	Whitby
7	April 5	Man	Commercial	Whitby
8	April 5	Woman	MURB[2]	Ajax
9	April 5	Woman	Commercial	Belleville

[1] MASH refers to Municipalities, Academic institutions, Schools, and Health.

[2] MURB refers to Multi-Unit Residential Buildings.

3. Key Findings

Participants reported limited interaction with Elexicon.

Their interactions were limited to billing issues and outage inquiries. Despite infrequent contact, most participants were generally satisfied with the service provided by Elexicon.

Some customers expected higher quality customer service from Elexicon.

They desired a closer relationship where their business needs were better understood and expected quicker responses to service inquiries. Some customers further suggested that a closer relationship could help facilitate their adoption of new technologies and contribute to customers' energy-saving initiatives.

Participants identified additional needs for Elexicon to address.

This included improving reliability, better communication, keeping energy costs affordable, and providing a better user experience for managing bills or multiple accounts online.

Most participants recognized the need for Elexicon to improve and upgrade its infrastructure.

They cited reasons such as depreciated equipment, increased cybersecurity threats, a growing population in Elexicon's service area, and customer interest in grid engagement (e.g., installing EV charging infrastructure).

Energy affordability was a key concern with many customers worried about the cost implications of future challenges.

However, some suggested that if Elexicon established closer relationships and addressed their needs more effectively, they might be more supportive of a price increase. Seeing how rate dollars are used for improvements (e.g., better customer service and reliability) would help justify the increase.

4. Detailed Findings – Elexicon Today

The interviews started with a discussion about their past interactions with Elexicon and their levels of satisfaction with those interactions.

4.1 Interactions with Elexicon

Nearly all customers interviewed were directly responsible for paying the electricity bill. When asked how they interacted with Elexicon, most customers recognized that they do not typically interact with Elexicon unless there is an issue with billing, their service, or if they are looking to change their service.

> *"I do from time to time, either if there is a billing issue… which is probably the majority of the stuff."*

Participants who were property managers, landlords and other customers responsible for residential buildings tended to interact with Elexicon much more frequently. These customers generally reported a positive experience saying their interactions met their expectations.

> *"Listen, the service is always good. I mean, [interruptions] are very rare… we know that some things are out of their control that they can't avoid."*

4.2 General Satisfaction

Following a brief discussion of their past dealings with Elexicon, customers were asked to discuss their levels of satisfaction with the electrical services they receive from Elexicon more broadly, not just with their interactions.

Satisfaction with Elexicon

Nearly all customers said they were satisfied with their service, associating satisfaction closely with reliability and a lack of issues.

> *"In terms of service, I would say that as of now, 10 out of 10."*

> *"To be honest that they're few and far between. I find that we don't experience a lot of [outages]. And when we do, they don't go long term unless, you're referring to that major ice storm we had that one year those key events? Yes, it's pretty reliable."*

> *"If you're not satisfied, it's usually because you're running into issues, whether it be billing, whether it be service, and we've really not had any problems in response time or the quality of service that we've received from Elexicon."*

C&I customers reported having to follow the same customer service avenues as small businesses and residential customers, which in some cases made their issues feel like less of a priority for Elexicon. Coupled with a long resolution time and telephone tag, facility managers and those who were tasked with solving these issues expressed significant frustration with this experience.

> *"There should be somebody answering the phone, there should not be this, 'send us an email', and then the email response says, 'we'll be back in touch with you, between 7 to 10 business*

days.' From the business side, it's totally unacceptable. If I told my customers to come back to me in 7 to 10 days, I wouldn't have a customer."

"I was looking for a separate business helpline that knows about my needs, because household usage is something different… so when it comes to commercial, it should be categorized by industry…"

One customer the study interviewed explicitly stated that they were dissatisfied with Elexicon. This case was driven largely by a poor customer service experience.

"We have an issue with a piece of equipment, so I had to go in touch with somebody… It was very difficult to try and find somebody on the phone. I ended up having to email… I think it took me three emails and a total of 28 days before somebody reached out to me. So that was not positive, I wasn't able to find a way to get a hold of a customer service representative on the phone… It was a horrible process."

Another reported themselves to be satisfied but mentioned some frustration regarding the cost of an initial connection and security deposit.

"I would say generally, I'm satisfied with the service. The only thing I didn't like was the security deposit that was required that we had to put down for the service."

4.3 Customer Needs and Priorities

Customer Service

Customer service was identified as a top need for these customers. Many participants recalled having a close relationship with the utilities that came before Elexicon, reporting positive experiences with the outreach and contacts they used to have.

"I used I have; I don't know if she's still there, her name was [representative]. She was a key representative. I would connect with her on some ideas about energy savings, or what we can do to reduce our electrical bill, as well as finding out ways that we can improve on what we do…that helped us a lot."

In that vein, many customers would like to have direct contact or have easier avenues to contact Elexicon representatives. Their hopes were that if they had a contact person within Elexicon, their needs and expectations could be better met. Some customers reported having unresolved issues that continued to impact their day-to-day operations. The absence of having a direct contact to deal with these problems was an ongoing sore spot for these customers, as they felt they had nobody to get in touch with or receive updates from.

"Maybe having that business contact instead of just calling into the general information line and trying to talk to somebody. Having that business contact [who we] can reach out to…"

For those who had a relationship with Elexicon expressed a desire for deeper connections to Elexicon, where the utility can play a more active advisory role. They would like to have a relationship with Elexicon that goes beyond a transactional relationship (i.e. receiving and paying bills) to a relationship which they receive education from Elexicon about programs they can utilize and how they can navigate the future. These customers with an eye to the future wanted help from Elexicon to better navigate electrification and assist in finding energy savings while under the pressures of a challenging economy.

"I guess giving us some more information about [rebates], because I'm the one that had to try to reach out to find out when Elexicon never offered that information."

"I'd love Elexicon to give us some data on where we can find efficiencies."

Reliability

When ranking their priorities, most customers felt that reliability was number one. Reliability was identified as a significant priority for customers, especially in and around Ajax**.** A few customers in and around Ajax suggested the area is prone to outages and brownouts.

"I think Ajax is prone for brownout areas."

Some customers recalled a rocky transition during the first year of Elexicon's merger, citing poor power quality and momentary outages. These customers reported an improvement in reliability in the years since and didn't view these issues as much of a concern anymore.

"Initially, I think we had some brownouts and a few hiccups from Viridian. We dealt with it a lot. It was frustrating. But it seemed to solve itself over the initial year. And listen, we don't have a real problem with brownouts and loss of power…"

During more significant weather events, customers commented on the speed of Elexicon's response. Customers considered these events somewhat unavoidable, but customers still expected Elexicon to carry out a swift repair to get things back up and running.

"I just know that they were on site, or on the street, fixing things up pretty quickly. The response time, and then just the organization… I thought they did as well as it could be expected under the circumstances."

"If [outages caused by storms] happen it's not under the control of Elexicon, I would say the best they can do is to reduce the timeframe of the power outage."

Communication

When talking about reliability and outages, customers often brought up a need for frequent outage notifications and resolution estimates. Customers with heavy machinery and many workers said they were negatively impacted by outages that were not followed by communications from Elexicon. This was most often described by customers as the decision to wait or to shut things down and send everyone home. This was largely a cost decision, hinging on whether Elexicon can provide a quick and accurate estimated resolution.

For those customers responsible for properties, they were often flooded with inquiry calls from tenants wondering when the power would come back on. Not having an answer can put these customers in a difficult situation, so they too would value accurate and quick communications to provide their tenants with answers.

"Yes, there are interruptions sometimes and we understand that because blackouts happen – squirrels eat through transformers and drivers knocked down poles – but… if there's a blackout in our building, we start getting calls from the tenants… so immediately we call Elexicon."

Cost

Most customers viewed their bill as an inelastic cost that is 'high' yet part of doing business. However, some customers expressed some concern over bills higher than their expectations. This included customers who paid global adjustment, as well as those who faced large up-front costs for new connections and deposits.

> *"When it comes when it comes to energy… I think a lot of customers think that they have no say."*

> *"We paid so much money for the initial connection. And then we still had to put down a security deposit. There was a lot that we paid for to get the connection started with Elexicon... I looked back at the invoices, and I just thought it was a lot."*

> *"The initial costs for utility consumption right now are fairly low in Ontario. But it's just doubled with the global adjustment added on to the bill…"*

Others suggested what they pay to be fair value, considering the cost of maintaining infrastructure and that transports the electricity. However, additional costs and lack of information have customers associating their hydro bill with the notion of declining affordability across the board.

> *"There's a cost factor and then there's the cost of maintaining the infrastructure. So, I would say it's fair value. Maybe if there's a different tier system that they could justify some of the costs that way, but it's one of those things where it's everything else going up."*

Billing

Nearly all customers interviewed had no issues with Elexicon's billing, though most said they do not pay too much attention to the line items most of the time.

For customers who manage electricity bills for multiple properties, such as property managers and landlords, they described how they often spend a lot of time managing different online accounts with Elexicon. Billing was naturally complicated for these types of customers and required a lot of attention in their daily operations. A few of these customers requested Elexicon to create a harmonized portal or dashboard to help manage billing across multiple accounts.

> *"Had some kind of ability to track that on a dashboard, the portal or even on the bills?"*

> *"One thing that I've seen [other utilities] do for example, is they have an online account where you can log into, and you can have all your accounts on the same page, with different account numbers. So, you can have all your accounts on the same website."*

5. Detailed Findings – Elexicon Tomorrow

Having discussed customers' needs and preferences, the interviews shifted to discussing future challenges facing Elexicon and the customers.

5.1 Future Challenges

System Renewal

Some customers brought up aging infrastructure unprompted, citing the poles and wires they saw locally around their facilities and properties. These customers recognized the need for replacements and believed Elexicon should be actively replacing aging wires and transformers. That said, this depreciated equipment was not always tied to Elexicon, but rather a reality of what existed prior.

> *"There's a lot of old infrastructure anyways. But I don't think that's a result of Elexicon not having updated infrastructure. I think that's just the infrastructure."*

General Plant

Like system renewal, customers expected that Elexicon would be maintaining a robust cyber security apparatus. Other customers saw cyber security threats as a modern reality for every business with a digital footprint, suggesting investment in this area is a necessity.

> *"I think everyone's being affected by cyber issues… and I think we are going to see it in every sector of business…"*

When talking about the modernization of equipment and capital, a few customers felt that these improvements were bound to happen, regardless of customer consultation. While these improvements were necessary, these upgrades were met with some levels of skepticism, worrying that their bills would continue to rise as time goes on.

System Service

Most customers were aware of the need to keep pace with growing capacity requirements, which they saw as fueled by residential and commercial growth in the region. A few customers noted that if Elexicon cannot keep up with demand, they might be left in the dark during working hours, impacting their reputation with customers and tenants, interrupting their machines, and their overall ability to do business.

> *"What [are they] going to do with their demand that they're going to have? …It's an older grid area, we don't have really a lot of brownouts, but there's not a lot of substations, how are you going to put in these 150 new homes in here and still have the reliability…"*

> *"If the public comes in, and it's dark, they're not going to buy cars. Right?*

Although most customers agreed that it is Elexicon's responsibility to be prepared for the needs of customers in the future, there were concerns about rising electricity costs.

> *"Who's going to pay for the infrastructure for people's houses to put in all these [EV] chargers?"*

Enabling New Technology

Some customers were eager for enhanced customer service experiences with Elexicon to help them adopt new programs and green technologies that will help bring down costs. Some customers were eager to find support installing high efficiency machines, reducing costs and learning how to better prepare for the grid of the future.

> *"I'm looking for them to maybe help link businesses like ours to maybe help us with some of the innovations, what we can do to help reduce some of our energy costs… So, I'm looking at Elexicon to give us some ideas how we can save a little bit of money."*

> *"If someone was coming in and evaluating all our units and saying these are where the deficiencies are, and this is where you could improve efficiency, and then Elexicon does the work to help improve that? Why not? Right? It's a good way to do it."*

6. Detailed Findings – Willingness to Pay

As mentioned, some customers were concerned about the rising electricity costs as a result of addressing future energy needs and challenges. They expressed a hesitation to pay more on their bill, even for modernization upgrades understood to be necessary to maintain the grid and ensure reliability for their businesses.

The main barrier to supporting an increase in their bills was the lack of trust in Elexicon spending their rate dollars wisely. For some customers, the lack of trust stemmed from the absence of a managed relationship – the sentiment of not feeling heard and understood by Elexicon.

> *"We might feel that we get ignored, because we have no choice but to pay the bill. And I generally have no choice as to what the bill charges me, now I know it's regulated. But we probably don't really feel valued as customers. And that's probably because when you have hundreds of thousands of customers, you can't do it, right?"*

In that vein, customers noted that knowing the value the utility can provide from the rate increase is key. If they see some benefits of their rate dollars coming back to them through greater support, resources, and green technology incentives, they would be more supportive of a rate increase. Some indicated that having a sense of control that there are tools that they could utilize to manage the bill increases to support grid modernization would be helpful.

> *"We just don't have a choice. Right? Like, you got the bill, right. It's like taxes, you just got to pay it. Utilities at least can improve that by being more proactive in offering incentives for upgrades or savings."*

> *"I think we have talked about putting solar panels and all of that on our roof. So, if that helped with putting electricity back into the grid, we'd be open to that."*

Additionally, some customers explained that knowing how efficient and well-managed Elexicon is run would lead them to be more open to paying more for infrastructure upgrades.

> *"[Regarding willingness to pay] I would say yes, if there was some cost review. So, if they were fixing their own internal costs, and making sure that there's no excess in the system in terms of costs… it's not a gravy train."*

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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APPENDIX 03

Customer Engagement
Key Account Interview Report

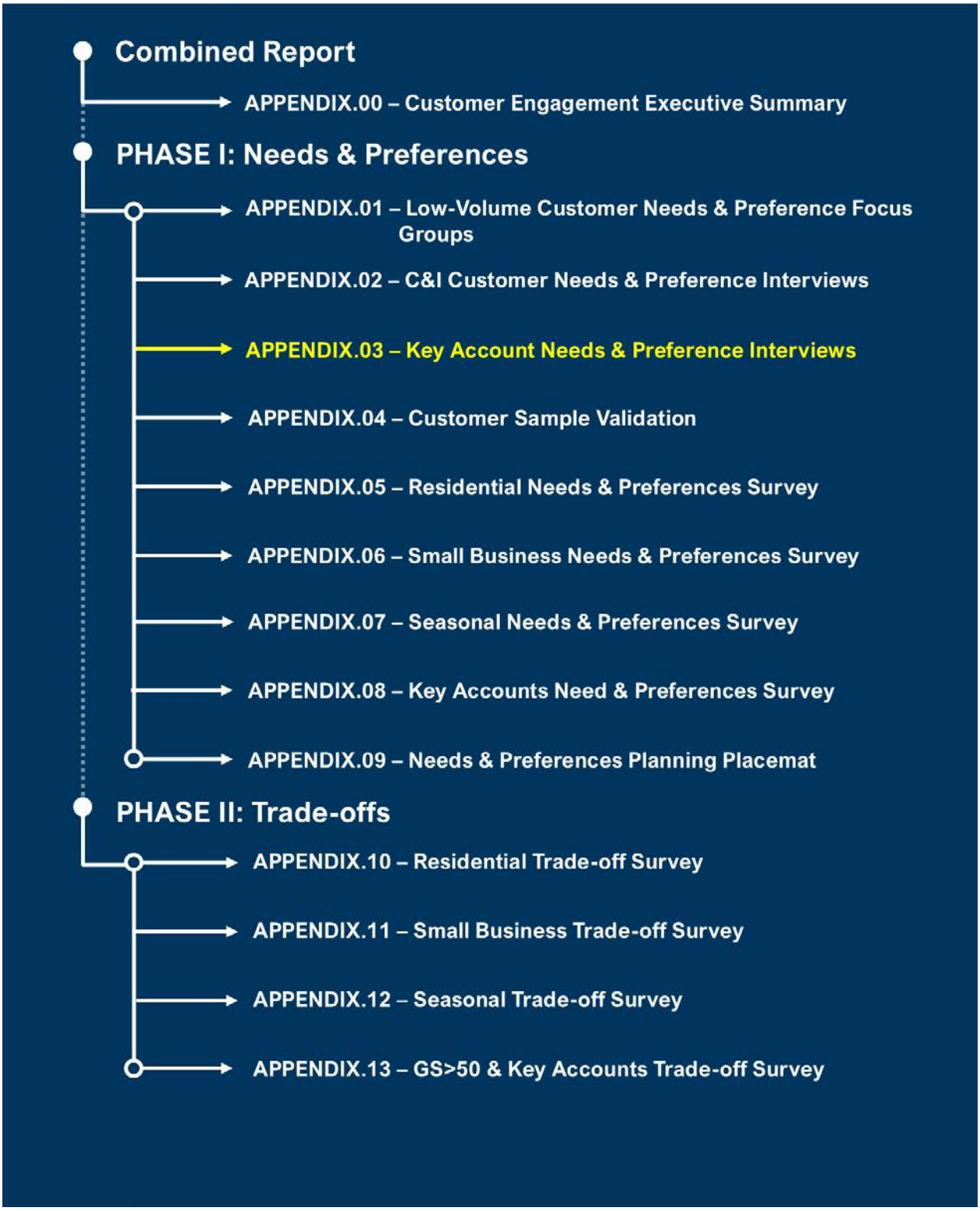
elexicon ENERGY

July 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

2027 – 2031 Rate Application

Report Navigation



Customer Engagement

2027 – 2031 Cost of Service Rate Application

July 2024

Confidentiality

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1. Introduction

Innovative Research Group Inc. (INNOVATIVE) was engaged by Elexicon Energy (Elexicon) in 2023 to design, execute, and document the results of its customer engagement, as part of Elexicon Energy's Rate Application to the Ontario Energy Board (OEB) for 2027.

Key Accounts interviews were 1-on-1 meetings designed to identify customer priorities and preferences when it comes to the electricity service they receive from Elexicon. This research identified areas where participants felt their service expectations were satisfied as well as areas that needed improvement.

These interviews were conducted between March 5th and April 10th via the Microsoft Teams video-conference platform.

Interview Structure

The interviews were facilitated by a trained moderator, following a structured discussion guide. The introductory discussion focused on participants' roles and their typical interaction with Elexicon. Participants were then asked how satisfied they were with the service they receive from Elexicon, and what, if anything, Elexicon could do to better serve them. Additionally, participants were asked to discuss their needs and expectations of Elexicon, as well as the top priorities that matter the most to their organization.

The next part of the discussion focused on Elexicon's future challenges over the next decade. Participants also discussed their willingness to pay more for Elexicon's services. The discussion wrapped up with comments on the customer engagement process, touching on how Elexicon could consult customers about these topics in the future.

This report summarizes the key findings from these discussions. Verbatim comments from participants have been included in *italics* to provide as much information as possible. These comments have been coupled with observations and interpretations where necessary.

Note to the Reader

1-on-1 interviews are an example of qualitative research which does not hold the statistical reliability or representativeness of quantitative research. Interviews are an exploratory research technique that should be used for strategic direction only.

In qualitative research, the value of the findings lies in the *depth* and *range* of information provided by the participants, rather than in the *number* of individuals holding each view. References in this report such as "most" or "some" participants cannot be projected to the full population. Only a large sample, quantitative survey would be accurately projectable to the full population.

Interview Recruitment Process

Key account customers were recruited by the Vice President of Customer Experience of Elexicon Energy by email. The following graphic outlines this process in detail.

2. Key Account Customer Interviews

2.1 Methodology

Twelve (12) interviews took place between March 5th and April 10th, 2024. The details of each of these interviews can be found in the following table.

Interview #	Interview Date	No. of Participants	Industry	Service Area
1	March 5	1	MASH[1]	Multiple
2	March 6	1	Industrial	Belleville
3	March 15	2	MASH	Multiple
4	March 18	1	MASH	Multiple
5	March 19	2	MASH	Whitby
6	March 22	2	Industrial	Multiple
7	March 24	3	Industrial	Multiple
8	March 27	1	Industrial	Pickering
9	April 5	1	Industrial	Belleville
10	April 10	1	Industrial	Belleville
11	April 10	1	Industrial	Belleville
12	April 10	1	Industrial	Multiple

[1] [1] MASH refers to Municipalities, Academic institutions, Schools, and Health.

3. Key Findings

Customers had different degrees of engagement with Elexicon over the years, leading to different customer service experiences and interactions with the utility.

Customers had varying levels of interaction with Elexicon. Some engaged frequently, such as through quarterly meetings, while others had minimal contact unless there was an issue like an outage. Most customers had a direct point of contact with Elexicon, but some worked with multiple individuals. Those without a direct point of contact were eager to work with one or return to start working with one.

Power quality remained a chief concern, despite infrequent outages.

Generally, customers were satisfied with Elexicon's services, praising the infrequency of outages. However, a few raised concerns about power quality, such as voltage fluctuations. Reliability for these customers was more closely associated with power quality rather than frequency of outages. Elexicon was also commended for its timely responses to inquiries.

Customers were looking to Elexicon for more guidance during the energy transition.

Many customers expressed a desire for a closer relationship with Elexicon to learn more about energy efficiency programs and incentives, as awareness of these opportunities was limited. These customers wanted Elexicon to be an important resource during the energy transition as they begin to develop their own strategies for the future. Most customers viewed finding efficiencies and cost saving technology as important ways to offset increasing costs elsewhere.

Customers wanted to be involved as Elexicon plans to meet upcoming challenges.

Looking ahead, customers identified maintaining current reliability levels and increasing capacity as potential challenges. They anticipated higher demand and load as they expand or are asked to meet electrification requirements. While most understood that infrastructure upgrades would likely lead to higher electricity rates, they were concerned about finding ways to manage these increased costs. Given the anticipated changes, some customers were eager to collaborate more closely with Elexicon and other high-consumption customers to discuss priorities and investment plans.

4. Detailed Findings – Elexicon Today

The interviews started with a discussion about their past interactions with Elexicon and their levels of satisfaction with those interactions.

4.1 Interactions with Elexicon

Some customers reported minimal interactions with Elexicon, except in the case of outages or having an inquiry.

> *"Not really at all. I'll look to Elexicon when we have an outage... When I have to deal with Elexicon, it's more about power quality."*

A few customers mentioned that previously, interaction with Elexicon was sparse, but they felt there were more meaningful interactions with Elexicon lately, such as quarterly meetings they had with Elexicon.

> *"Elexicon in the last little while has been booking more quarterly meetings with us and reconnected, but for a while it was crickets. "*

Regardless of whether customers had a frequent interaction with Elexicon or not, many of them reported having a designated key account representative, whom they had a very positive working relationship with.

> *"Someone there. [Name of personnel]. And they're great. Communication wise is very, very good. So that's kind of most of my dealings with the Elexicon."*

4.2 General Satisfaction

Following a brief discussion of their past dealings with Elexicon, customers were asked to discuss their levels of satisfaction with the electrical services they receive from Elexicon more broadly, not just with their interactions.

Most participants were satisfied with the levels of services provided, in terms of reliability, communications, and customer service.

> *"I'd say overall satisfied. I have no complaints… they're responsive enough as needed. And like I said, their online resources are, in my opinion, are superior to those other utilities."*

While most were generally satisfied, some participants contrasted their relationship with Elexicon with that of their predecessor utilities. These participants mentioned customer service, and specifically, direct contact with an account manager as important features of their previous utility relationship.

> *"One thing I always felt [predecessor utility] had that was very good, was a face. And when I say a face, it's that we had clear points of contact for things related to energy conservation, and demand management, to help liaise and understand where the program opportunities were, and to help us with applications to help point us in the right direction on certain things… it was a little bit easier… So, I think we've kind of lost a little bit of that…"*

Reliability

Many expressed satisfactions with the reliability of the current electrical service, reporting a noticeable improvement in the reliability of the power supply recently. Prior to infrastructure upgrades, some organizations experienced significant downtime due to disruptions in power supply. However, with recent changes made to the grid infrastructure, there has been a substantial improvement, leading to a higher level of satisfaction.

> *"There was a pretty big disruption to us, a lot of downtime. So, there were some significant costs being incurred by us. But with the infrastructure changes that they've made, there has been a substantial improvement in that."*

One customer shared their confidence in the electricity supply to their buildings. They felt there had not been outages due to Elexicon's infrastructure. Instead, they attributed any outages they experienced to weather or other events beyond Elexicon's control.

> *"I can't think of times when we've had service interruptions that were unexpected as a result of poor infrastructure. We have confidence in the supply of electricity to our buildings. And any outages that we've experienced have not been unreasonable – it's weather related, or if there's an incident leading to an outage, it's usually not of their own volition."*

One interviewee was impressed to witness the grids' ability to withstand intense storms without experiencing outages.

> *"We've been able to roll through some pretty intense storms. We haven't had the outages that other people have experienced, and even the reconnecting during an outage, it seems like they're switching operation to be able to get everything back up and running. It has been very good."*

Other customers commended Elexicon for proactively communicating estimated restoration time during an outage.

> *"I think when these outages do happen, they are fairly good at communicating in terms of estimated timelines for resuming service. When there are planned outages, they communicate with key customers."*

Communication

Some customers appreciated Elexicon's commitment to listening to customer feedback, and providing updates on their future plans.

> *"Communication from their team has been good. And the other thing that I liked about Elexicon right now is that they're wanting to improve."*

Many praised the responsiveness of Elexicon's communication. They mentioned that they were quick to respond to their needs and concerns.

> *"[Elexicon] was super responsive and supported us to register for [program]. Because of that we were making energy savings, cost savings, which is great."*

A few customers praised Elexicon for maintaining accuracy on the outage map in pinpointing outages and estimating restoration times. One also felt Elexicon's outage map surpassed that of other utilities.

"They're responsive enough as needed. Their online resources are, in my opinion, superior to those other entities. So with the outage map on Elexicon's website, I find it to be accurate.

Customer Service

Most customers were satisfied with the current level of customer service from Elexicon. Some examples customers gave included Elexicon's proactive communication in case of potential outages due to testing.

"I'm quite happy with the level of response and the consistency of their service to our sites."

A few customers said that Elexicon reached out to them to inform them about how they can be engaged in the grid. They appreciated Elexicon for their expertise and eagerness to assist them in making those plans implemented.

"And they were great. They were knowledgeable. They wanted to help us get that project tendered. So they were a big help there. And they got in, most of that work was behind the meter."

Many customers also noted improvements in Elexicon's openness in sharing information with customers in recent years.

"Again, with the more transparency that we've had in the last year, we've been able to highlight a couple of things that they had wrong information about our facility."

A few customers recalled taking part in information sessions, which they found helpful. One customer recalled that Elexicon facilitated discussions with other customers with high usage to discuss an emergency plan and the priority in which customers would have their power restored in those emergencies. They were pleased to be part of the exercise and saw it as one that other utilities should conduct as well.

"They did an undertaking, which I think more utility should do, last summer. I think they got a bunch of key customers like myself and other people around the room to talk about emergency response, and where they would fit in on priority lists. If there is an outage, what that looks like to them, they ranked people as far as getting their power turned back on. I think that was a great exercise."

Value for Money

Not too many customers commented on the value they pay for the services they receive, unprompted. Those who did believed they receive good value for money.

"I would say, it's very good [value for money]. In fact, we don't have any complaint[s]."

Billing

One appreciated the breakdown available on their bills, even though they didn't personally understand all the details.

> *"I know everybody wants to pay less for everything and there are some charges like global adjustment and so on that you know, not all of us fully understand but sometimes feels significant. You know, there's a breakdown for all that stuff. I just don't know all the ins and outs but overall good."*

4.3 Improving Elexicon's Services – Unaided Needs

Following a general discussion about aspects customers were satisfied with, customers were asked to discuss areas Elexicon can do to better serve their organizations.

A few customers raised concerns regarding power quality, the lack of a direct contact at Elexicon, and wanting a closer relationship with Elexicon if they already have a direct contact.

Reliability

A few customers raised concerns about power quality or power availability, though they were generally pleased with the services and having experienced few outages.

> *"I got really no complaints other than the power blips. I am definitely concerned about power availability."*

Besides improving power quality, some customers felt Elexicon could restore power quicker during outages, though they understood, in some cases, the time to restore power was not entirely within their control.

> *"Perhaps they could be quicker on restoring power, however, I feel like in a lot of situations, they're also not the only ones who are responsible for restoring power."*

Customer Service

While most had a direct contact with Elexicon, not every organization had that. One noted that they lacked clear points of contact for matters related to energy conservation and demand management aided in understanding program opportunities and navigating application processes.

> *"We had no clear points of contact for things related to energy conservation and demand management to help liaise and understand where the program opportunities were, to help us with applications, to help point us in the right direction on certain things, or even other questions."*

A customer said they valued the direct contact they had with Elexicon in the past, expecting Elexicon to continue putting efforts into maintaining a direct touch point.

> *"Having that direct touch point that we had with Elexicon was fantastic, just some great people that were working over there. Great relationships we established and so some of that obviously, working, moving to the ISO, it just doesn't take place to the same extent, you don't have that same face that you would with Elexicon."*

For those customers with a direct contact with Elexicon, some wanted a closer relationship with them. A closer relationship could mean learning more about incentive programs or any rate structure changes to help them use energy more efficiently. They indicated that their level of

awareness of these incentives was limited. One even voiced their frustration over a lack of communication and awareness about these opportunities.

> *"No one from Elexicon has engaged me with respect to cost savings or anything of that nature."*

> *"If there are opportunities for operational cost reduction for either through rate structure changes or energy incentive opportunities, then I think we would get more from them. From that perspective, we have a lot of engagements from Enbridge, our natural gas distribution company, with respect to energy savings solutions. And perhaps Elexicon could do more in that realm. Maybe there's just not available? I don't know. I don't recall having those conversations."*

> *"So, we want to be part of these programs, but sometimes no communication. We're not aware."*

A few customers suggested Elexicon conducting forums or information sessions so the customers, Elexicon, and other utilities could share updates on ongoing development projects.

> *"More continuous dialogue or more of a public forum where this is what we're working on, or even collaboration with our fellow utilities."*

Some customers wanted more information about underlying issues related to either power reliability or consumption data. One customer raised that diagnosing power reliability issues was somewhat challenging. They were not clear if it's information they would ever have access to or not. Another customer hoped to see consumption data to help identify moments with unusually high consumption levels to optimize their energy usage.

> *"We don't always know the root cause. But I don't know if we ever always will get root causes of some of the items, that's on their grid or that's on their side. So I don't know if we're always going to be privy to that information. Sometimes it's offered and other times it's not. So sometimes that could have been frustrating just because we want to make sure that our facilities are protected."*

> *"Let's say Elexicon can also provide a service where we dive deep and say what's the data telling us? That would be very helpful. And compare month to month. Let's say Elexicon can flag that, "Hey, your consumption is like very high"."*

Another customer would like to see Elexicon providing more in advance notice or coordinating better with them when Elexicon expected to do work on their site. This was especially critical when the work required the customer hiring additional personnel.

> *"The other thing was sometimes they asked us, "Hey, can you do this on your side?" which would involve me getting another contractor to come in and do something. And they'll give you a couple of days' notice that they need something from us. Even though they had their stuff planned out, it's not as easy for me to drag a linesman up out of nowhere, whereas they have a whole crew all time. That would be the only area for improvement, that better coordination moving forward."*

Billing

A customer also expressed how Elexicon could improve their billing practices. More specifically, this customer asked for providing them with a regular monthly updated file with breakdown of costs and related charges to save them time when managing invoices.

> *"Can we get a regular monthly updated file from Elexicon so that it will save us a ton of time and effort in terms of entry of the invoicing?"*

User Interface

A customer suggested that Elexicon could enhance its web portal to improve the customer's self-serve experiences. Customers found the dashboard to be particularly outdated compared to other platforms.

> *"I think they could improve their system. The visibility of that dashboard is a little bit archaic, from some of the other things that we see. If I asked for the information, I think Elexicon would be more than happy to share the best that they can share. But maybe it might be time for an update."*

Another customer mentioned the potential benefits of having a customer input portal accessible to customers. They suggested that such a platform could allow customers to make suggestions, access general information, and stay informed about peak demand times or time-of-use rates.

> *"If there was a customer input portal that I could access as a customer to sort of make suggestions in real time, or if there was a portal that I could go to that provide me general information, or even like a general distribution list about all your peak demand time or something like that. Time of use, with respect to seasonal time of use changes. Just general information as a customer. That might be helpful."*

4.4 Improving Elexicon's Services – Aided Needs

Following the unaided discussion of customers' needs and expectations, the interviewers shared a list of potential needs and gauged customers' feedback on those priorities. The list consisted of the following priorities: reliability, customer service, innovation, infrastructure investments, price/value for money, and social commitments. Most interviewees discussed the importance of reliability, customer service, and keeping the bills affordable.

Reliability

The top priorities for many customers were reliability and power quality. Although power outages did not happen frequently, occasional power bumps had a significant impact on the organizations. One customer further explained that a power outage in one area of the facility had ripple effects, disrupting the entire facility's workflow.

> *"The first one is the obvious, we need to make sure that we always have a steady supply of power. Lately, it's been pretty steady. A lot of us have hard drops of supply. The brief flicker I noticed that every now and then, it's not as frequently. It was maybe 15 years ago, when I first started. If it hit the same time we were doing an invoice update, files wouldn't get updated properly, and then we'd have production issues."*

"We don't see a lot of outages, and I think that's because of the industrial part. But we do see a lot of bumps that are very rare. The bumps hurt us. Power quality and reliability are the two big things."

Customer Service

Others highlighted the importance of good customer service to ensure that customers received the support they needed in case of outages or having an inquiry.

"Customer service is huge when I need them. I need some answers, right? If we have an outage… they are important for me to run the facilities."

Value for Money

A few customers would consider cost reduction to be an important priority. They would appreciate opportunities to reduce the cost of their electricity bills. Even though customers wanted Elexicon to ensure reliability, they emphasized a balancing act between cost-effectiveness and ensuring reliability in service delivery.

"And I think cost savings would be a big one. But I don't have any numbers to put against that, or any specific reasoning, I just think more savings [would be] better."

"But at what cost to us, and I'm sure we want to be thrifty at the same time as we want everything done perfectly, so it's always that balance where we're stuck, right?"

Innovation

There were some desires from customers to be informed about new technologies they could consider adopting. They indicated they were either unaware of or not actively involved in conservation or co-generation projects. Despite this, they agreed that there were opportunities to explore ways they could be less reliant on the grid, help reduce demand and load from the grid, and promote sustainability.

"We would love to but we're not aware."

"But there are innovations that may be out there that we may not have 100% line of sight into, as Elexicon, this is their primary business, that they will understand more than we will. And part of that customer service, you would hope to be looking at it because the grid is stressed."

Infrastructure Investments

Some customers shared the sentiment that as pressures on the grid grow and load continues to increase over time, there would be a need to invest heavily in the infrastructure. One customer stressed this importance considering the impact of fuel switching for their facilities and the additional loads from electric vehicles. Customers expected that there would be more development in the future, and Elexicon should have a plan to upgrade its current infrastructure to meet customers' demand.

"There is a master plan here to develop. We're on 78 acres land, a lot of it is going to be green space. So there is a master plan to further develop that space and build more buildings. We'd obviously need some upgrades to our service if we ever went there."

"Not only do we have to consider the loads of fuel switching for our facilities, but then the loads of the vehicles that we're adding, and if it's a frontline emergency service that we're delivering, let's say it's police or paramedics, we have to be disaster proofed."

Social Commitments

Many customers felt making social commitments was above and beyond their expectations. One customer, a not-for-profit, commended Elexicon for its commitment in their organization.

"And Elexicon is always a good sponsor for us, helping us raise some money for the community. So that's another huge plus from Elexicon for us, not only the golf tournament, but other foundation events, they're always willing to step up and help out."

5. Detailed Findings – Elexicon Tomorrow

Having discussed customers' needs and preferences, the interviews shifted to discussing future challenges facing Elexicon and the customers.

5.1 Future Challenges

Most customers suggested the challenges facing Elexicon were primarily maintaining reliability and the possibility of emerging capacity constraints. Some suggested a need for Elexicon to work more collaboratively with large use customers as they plan to address these issues.

Reliability

Some customers emphasized the importance of ensuring a stable power source for the facility as they expand.

> *"As we expand, we need to ensure that we have that stable source of power to the facility. We can't have an unstable source. As we expand, we need to ensure that we have enough energy resources to make sure that the facility can continue running."*

> *"The power bump. I think that's the main one. Then, obviously, availability of power for future expansion. Those really are the two biggest concerns that we have internally right now."*

To ensure reliability of the electricity grid, some customers linked this to the need for Elexicon to have a capital investment plan or a growth strategy. They discussed the ~~important~~ importance of making investments in Elexicon's infrastructure, so reliability is not compromised as the load in the system increases in the future.

> *"Well, that's just a larger stress on the infrastructure. It's what we need to make sure as a larger customer that our service is protected, and that we have the quality of service that we're starting to come to expect. And we hope that that investment in their infrastructure is occurring."*

Another consideration for why reliability is a key challenge looking into the future is because of the frequency of extreme weather events. One customer noted that the Elexicon could look to the infrastructure built by utilities in the US that can withstand extreme weather for improved reliability.

> *"We have plants all over the US. So, there are different regulations in different areas, and some of them have some pretty advanced infrastructure that helps with those storms, the 100-year storm that is occurring every five years now. They do have infrastructure out there. As far as what we have here, obviously, we can always improve."*

Capacity constraints

Other customers saw the challenge slightly differently. Rather than focusing on reliability, they were concerned about how growth could have an impact on the grid capacity, particularly considering customer's electrification plans, including mandates to install more electric vehicle charging stations and a shift away from fossil fuels. One customer believed that there isn't enough infrastructure to support these initiatives.

"Capacity and their grid are going to be a problem. We're looking to electrify everything, EV charging stations and getting off of fossil fuels. It's an Ontario, Canada wide problem. I just don't think the grid has enough infrastructure."

Collaboration with Customers

Given the size of these customers, many customers would appreciate Elexicon keeping them informed of their investment plans. Some customers also saw an opportunity for both Elexicon and customers to collaborate and discuss potential challenges as they make plans ahead.

"I'd really like to fill that up as much as we can, making sure that they have everybody's ear and the ear of everybody for their growth so that we're not caught by surprise."

"It's a challenge, but I think it's going to require close collaboration and consultation working with the ISO. So, from above, and from a bottom up and working with your customers and understanding what their needs are understanding what they're planning for."

6. Detailed Findings – Willingness to Pay

Following the discussions about perceived challenges facing Elexicon, the interviewers shared how addressing these challenges would lead to a price increase in customers' bills. Interviewers then gauged their reactions.

Many customers expressed concerns about increasing rates, when they felt financially squeezed in many other aspects already. Some customers would look for cost savings opportunities within their budget to balance their budgets.

> *"Increasing costs since this is a [MASH (i.e. Municipal, Academic, Schools, Hospitals)]. I think a lot of that stuff, because we know what's beyond our control, we can only control our own things like usage; so, we try and limit or minimize usage to make up for that if we need to come up with additional costs, then, like any business, we need to find it somewhere else. And we need to either reduce usage or save somewhere else to still stay within our requirements. And it's difficult sometimes…"*

Others would look for validation of how their rate dollars are spent and whether progress has been made to improve key outcomes, e.g. better reliability or building necessary infrastructure for future growth in demand.

> *"I mean, the obvious answer is no, because we don't have more money. But I understand that, based on the priorities and the needs of our organization, sometimes these things cost money. So it's understandable if costs go up. But improve service reliability and capacity go up, sort of hand in hand, if you will. But if costs are going up and confidence in the utility goes down, then it's going to be very difficult to justify and support them. I've had to date where I'm quite confident in their ability to provide us with electricity on a regular basis without much concern."*

> *"Any increase in rates is a challenge. But if those funds are used properly to build the infrastructure that we need, then that is good for the system. But for us as the end user, that'd be the challenge. Anytime rates go up, that's a huge expense for us."*

A customer stressed that communication about the improvement plan was crucial, as customers wanted to understand the justification for the rate hikes. They expressed a desire for greater transparency in how rates were determined and where the money was being allocated, particularly in relation to capital investment plans.

> *"The value for dollar spent right. The rates are the rates. I think we would like to see a little more of what informs that rate and how it gets there. We've received the bill and you almost blindly pay it. It goes back to that capital investment plan and sees where that money's being spent on what their future is. And if it is an increase in our rates, the question is "Why?""*

Some customers talked about their desire to balance their budgets. If they cannot, businesses could shut down because they are in debt or would need to conduct their business elsewhere with a lower electricity cost of operations.

> *"Just making sure that companies stay around. If prices go too high, you're going to lose some of their customers, because they're gonna either shut down or relocate."*

One customer fundamentally disagreed the need for a rate increase to cover the expenses of infrastructure development. They believed the cost of renewal and upgrades should have been factored into the cost of electricity at the onset. They argued that any necessary cost increase should have been anticipated from the beginning rather than being addressed retroactively.

> *"I feel like if the business model isn't in place to be able to keep their systems up to date, then they need to reevaluate their business model and make sure that that's baked into it. The renewal of infrastructure needs to be included in the cost of electricity today to make sure that they continue to provide the level of service that they had. If they need to justify a cost increase to do so, my argument would have been, that should have been included from the onset, not necessarily something you're figuring out today."*

Future Engagement with Elexicon

Finally, if time permits, customers were asked how they would like to be engaged and informed about Elexicon's investment plans. Some customers suggested having more information sessions and touchpoints. This would help them understand Elexicon's investments plans and what other high consumption customers in the region are doing to conserve electricity and manage their bills. This understanding would allow them to make adjustments to their operations and expansion plans, and collaborate more effectively with Elexicon.

> *"Working with our utilities is going to be of great importance while we're planning for decarbonization, or for fleet electrification, we all have to be walking in lockstep to understand what you are planning for?"*

INNOVATIVE RESEARCH GROUP

APPENDIX 04

Reference Survey Report

Customer Sample Validation

elexicon ENERGY

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

June 2024

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  - APPENDIX.02 – C&I Customer Needs & Preference Interviews
  - APPENDIX.03 – Key Account Needs & Preference Interviews
  - APPENDIX.04 – Customer Sample Validation
  - APPENDIX.05 – Residential Needs & Preferences Survey
  - APPENDIX.06 – Small Business Needs & Preferences Survey
  - APPENDIX.07 – Seasonal Needs & Preferences Survey
  - APPENDIX.08 – Key Accounts Need & Preferences Survey
  - APPENDIX.09 – Needs & Preferences Planning Placemat
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Sample Validation Overview

Research Objective

Elexicon commissioned Innovative Research Group (**INNOVATIVE**) as part of its Phase I Customer Engagement to conduct parallel telephone and online surveys among two of its low-volume rate classes, namely, residential and small business (GS<50kW). Seasonal customers were only engaged online due to the small size of the rate class.

Running parallel telephone and online surveys serve two primary purposes:

1. **To gather feedback and insights on preferences and needs from low-volume customers.**
   Feedback from these surveys will help Elexicon's planners and engineers inform the design of the utility's DSP and Business Plan. The draft will be shared with customers in Phase II of this engagement.

2. **To ensure that customers reached by email are representative of the broader population of Elexicon customers.**
   It is important to establish a baseline level of knowledge of the electricity system among customers in order to gather informed feedback on the draft business plan in Phase II. The most effective way to present this information is through an online survey. Not all customers have provided their email addresses to Elexicon, but all have phone numbers. Conducting parallel telephone and online surveys allows us to ensure that the sample of customers with email addresses on file and the broader customer base, reached via telephone, are comparable. This approach allows for necessary weighting adjustments to minimize differences between customers with an email address on file and the broader customer base, ensuring the representativeness of the online sample.

Benefits of Moving to an Online Methodology

The benefits of migrating from telephone to online methodology will be realized in Phase II of Elexicon's customer engagement when its draft DSP and business plan are presented to customers in an interactive workbook format. These benefits include:

- Better presentation of information through the use of visuals (e.g. diagrams, pictures, videos).
- Ability to ask more questions, as respondents are more likely to spend a longer time participating in an online survey than on the phone.
- Reduced costs as online surveys are less costly than telephone surveys.

This report documents the results of four surveys conducted by INNOVATIVE among two of Elexicon's low-volume customers classes (residential and small business) and provides recommendations on appropriate weighting for future online survey methodologies.

Sample Validation Steps

Overview of Steps

The following report takes several steps to validate the sample across rate classes, both where a telephone reference survey was conducted and when it was not.

1. **Use complete customer lists to compare known sample variables between those with an email address and the full population of customers.**
   Identify systematic differences between those with an email on file and the full population of customers on known variables that may impact outcomes. All samples are weighted by region and (collapsed) consumption quartile to ensure representativeness.

2. **For rate classes where parallel telephone and online surveys were conducted, compare responses on core demographics, firmographics, and controls that impact outcomes.**
   Identify differences between online and telephone respondents on self-reported demographics, firmographics, and controls in order to identify significant gaps that should be remedied further with weighting.

3. **Based on the above exercise, identify any sample differences that need to be corrected for with weighting,**
   We focus on differences that are correlated with investment trade-off outcomes.

Note on Small Business (GS<50kW) Customers

Later in this report, we demonstrate that there are differences that exist between the telephone and online survey responses of small business customers on some demographic and attitudinal questions between the telephone and online survey.

Ultimately, we recommend weighting the online sample by collapsed consumption quartile and region without additional weighting targets based on distributions of questions where we see differences in the telephone survey. There are several reasons why we make this recommendation:

- The small sample size, particularly of the online survey (n=98) makes it difficult to confidently identify differences between the telephone and online sample
- Where weighting adjustments could be made, the sample would have to be aggressively weighted down in order to avoid inappropriately large weights, resulting in a significantly smaller final weighted n size.
- The direction of changes to distributions of key environmental controls of small business customers in the online sample would be such that bill vulnerability would be decreased and agreement that customers are well-served by the electricity system would be increased, ultimately resulting in greater permission on investment trade-off questions.

Comparing Known Sample Variables

All rate classes

Sample Validation
Email Coverage

Overall Customer Email Coverage

The table below summarizes the email coverage of each of Elexicon's rate classes.

Rate Class	Total Records (Meters)	Unique customers*	Customers with an email	Email coverage (out of customers)
Residential	160,478 meters	149,259	47,821	**32.0%**
Seasonal	1,547 meters	1,397	444	**31.8%**
Small Business	11,702 meters	7,017	2,393	**34.1%**
C&I	1,369 meters	850	313	**36.8%**
Key Account**	148 meters	89	77	**86.5%**

*Unique *customers* from the complete list of Elexicon's records (individual meters) are identified by cross-referencing available contact information to identify customers with multiple meters. Customers are assigned to their highest-order rate class in the following order (Key account, Commercial & Industrial, Small Business (GS<50kW), Residential, Seasonal). For customers with multiple records within the same rate class, the record with the highest average monthly consumption is used for the purpose of assigning sample variables.

Based on the most up-to-date **Key Account representative contact information at the time.

Sample Validation

Email Sample vs. Total Customer Accounts

Sample Validation

The information below compares the sample of each rate class with email addresses to the total customer accounts of that rate class across two known variables – distributions of (1) region and (2) average monthly consumption.

Legend: Difference*
More than -10%
-10% to -4%
-4% to +4%
+4% to +10%
More than +10%

(1) Regional Distribution by Rate Class

Using service zones, communities are grouped into five unique regions within Elexicon's service territory. Seasonal customers are not included in the table below as all seasonal customer accounts are within the same region (Gravenhurst).

Distributions of region are similar (+- 4%) across rate classes with the exception of Whitby, which is consistently underrepresented in the email sample due to low email coverage. This difference is accounted for in the online sample by setting quotas based on region.

Rate Class	Region	Share of full population	Share of email sample	Difference
Residential	Ajax/Pickering	44%	50%	**+6%**
	Belleville	9%	12%	**+2%**
	Brock/Clarington	16%	20%	**+4%**
	Gravenhurst	2%	3%	**0%**
	Whitby	28%	16%	**-12%**
Small Business (GS<50)	Ajax/Pickering	39%	42%	**+3%**
	Belleville	14%	15%	**+1%**
	Brock/Clarington	19%	21%	**+2%**
	Gravenhurst	6%	6%	**+1%**
	Whitby	23%	15%	**-8%**
C&I (GS>50)	Ajax/Pickering	39%	42%	**+3%**
	Belleville	14%	18%	**+4%**
	Brock/Clarington	16%	17%	**+1%**
	Gravenhurst	4%	6%	**+2%**
	Whitby	28%	18%	**-10%**

Sample Validation

Email Sample vs. Total Customer Accounts Cont'd

(2) Distribution of Consumption Quartile by Rate Class

Across rate classes, the distributions of consumption quartile between the full population and email sample are similar (+- 4%). For seasonal and C&I customers, average monthly consumption measured in kWh is slightly higher in the email sample than the full population.

These differences are accounted for in the online sample by setting quotas based on consumption quartile.

Legend: Difference*
More than -10%
-10% to -4%
-4% to +4%
+4% to +10%
More than +10%

Rate Class	Consumption Quartile	Share of full population	Share of email sample	Difference
Residential	First	25%	28%	**+3%**
	Second	25%	25%	**0%**
	Third	25%	24%	**-1%**
	Fourth	25%	23%	**-2%**
	Average Monthly Consumption (kWh)	764.59	737.01	**-4%**
Seasonal	First	25%	25%	**0%**
	Second	25%	26%	**+1%**
	Third	25%	23%	**-2%**
	Fourth	25%	26%	**+1%**
	Average Monthly Consumption (kWh)	700.10	732.31	**+5%**
Small Business (GS<50)	First	25%	25%	**0%**
	Second	25%	25%	**0%**
	Third	25%	24%	**-1%**
	Fourth	25%	25%	**0%**
	Average Monthly Consumption (kWh)	3,062.91	3,018.60	**-1%**
C&I (GS>50)	First	25%	24%	**-1%**
	Second	25%	22%	**-3%**
	Third	25%	27%	**+2%**
	Fourth	25%	27%	**+2%**
	Average Monthly Consumption (kWh)	75,059.25	81,870.69	**+9%**

Reference Surveys: Methodology & Demographic Profile

Residential & Small Business (GS<50kW)

Section 8.2

Reference Survey
Methodology

Survey Design

This report documents the results of four surveys conducted by INNOVATIVE among two of Elexicon's low-volume rate classes (residential and small business).

The **residential telephone survey** was fielded from **April 2nd to 13th, 2024** among a random sample of **n=1,000** (unweighted n=1,004) residential customers.

The **small business telephone survey** was fielded from **April 2nd to 11th, 2024** among a random sample of **n=300** (unweighted n=302) small business customers.

Both telephone surveys were weighted by region and consumption quartiles (collapsed for small business) within their respective rate classes to ensure a representative sample of Elexicon's customer base.

The **residential online survey** was fielded from **April 2nd to 16th, 2024** among **n=1,600** (unweighted n=2,816) residential customers.

The **small business online survey** was fielded from **April 3rd to 15th, 2024** among **n=98** (unweighted n=98) small business customers.

Both online surveys were weighted by region and consumption quartiles (collapsed for small business) within their respective rate classes to ensure a representative sample of Elexicon's customer base.

Given the limited sample size among small business customers in the online survey (n=98), results should be treated as directional.

Sample Design

Elexicon provided INNOVATIVE with confidential access to its customer lists in order to conduct this research. The customer list included information on region and average monthly electricity consumption, as well as all available telephone numbers and email addresses. The four surveys followed a random sampling methodology.

Since only a subset of the customers on the lists have email addresses on file (see slide 6), INNOVATIVE has conducted a baseline analysis to see how customers with email addresses differ from the broader customer base on known sample variables (see slides 7-8).
The following pages detail the sampling methodology used for this research.

Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Residential Sample

Sample Validation

Telephone Residential Sample

Sampling quotas were set based on region and average monthly consumption (in kWh) in the residential telephone and online surveys. Weights were also applied to ensure the samples are representative of the residential customer base.

The table below summarizes the unweighted and weighted (in brackets) sample breakdown of the telephone survey by consumption quartile and region.

Region	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Ajax/Pickering	108 (108)	113 (113)	112 (112)	103 (103)	436 (436)
Belleville	27 (26)	22 (22)	21 (21)	24 (25)	94 (94)
Brock/Clarington	39 (39)	40 (40)	42 (41)	44 (43)	165 (163)
Gravenhurst	7 (7)	5 (5)	5 (5)	8 (8)	25 (25)
Whitby	69 (68)	72 (71)	71 (71)	72 (71)	284 (282)
Total	250 (250)	252 (250)	251 (250)	251 (250)	1,004 (1,000)

Online Residential Sample

The table below summarizes the unweighted and weighted (in brackets) sample breakdown of the online survey by consumption quartile and region.

Region	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Ajax/Pickering	396 (173)	372 (181)	305 (179)	279 (165)	1,352 (698)
Belleville	107 (42)	99 (35)	89 (34)	92 (39)	387 (150)
Brock/Clarington	157 (63)	147 (63)	156 (66)	149 (69)	609 (261)
Gravenhurst	20 (11)	20 (7)	28 (8)	28 (13)	96 (40)
Whitby	124 (111)	86 (114)	80 (113)	82 (113)	372 (452)
Total	804 (400)	724 (400)	658 (400)	630 (400)	2,816 (1,600)

Small Business Sample

Sample Validation

Telephone Small Business Sample

Quotas were set based on region and average monthly consumption (in kWh) in the small business telephone and online surveys. Weights were also applied to ensure the samples are representative of the small business customer base.

Due to the small size of the rate class, particularly for those with email addresses on file, consumption quartiles are grouped into low-medium (first and second quartile) and medium-high (third and fourth quartile) for weighting purposes. This applies to both the telephone and online samples.

The table below summarizes the unweighted and weighted (in brackets) sample breakdown by grouped consumption quartile and region.

Region	Collapsed Consumption Quartiles		Total
	Low-Medium (First + Second)	Medium-High (Third + Fourth)	
Ajax/Pickering	58 (59)	59 (57)	117 (116)
Belleville	18 (17)	22 (24)	40 (41)
Brock/Clarington	32 (32)	26 (26)	58 (58)
Gravenhurst	12 (11)	6 (6)	18 (18)
Whitby	31 (31)	38 (37)	69 (68)
Total	151 (150)	151 (150)	302 (300)

Online Small Business Sample

The table below summarizes the unweighted and weighted (in brackets) sample breakdown by grouped consumption quartile and region.

Region	Collapsed Consumption Quartiles		Total
	Low-Medium (First + Second)	Medium-High (Third + Fourth)	
Ajax/Pickering	25 (19)	17 (19)	42 (38)
Belleville	11 (6)	6 (8)	17 (13)
Brock/Clarington	9 (10)	7 (9)	16 (19)
Gravenhurst	4 (4)	4 (2)	8 (6)
Whitby	7 (10)	8 (12)	15 (22)
Total	56 (49)	42 (49)	98 (98)

Telephone versus Online

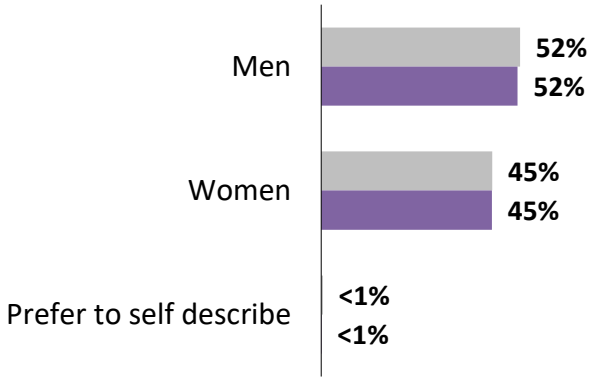
Demographics

Residential

Telephone

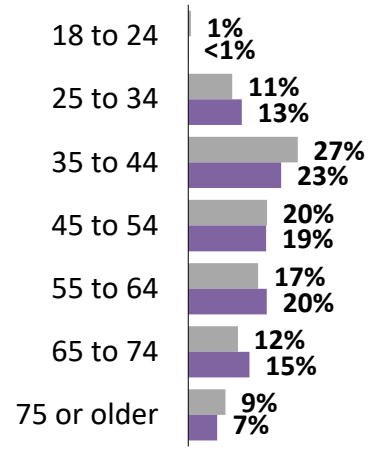
Online

Gender



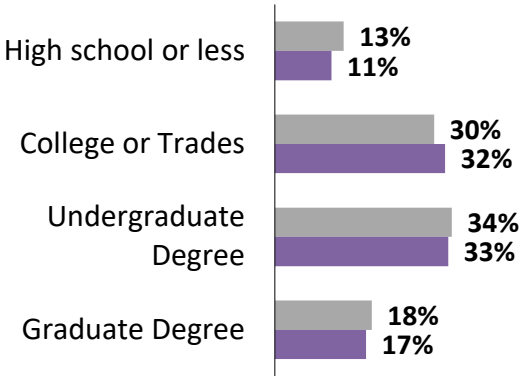
Note: 'Prefer not to say' (Telephone: 2%; Online: 3%) not shown

Age



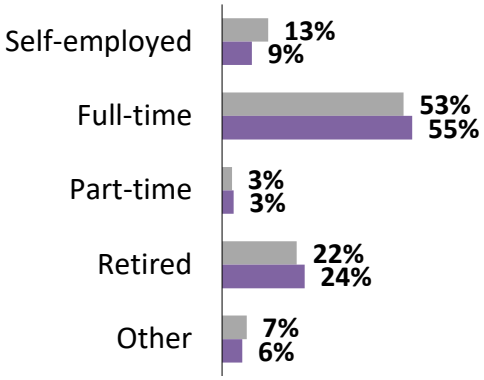
Note: 'Prefer not to say' (Telephone: 2%; Online: 2%) not shown

Education



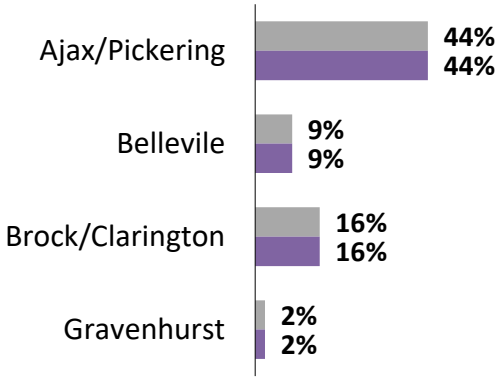
Note: 'Other/Prefer not to say' (Telephone: 4%; Online: 6%) not shown

Employment



Note: 'Prefer not to say' (Telephone: 2%; Online: 3%) not shown

Region



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Telephone versus Online

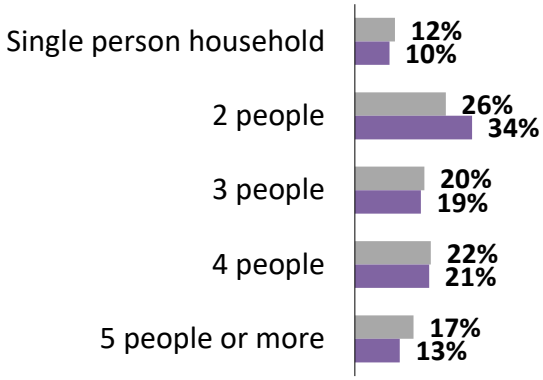
Demographics

Residential

Telephone

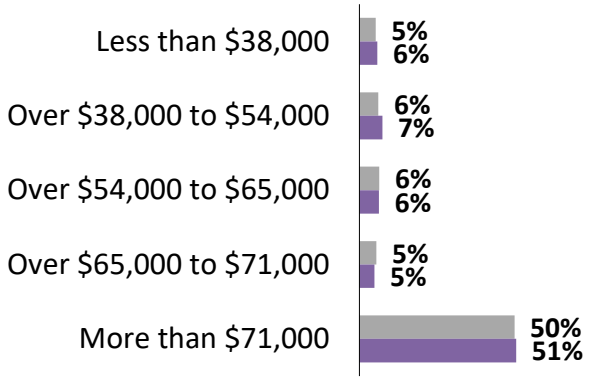
Online

Household Size



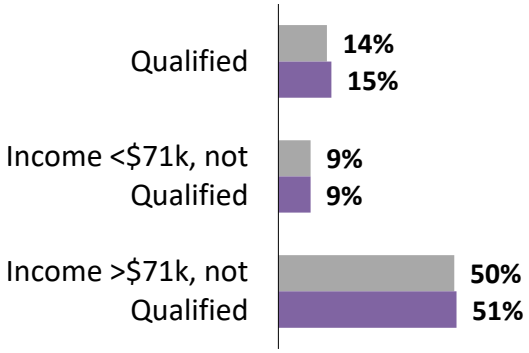
Note: 'Prefer not to say' (Telephone: 4%; Online: 3%) not shown

Household Income (after-tax)



Note: 'Prefer not say' (Telephone: 26%; Online: 25%) not shown

LEAP/OESP Qualification (calculated based on household size and after-tax income)



Note: 'Prefer not to say' (Telephone: 26%; Online: 25%) not shown

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Telephone versus Online

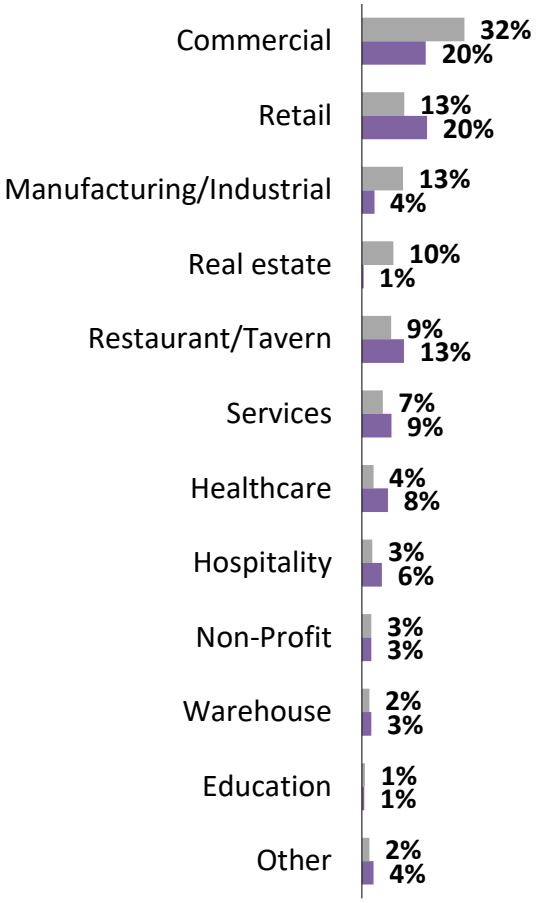
Firmographics

Small Business

Telephone

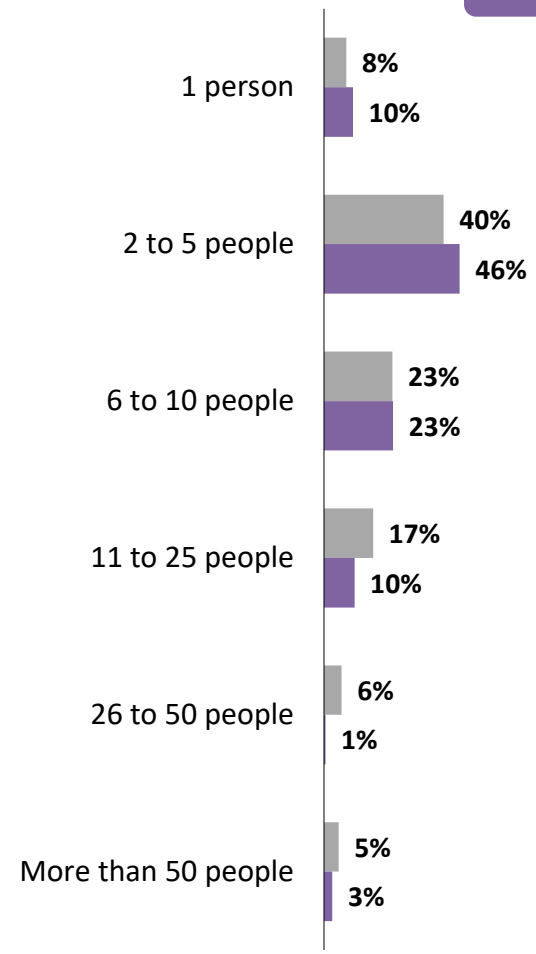
Online

Industry



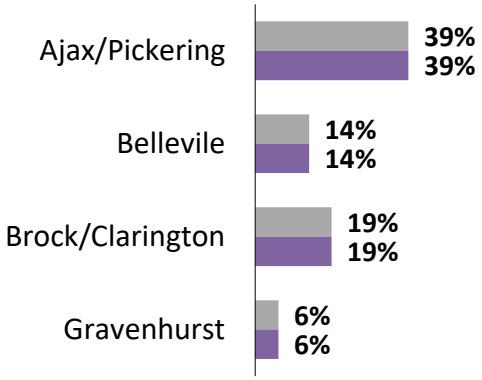
Note: Ranked in order by telephone responses.
'Prefer not to say/Don't know' (Telephone: <1%; Online: 8%) not shown

Number of Employees



Note: 'Prefer not say/Don't know' (Telephone: 1%; Online: 7%) not shown

Region



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Reference Surveys: Environmental Controls

Residential & Small Business (GS<50kW)

Telephone versus Online

Environmental Controls

It is important to distinguish between what is within, and what is outside of Elexicon's influence or control when it comes to drivers of customer opinion.

Perceptions of distributors often tend to move with general perceptions of ***Ontario's electricity sector*** rather than in response to the local utility.

Perceptions of utilities are also strongly correlated with ***financial circumstances***. In tough times perception and preference can change because customers are struggling with their bills, not because of anything the company has, or has not, done.

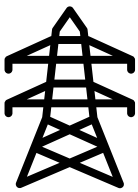
Control questions help distributors distinguish between:

a) utility driven programs that impact customer opinion; and

b) uncontrollable external drivers that impact customer opinion.

When conducting research in the energy sector, INNOVATIVE often tests multiple environmental controls to assess what role predispositions (customer values and beliefs – which can be difficult and costly to change) play in the formation of opinion towards a utility.

In this study, our environmental controls focus on two key questions to help capture external phenomena:



General perceptions of Ontario's electricity sector:
Customers are well served by the electricity system in Ontario.

Financial Circumstances:
[Residential]: The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.

[Small Business]: The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.

Telephone versus Online

Environmental Controls

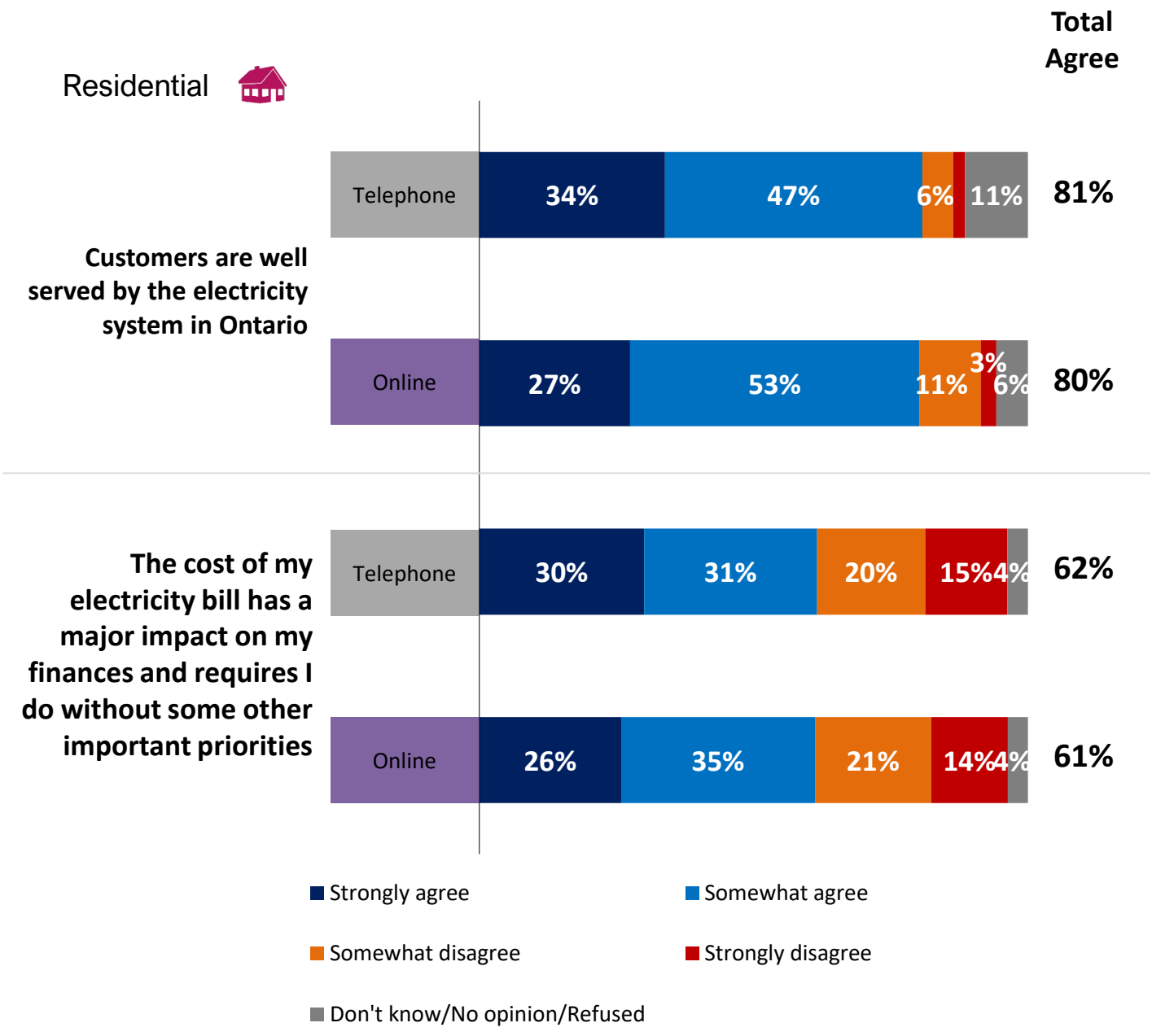
Residential

Q **[Telephone]** Lastly, I'd like to ask you some general questions about the electricity system in Ontario.

For each statement, please tell me if you would strongly agree, somewhat agree, somewhat disagree or strongly disagree. If you don't know enough to say just let me know.

[Online] To what extent do you agree or disagree with the following statements?

Residential



Note: Sums added before rounding.

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Telephone versus Online

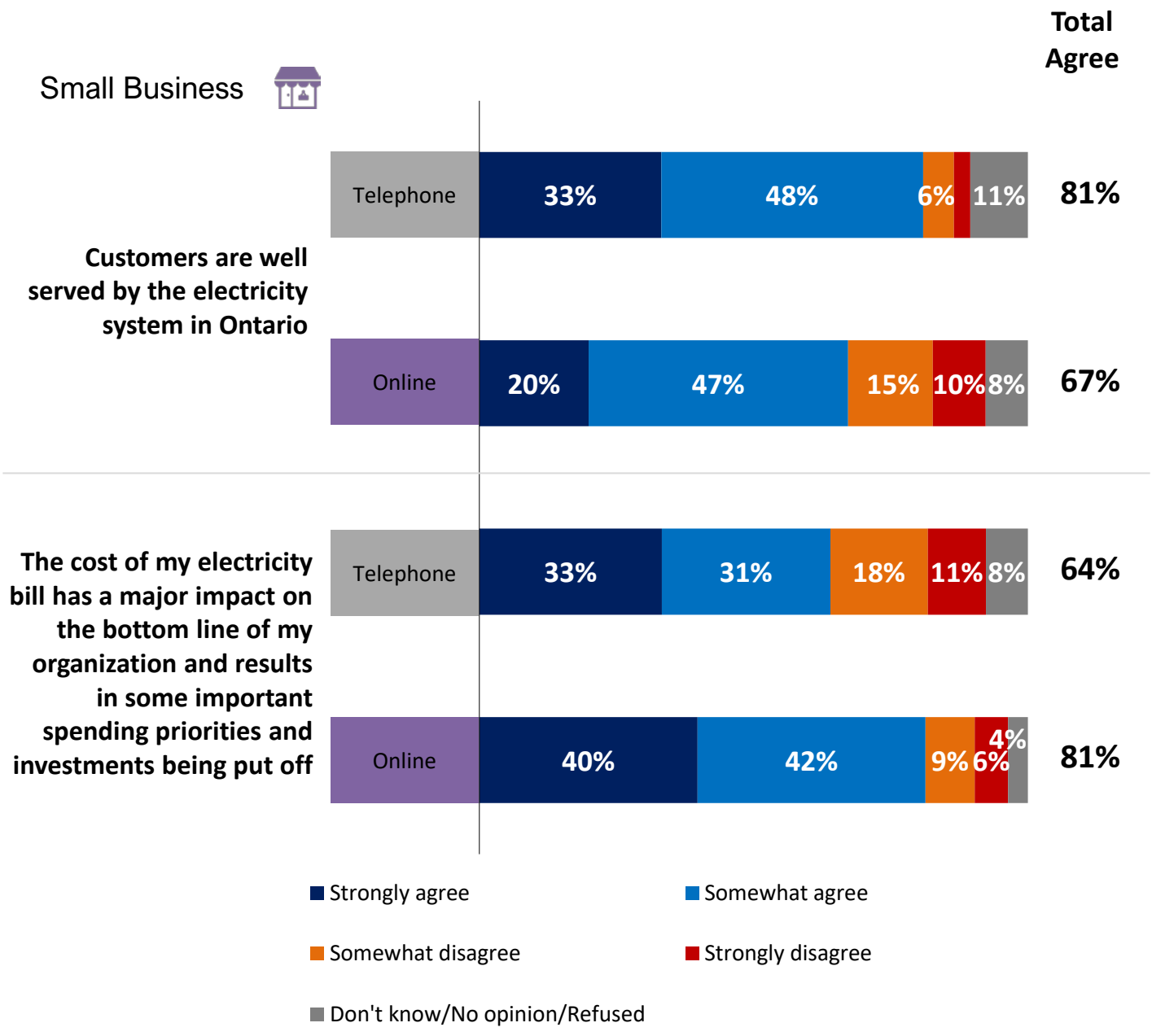
Environmental Controls

Small Business

Q **[Telephone]** Lastly, I'd like to ask you some general questions about the electricity system in Ontario.

For each statement, please tell me if you would strongly agree, somewhat agree, somewhat disagree or strongly disagree. If you don't know enough to say just let me know.

[Online] To what extent do you agree or disagree with the following statements?



Note: Sums added before rounding.

INNOVATIVE RESEARCH GROUP

Reference Surveys: Customer Perceptions

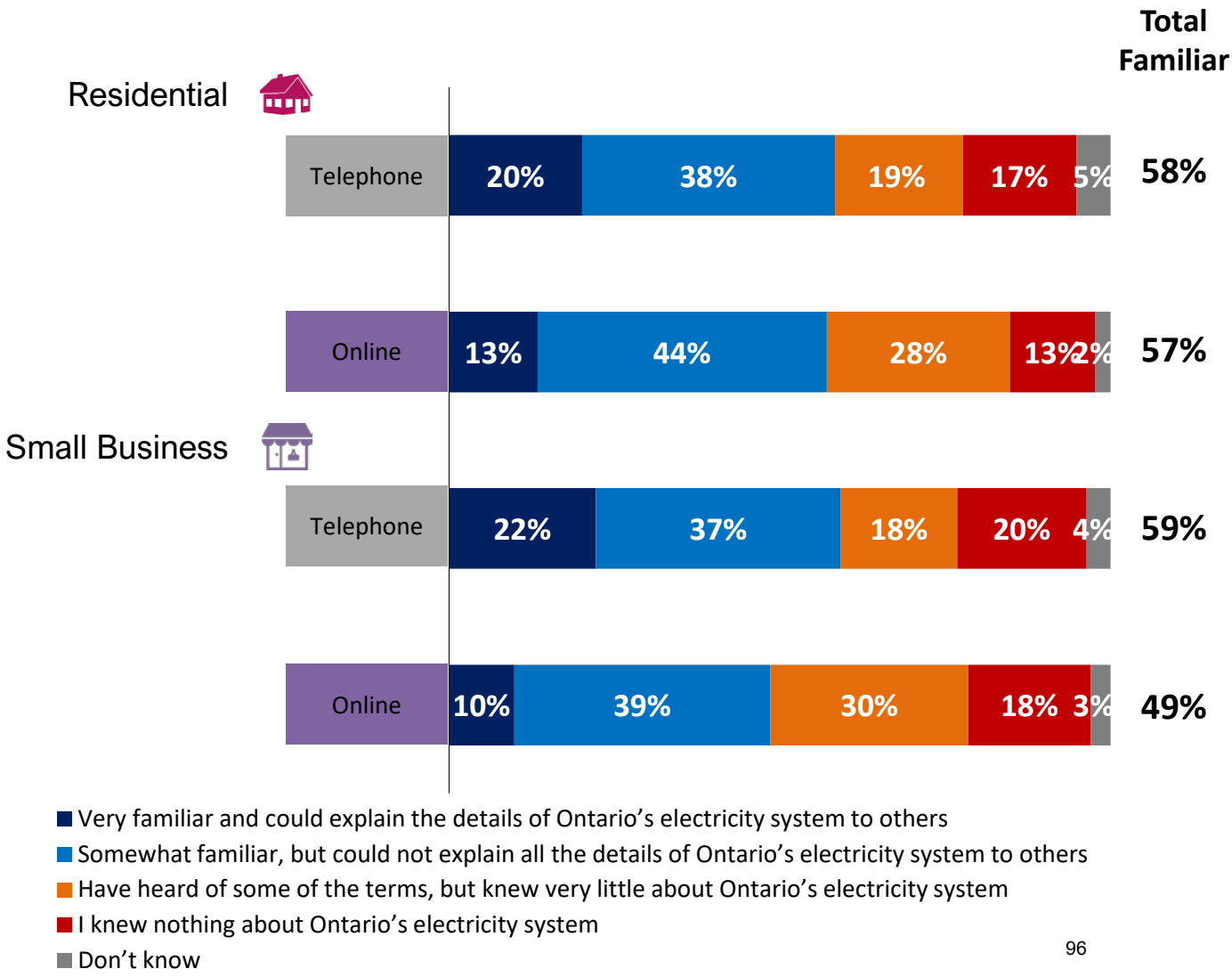
Residential & Small Business (GS<50kW)

Familiarity with Ontario's Electricity System

As you may know, Ontario's electricity system has three key components: **generation**, **transmission** and **distribution**.

- **Generating stations** convert various forms of energy into electric power;
- **Transmission lines** connect the power produced at generating stations to where it is needed across the province; and
- **Local distribution networks** take the electricity from provincial transmission lines and bring it to your home through a network of wires, poles and other equipment.

Q Before this survey, how familiar were you with the various parts of the electricity system and how they work together?



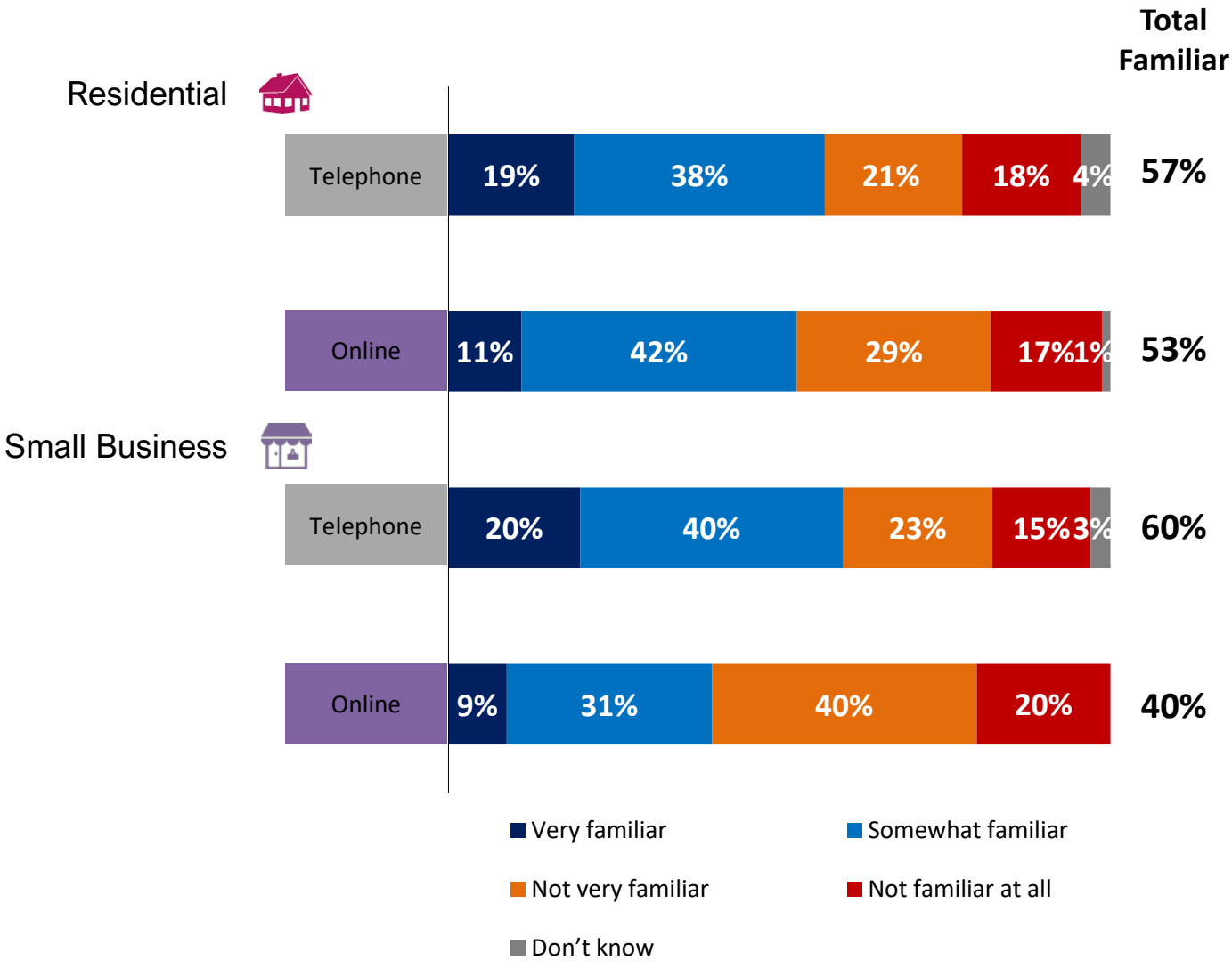
96

Note: Sums added before rounding.

Familiarity with Elexicon

Elexicon owns and operates all aspects of the local electricity distribution system across 10 municipalities in the Durham region, Belleville, and Gravenhurst. This is the network that takes the electricity from the high-voltage transmission system and connects it to your home and local community.

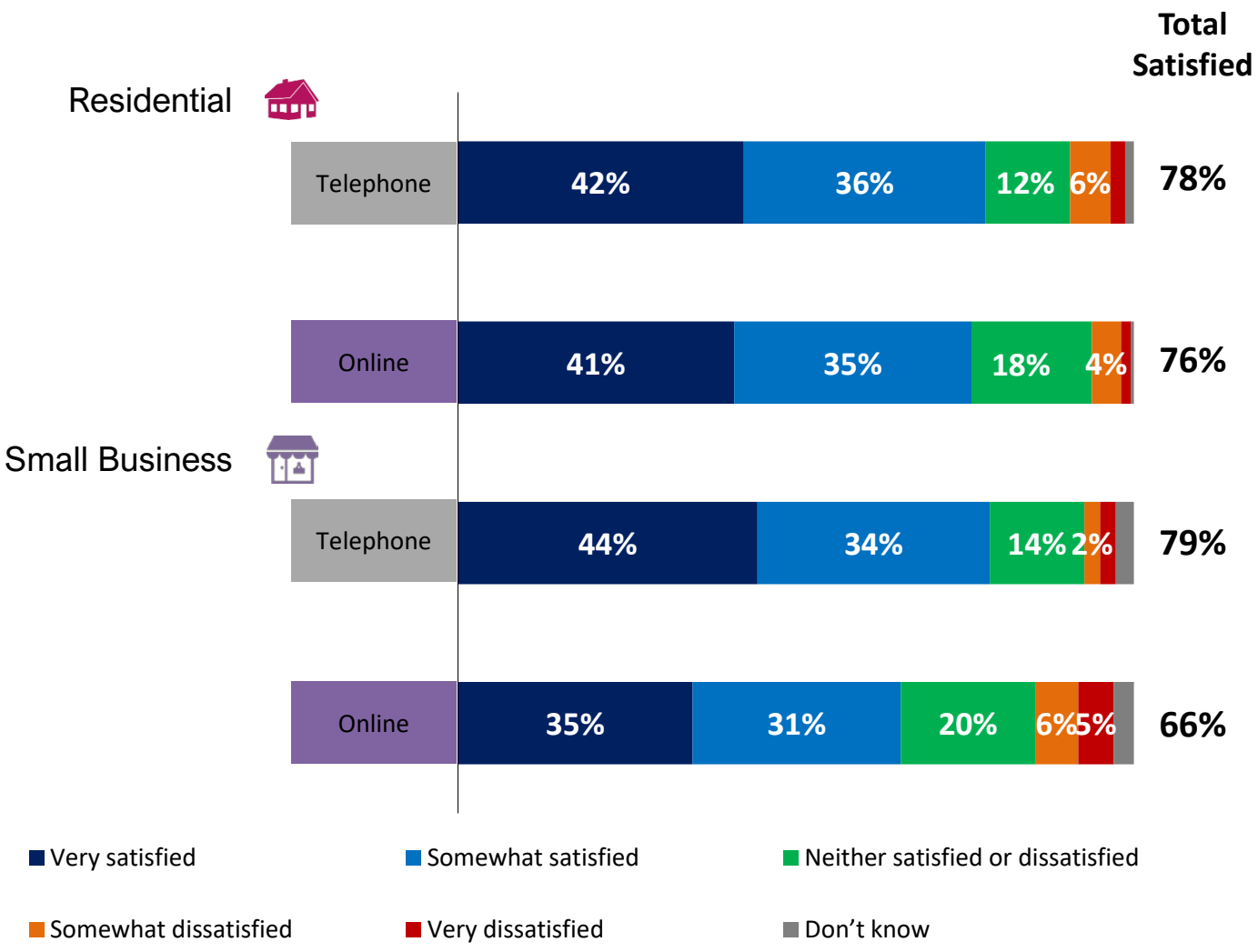
Q Before this survey, how familiar were you with **Elexicon**, and the role it plays in Ontario's electricity system?



Note: Sums added before rounding.

Overall Satisfaction with Elexicon

Q Generally, how satisfied or dissatisfied are you with the services that you receive from **Elexicon**?

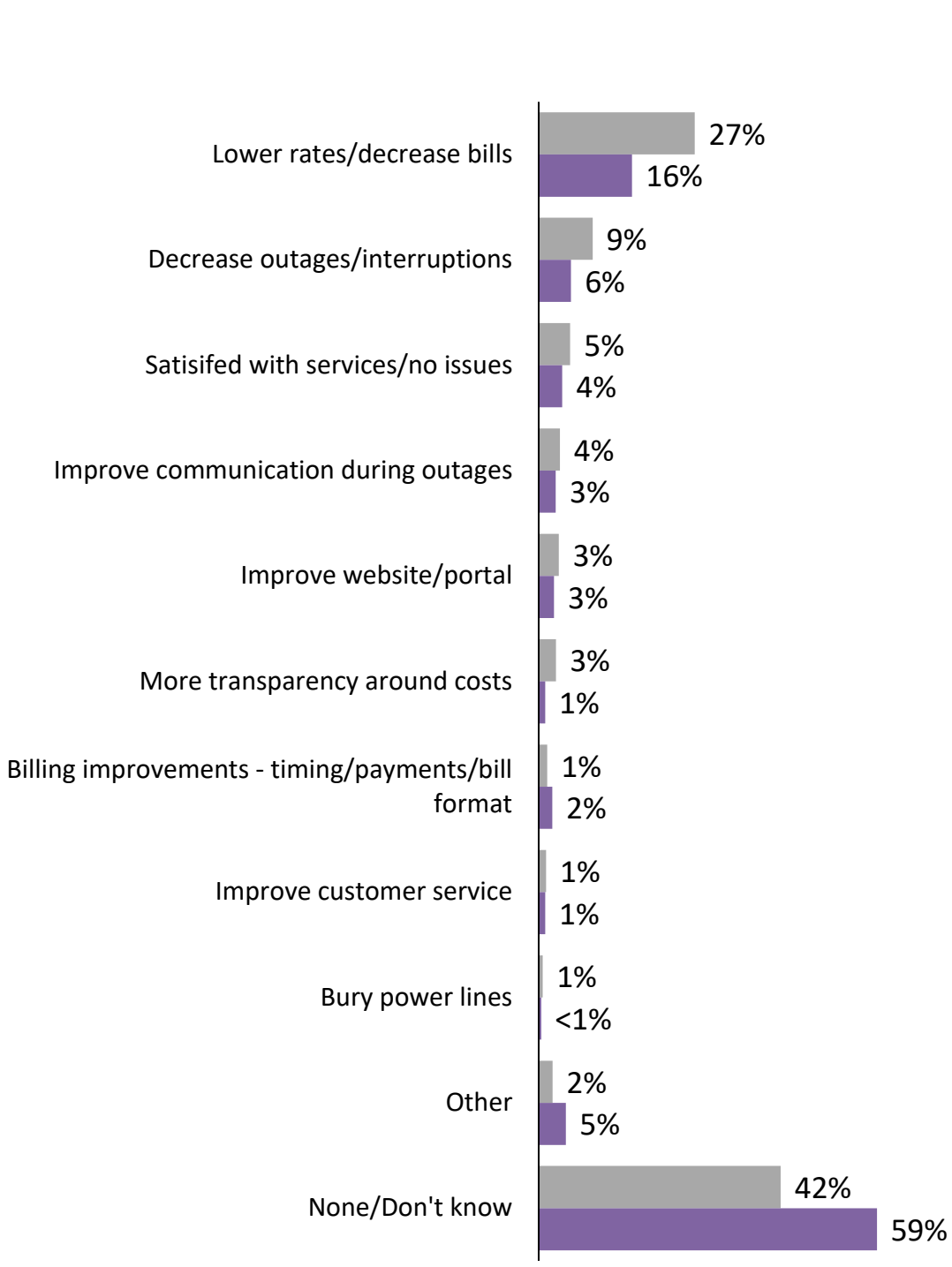


Note: Sums added before rounding.

Residential

Suggestions for Improvement

Q Is there anything **Elexicon** can do to improve its services to you?



Note: Ranked in order by telephone responses. "Other" represents responses codes <1%.

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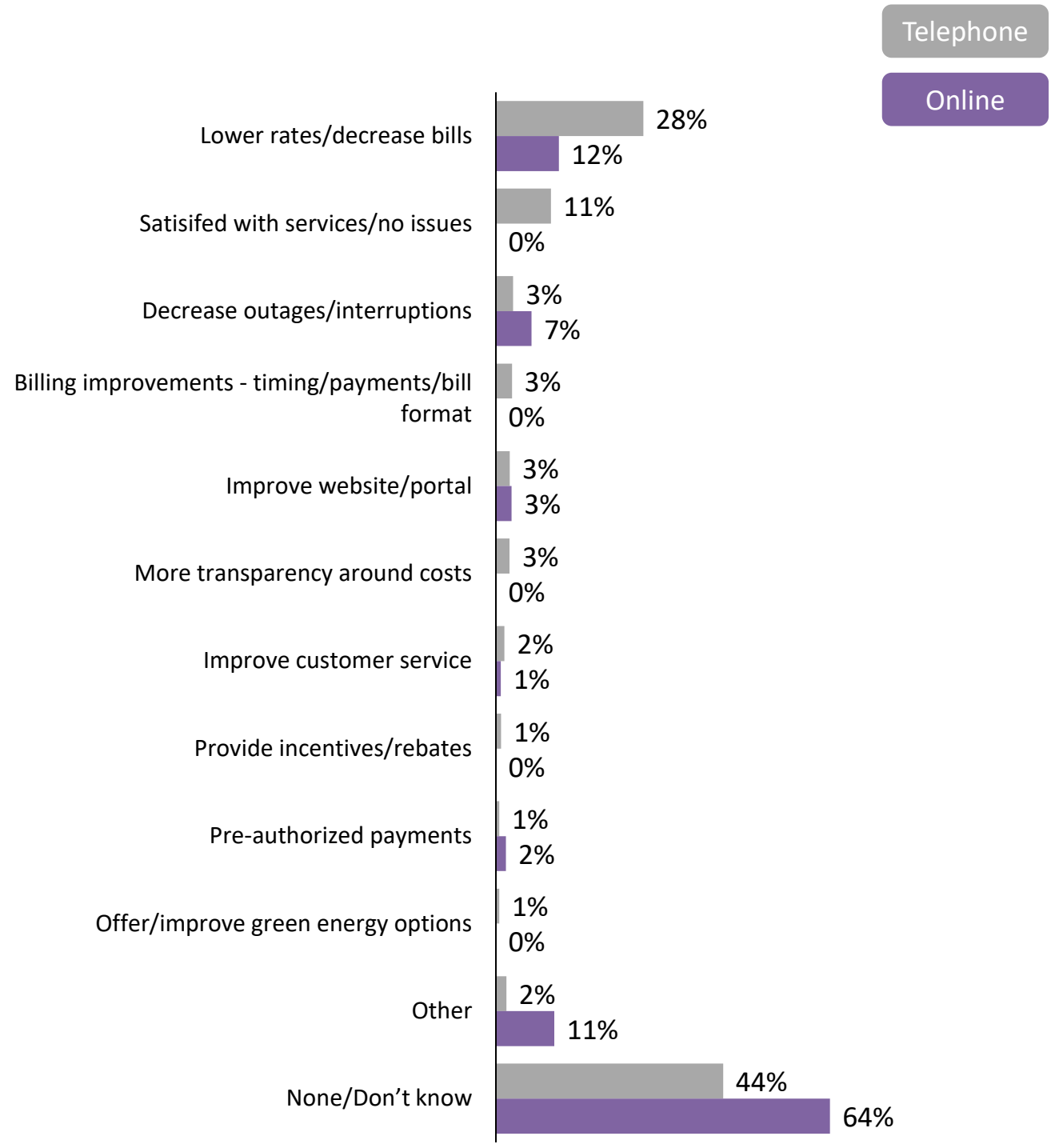
Suggestions for Improvement

Q Is there anything **Elexicon** can do to improve its services to you?



Note: Ranked in order by telephone responses. "Other" represents responses codes <1%.

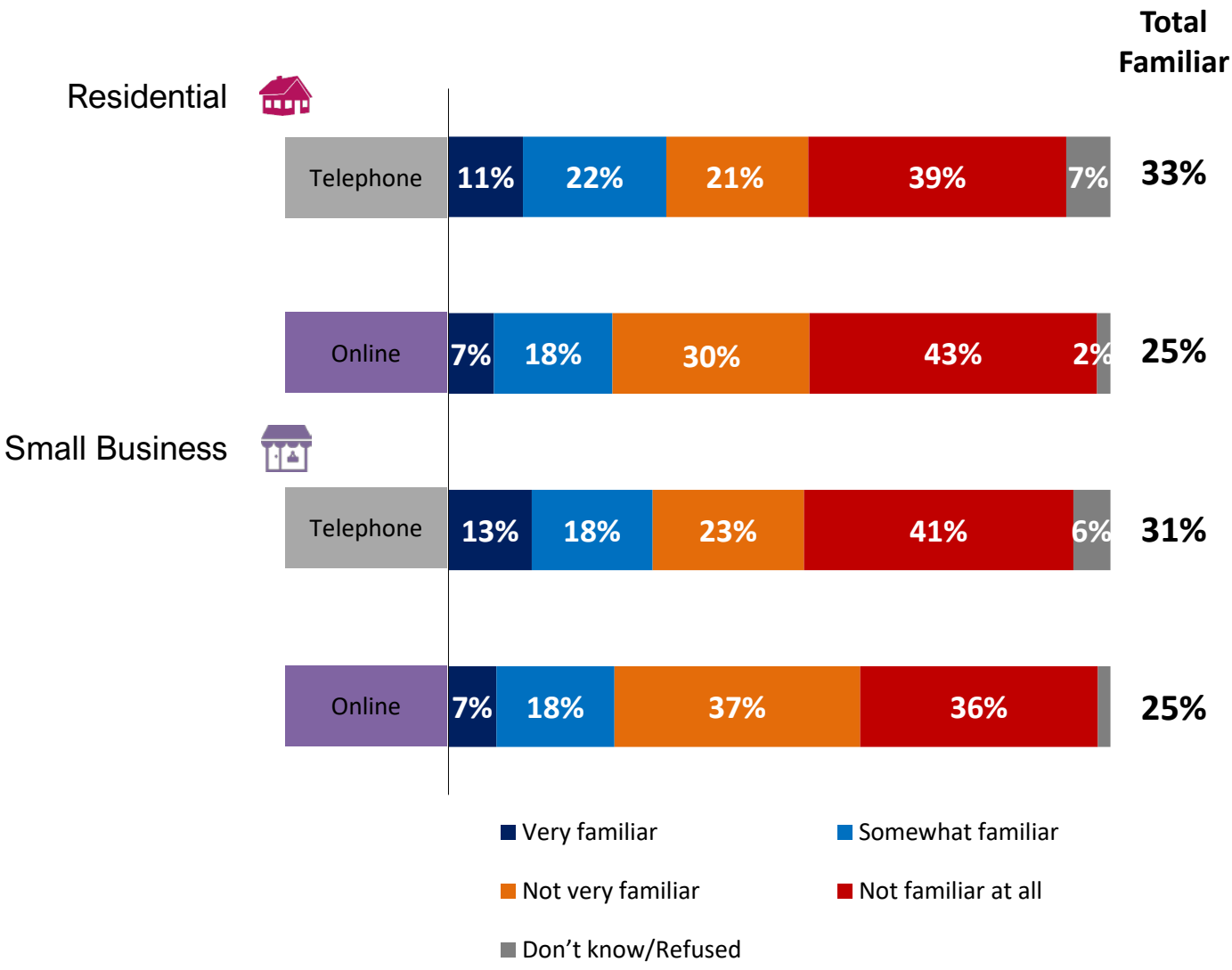
Bill Remittance Familiarity

While Elexicon is only responsible for the distribution portion of the system, to make it easier for customers, they collect payment for the entire electricity system.

Elexicon keeps about [Residential: **23%** to **24%**/Small Business: **14%** to **15%**] of the average residential customer's bill in your area. The rest of the bill goes to power generation companies, transmission companies, the system operator, and the regulator.

Before this survey, how familiar were you with the amount of your electricity bill that went to Elexicon?

Q Before this survey, how familiar were you with the amount of your electricity bill that went to **Elexicon**?



Note: Sums added before rounding.

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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INNOVATIVE RESEARCH GROUP

APPENDIX 05

Needs and Preferences Survey

Residential Customers

elexicon ENERGY

June 7, 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Report Navigation

- **Combined Report**
  - APPENDIX.00 – Customer Engagement Executive Summary
- **PHASE I: Needs & Preferences**
  - APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
  - APPENDIX.02 – C&I Customer Needs & Preference Interviews
  - APPENDIX.03 – Key Account Needs & Preference Interviews
  - APPENDIX.04 – Customer Sample Validation
  - APPENDIX.05 – Residential Needs & Preferences Survey
  - APPENDIX.06 – Small Business Needs & Preferences Survey
  - APPENDIX.07 – Seasonal Needs & Preferences Survey
  - APPENDIX.08 – Key Accounts Need & Preferences Survey
  - APPENDIX.09 – Needs & Preferences Planning Placemat
- **PHASE II: Trade-offs**
  - APPENDIX.10 – Residential Trade-off Survey
  - APPENDIX.11 – Small Business Trade-off Survey
  - APPENDIX.12 – Seasonal Trade-off Survey
  - APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

Residential Customers

Online Survey Results

Section 4.1

Online Survey
Survey Design & Methodology

Field Dates

The **Residential Online Survey** was sent to a random selection of Elexicon residential customers who provided the utility with an email address. Customers had an opportunity to complete the survey between **April 2nd and April 16th, 2024**.

Each customer received a unique URL that could be linked back to their average monthly consumption, region and rate class.

In total, the residential survey was sent to **15,998** customers from *customerexperience@elexiconenergy.com*. Reminder emails were sent on April 5th and April 10th, 2024 to those who had not yet completed the survey.

Residential Online Survey Completes

A total of **2,816** (unweighted) Elexicon residential customers completed the online survey.

Sample Weighting

The residential online survey sample was weighted down to n=1,600 proportionately by consumption quartiles and region in order to be representative of the broader Elexicon customer base.

The table below summarizes the unweighted and weighted (in brackets) sample breakdown by consumption quartile and region.

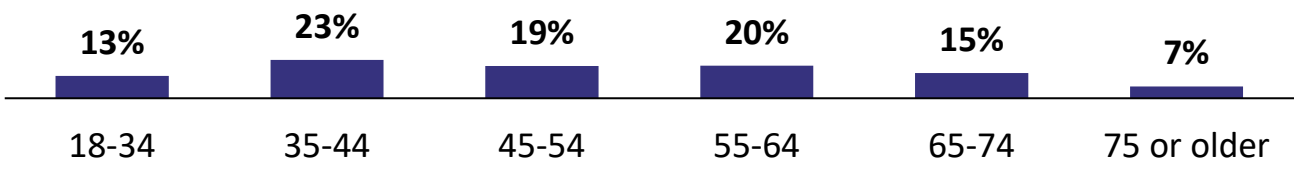
Region	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Ajax/Pickering	396 (173)	372 (181)	305 (179)	279 (165)	1,352 (698)
Belleville	107 (42)	99 (35)	89 (34)	92 (39)	387 (150)
Brock/Clarington	157 (63)	147 (63)	156 (66)	149 (69)	609 (261)
Gravenhurst	20 (11)	20 (7)	28 (8)	28 (13)	96 (40)
Whitby	124 (111)	86 (114)	80 (113)	82 (113)	372 (452)
Total	804 (400)	724 (400)	658 (400)	630 (400)	2,816 (1,600)

Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Online Survey
Demographic breakdown

Residential

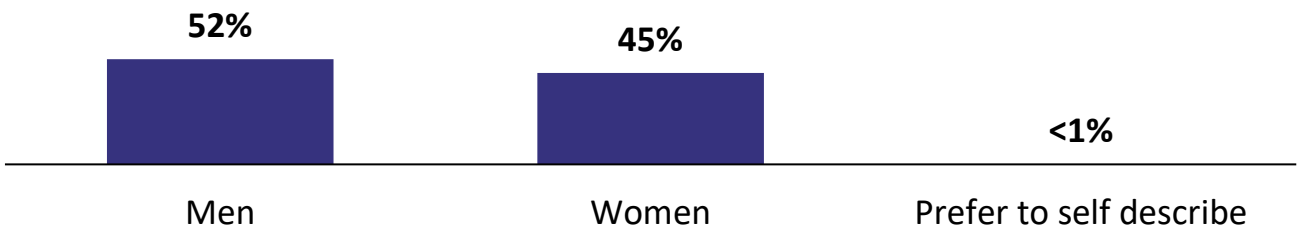
Q Age



"Prefer not to say" (2%) not shown.

n=1,600

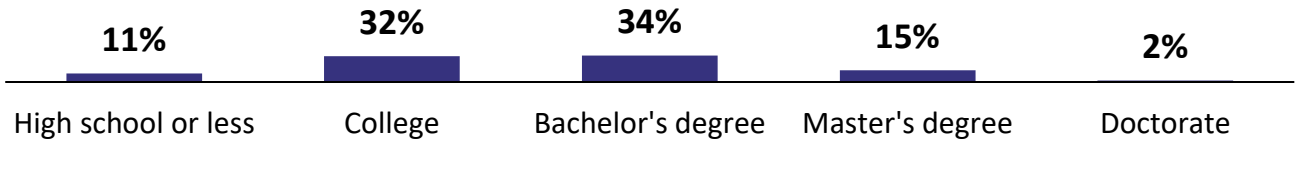
Q Gender



"Prefer not to say" (3%) not shown.

n=1,600

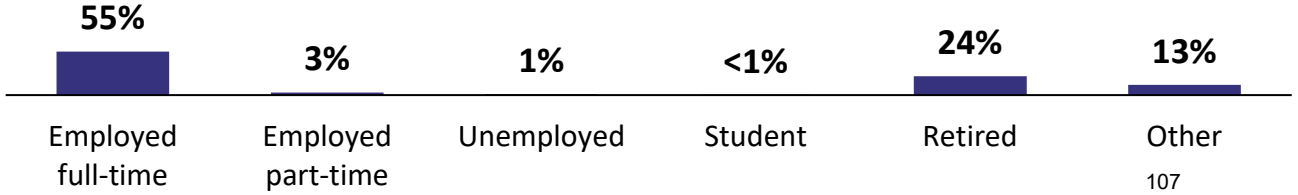
Q Education



"Prefer not to say" (6%) not shown.

n=1,600

Q Employment Status



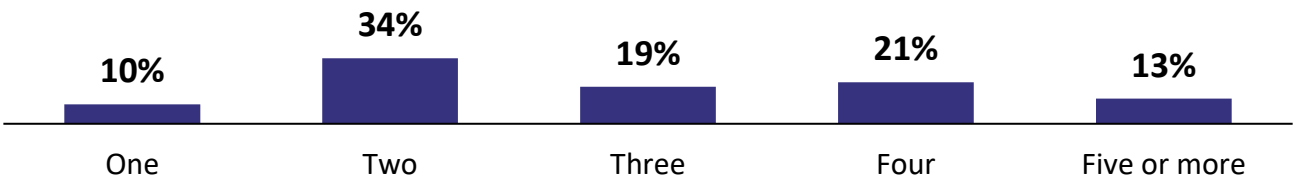
"Prefer not to say" (3%) not shown.

n=1,600

Online Survey
Demographic breakdown

Residential

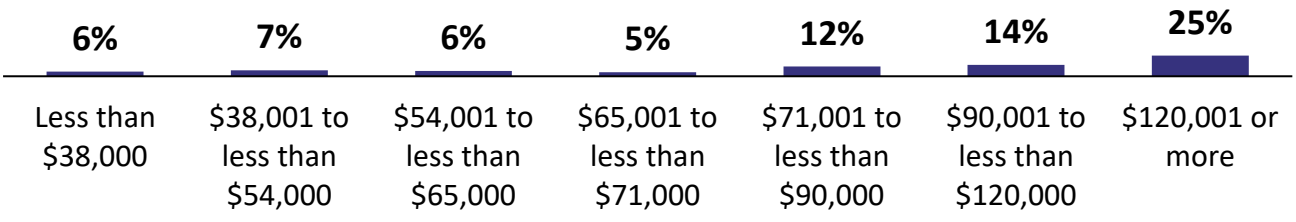
Q Household Size



"Prefer not to say" (3%) not shown.

n=1,600

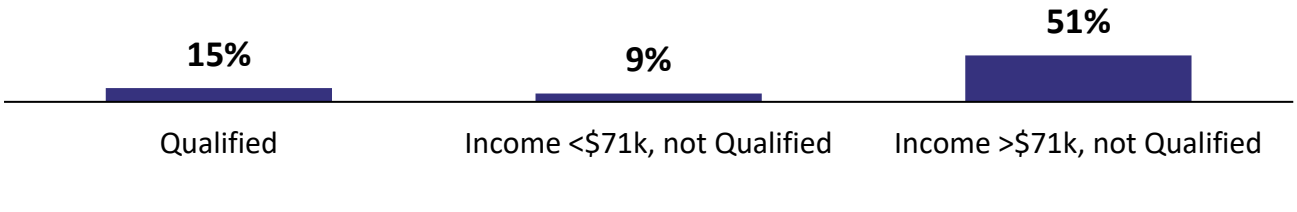
Q After Tax Household Income



"Prefer not to say" (25%) not shown.

n=1,600

Q LEAP/OESP Qualification (based on household size and income)



"Prefer not to say" (25%) not shown.

n=1,600

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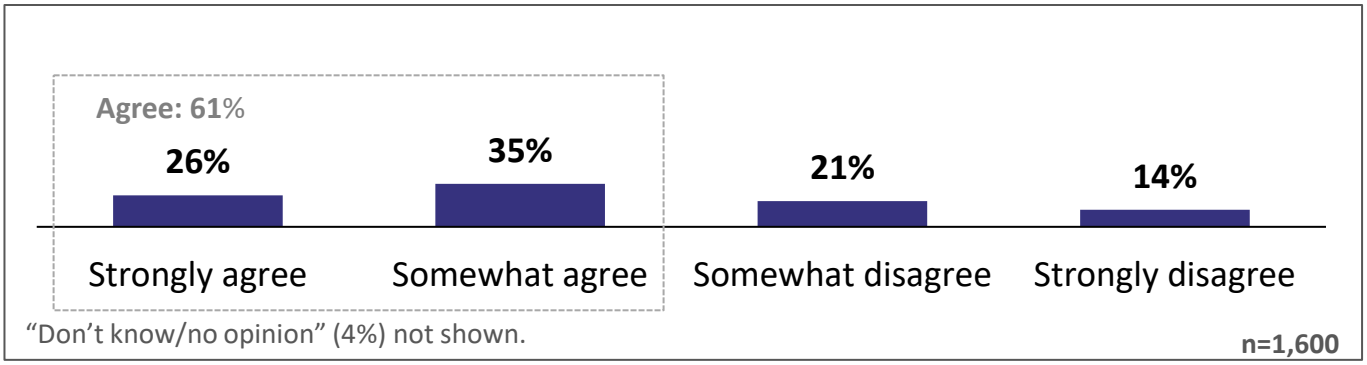
Online Survey
Environmental Controls

Residential

To what extent do you agree or disagree with the following statements?

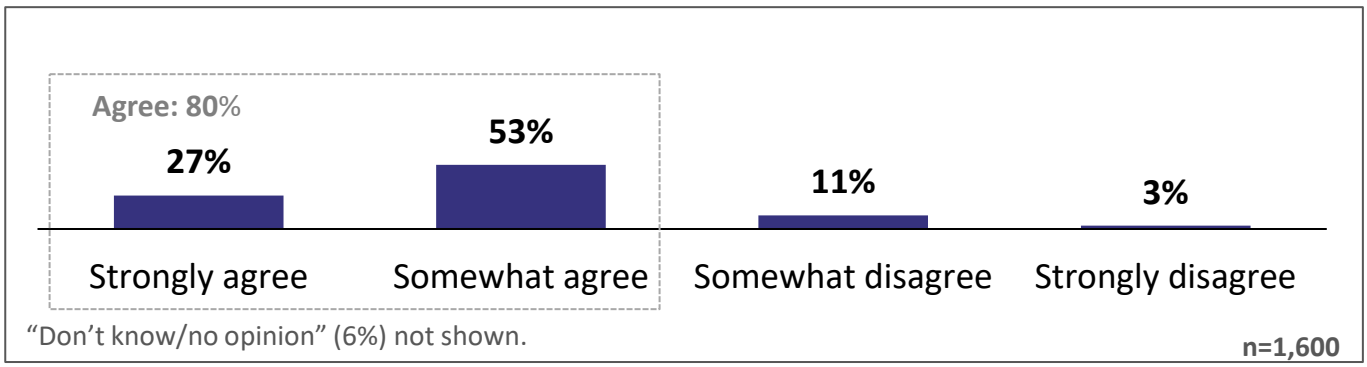
Q The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.



"Don't know/no opinion" (4%) not shown.

n=1,600

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (6%) not shown.

n=1,600

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Online Survey

Familiarity with Ontario's Electricity System

Residential

As you may know, Ontario's electricity system has three key components: **generation**, **transmission** and **distribution**.

- **Generating stations** convert various forms of energy into electric power;
- **High-voltage transmission lines** connect the power produced at generating stations to where it is needed across the province; and
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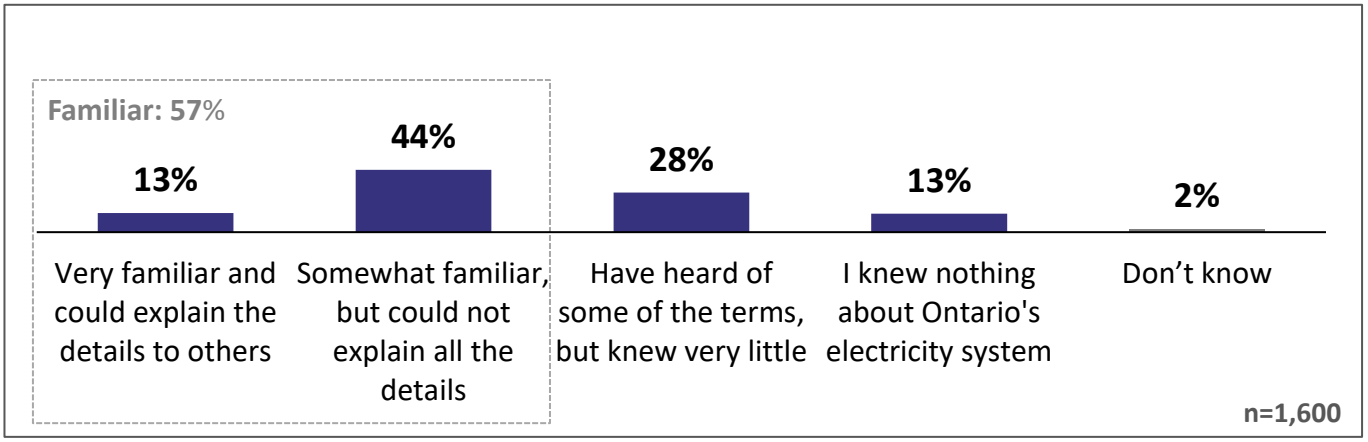
Q Before this survey, how familiar were you with the various parts of the electricity system and how they work together?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Very familiar	14%	12%	14%	14%	13%	12%	16%
Somewhat familiar	43%	44%	46%	50%	43%	41%	51%
Knew very little	27%	29%	27%	24%	28%	29%	24%
Knew nothing	13%	14%	11%	11%	13%	16%	8%
Don't know	2%	1%	1%	--	3%	3%	1%
Familiar (Very + Somewhat)	**57%**	**55%**	**61%**	**65%**	**56%**	**52%**	**67%**

Online Survey

Familiarity with Ontario's Electricity System

Residential

Q Before this survey, how familiar were you with the various parts of the electricity system and how they work together?

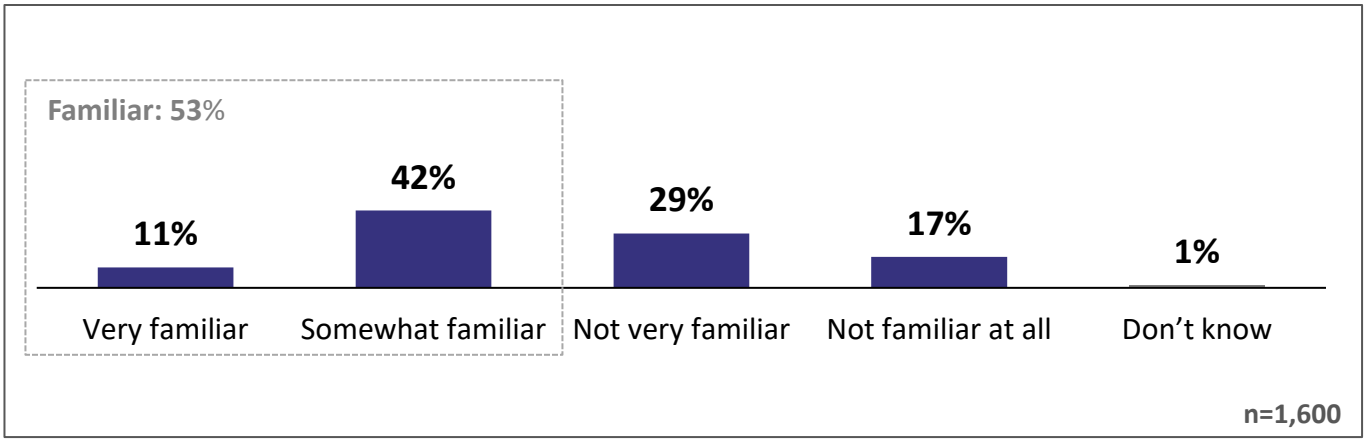
		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very familiar	13%	12%	14%	15%	14%	9%	12%	16%
Somewhat familiar	44%	43%	45%	43%	44%	40%	43%	45%
Knew very little	28%	29%	26%	29%	27%	31%	30%	26%
Knew nothing	13%	13%	13%	12%	14%	14%	14%	12%
Don't know	2%	3%	2%	3%	2%	6%	2%	1%
Familiar (Very + Somewhat)	**57%**	**55%**	**58%**	**57%**	**58%**	**49%**	**54%**	**61%**

Online Survey
Familiarity with Elexicon

Residential

Elexicon owns and operates all aspects of the local electricity distribution system across 10 municipalities in the Durham region, Belleville, and Gravenhurst. This is the network that takes the electricity from the high-voltage transmission system and connects it to your home and local community.

Q Before this survey, how familiar were you with **Elexicon**, and the role it plays in Ontario's electricity system?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Very familiar	11%	11%	11%	6%	11%	10%	12%
Somewhat familiar	42%	38%	44%	54%	40%	41%	43%
Not very familiar	28%	28%	28%	26%	33%	29%	30%
Not familiar at all	17%	22%	17%	12%	15%	18%	15%
Don't know	2%	1%	1%	2%	1%	1%	1%
Familiar (Very + Somewhat)	**53%**	**49%**	**54%**	**60%**	**51%**	**51%**	**55%**

Online Survey
Familiarity with Elexicon

Residential

Q Before this survey, how familiar were you with **Elexicon**, and the role it plays in Ontario's electricity system?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very familiar	11%	11%	11%	10%	12%	13%	9%	12%
Somewhat familiar	42%	37%	40%	46%	44%	36%	40%	42%
Not very familiar	29%	32%	31%	26%	28%	30%	31%	30%
Not familiar at all	17%	19%	17%	16%	15%	18%	21%	16%
Don't know	1%	1%	1%	2%	1%	4%	<1%	<1%
Familiar (Very + Somewhat)	**53%**	**48%**	**51%**	**56%**	**56%**	**49%**	**48%**	**54%**

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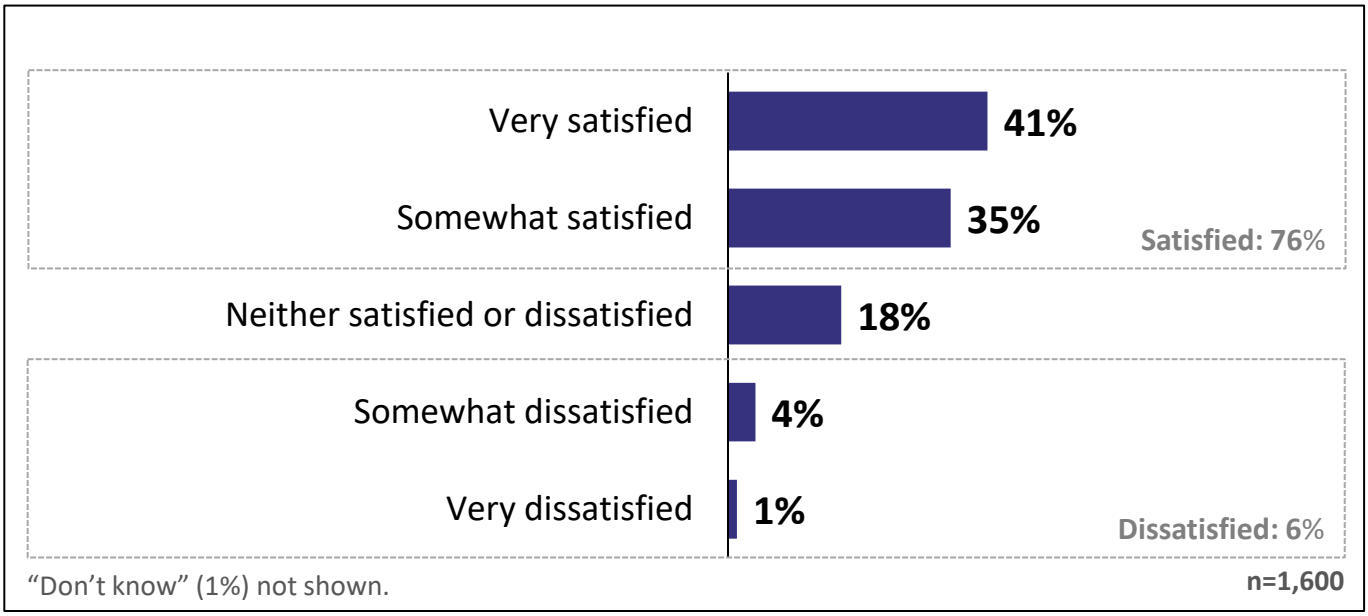
Online Survey

Overall Satisfaction with Elexicon

Residential

Q Generally, how satisfied or dissatisfied are you with the services that you receive from **Elexicon**?



"Don't know" (1%) not shown.

n=1,600

		Region				Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Very satisfied	40%	48%	44%	48%	37%	35%	52%
Somewhat satisfied	35%	33%	32%	33%	38%	37%	32%
Neither satisfied nor dissatisfied	18%	13%	17%	12%	19%	21%	12%
Somewhat dissatisfied	5%	4%	5%	4%	4%	5%	3%
Very dissatisfied	1%	2%	1%	2%	1%	2%	1%
Don't know	<1%	1%	1%	1%	<1%	1%	<1%
Satisfied (Very + Somewhat)	**75%**	**80%**	**76%**	**80%**	**75%**	**72%**	**84%**
Dissatisfied (Very + Somewhat)	**6%**	**5%**	**6%**	**7%**	**5%**	**7%**	**4%**

Online Survey

Overall Satisfaction with Elexicon

Residential

Q Generally, how satisfied or dissatisfied are you with the services that you receive from **Elexicon**?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very satisfied	41%	42%	42%	39%	39%	47%	46%	41%
Somewhat satisfied	35%	37%	33%	36%	34%	31%	29%	37%
Neither satisfied nor dissatisfied	18%	16%	19%	17%	20%	15%	19%	18%
Somewhat dissatisfied	4%	4%	4%	4%	5%	4%	3%	4%
Very dissatisfied	1%	1%	2%	2%	1%	2%	1%	1%
Don't know	1%	<1%	<1%	1%	<1%	2%	<1%	<1%
Satisfied (Very + Somewhat)	**76%**	**79%**	**75%**	**76%**	**74%**	**78%**	**76%**	**77%**
Dissatisfied (Very + Somewhat)	**6%**	**5%**	**6%**	**6%**	**6%**	**5%**	**5%**	**5%**

Online Survey

How Elexicon can improve its services

Residential

Q Is there anything **Elexicon** can do to improve its services to you?

Response	%
Lower rates/decrease bills	16.2%
Decrease outages/interruptions	5.6%
Satisfied with services/no issues	4.1%
Improve communication during outages	3.0%
Improve website/portal	2.7%
Billing improvements - timing/payments/bill format	2.4%
More information/communication/ability to track usage	1.3%
Improve customer service	1.1%
More transparency around costs	1.1%
Improve response time for outages	1.1%
Provide incentives/rebates	1.0%
Offer/improve green energy options	0.6%
Bury power lines	0.4%
Pre-authorized payments	0.2%
Address vegetation growth	0.1%
Other	0.4%
None/Don’t know	58.7%

Note: Only responses >0.1% shown

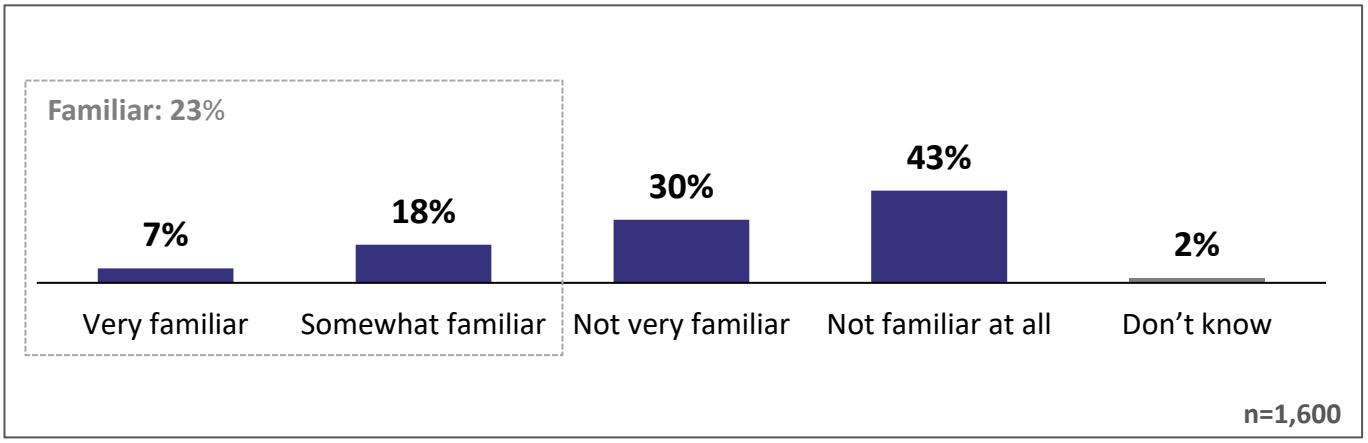
Online Survey
Bill Remittance Familiarity

Residential

While **Elexicon** is only responsible for the distribution portion of the system, to make it easier for customers, they collect payment for the entire electricity system.

Elexicon keeps about 23% to 24% of the average residential customer's bill in your area. The rest of the bill goes to power generation companies, transmission companies, the system operator, and the regulator.

Q Before this survey, how familiar were you with the amount of your electricity bill that went to **Elexicon**?



		Region				Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Very familiar	7%	6%	5%	5%	9%	7%	6%
Somewhat familiar	18%	20%	18%	17%	17%	19%	16%
Not very familiar	30%	23%	31%	40%	30%	31%	28%
Not familiar at all	43%	49%	45%	37%	43%	40%	49%
Don't know	2%	2%	2%	2%	2%	2%	1%
Familiar (Very + Somewhat)	**25%**	**26%**	**23%**	**21%**	**26%**	**26%**	**22%**

Online Survey
Bill Remittance Familiarity

Residential

Q Before this survey, how familiar were you with the amount of your electricity bill that went to **Elexicon**?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very familiar	7%	8%	7%	5%	7%	10%	4%	7%
Somewhat familiar	18%	16%	20%	18%	18%	18%	22%	17%
Not very familiar	30%	31%	29%	30%	29%	30%	31%	29%
Not familiar at all	43%	44%	42%	45%	43%	39%	40%	46%
Don't know	2%	2%	1%	2%	3%	3%	2%	1%
Familiar (Very + Somewhat)	**25%**	**24%**	**28%**	**23%**	**25%**	**28%**	**27%**	**25%**

INNOVATIVE RESEARCH GROUP

Residential Customers

Priorities & Preferences

Section 4.2

Online Survey

Importance of Customer Priorities

Residential

The second topic in this survey is on **outcomes**, or services that matter to you. Everyday **Elexicon** interacts with hundreds of its customers through multiple channels and touchpoints, including surveys, the customer care centre and social media.

In a recent series of customer focus groups, a number of goals were identified as potential priorities for **Elexicon**.

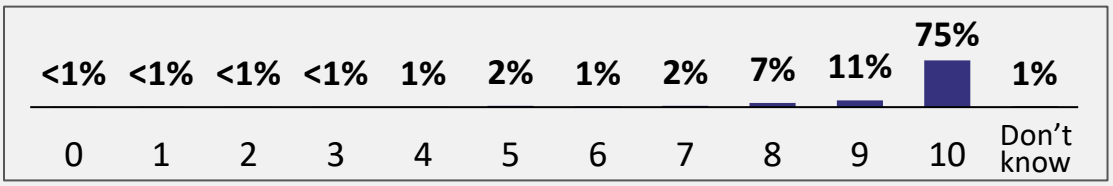
Shortened General Outcomes Priorities Response Labels	Full General Outcomes Priorities Response Labels
Maintaining reliable electrical service	Maintaining reliable electrical service for customers.
Ensuring the grid can withstand severe weather	Ensuring the grid can withstand increasingly severe weather events.
Providing timely communications during outages	Providing accurate and timely communications during power outages.
Delivering electricity at a reasonable price	Delivering electricity at a reasonable price.
Helping customers with energy conservation	Helping customers with energy conservation.
Expand the grid to meet expected future demand	Proactively building electrical grid capacity to meet the local community's expected future demand.
Replacing aging infrastructure	Replacing aging electrical infrastructure operating beyond its expected useful life.
Investing in new technology to help manage usage	Providing tools and new technologies to help customers better manage their electricity usage.
Ensuring the safety of electricity infrastructure	Ensuring the safety of electrical equipment and infrastructure.
Proactively trim vegetation to prevent outages	Proactively trimming back trees and vegetation around power lines to prevent outages.

Online Survey
Importance of Customer Priorities

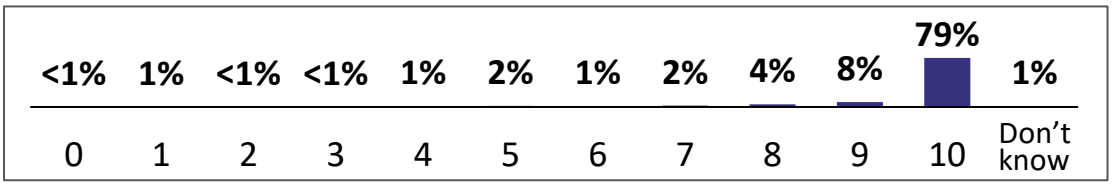
Residential

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

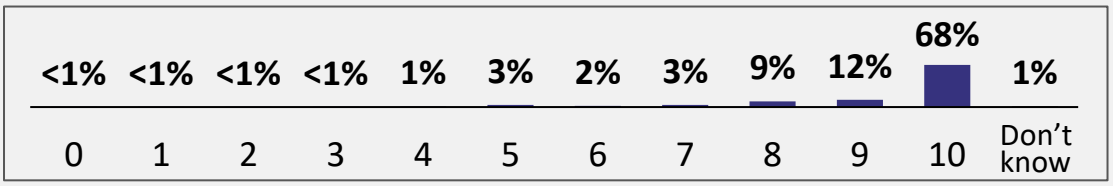
Maintaining reliable electrical service [average = **9.5**]



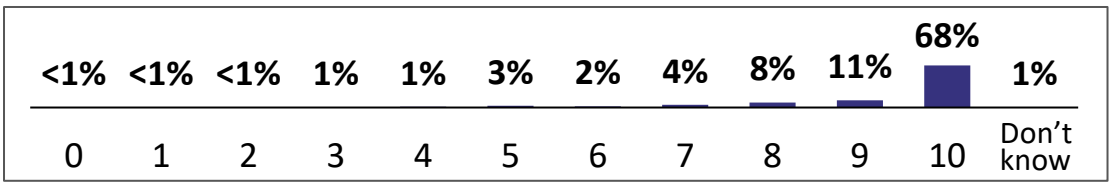
Delivering electricity at reasonable price [average = **9.4**]



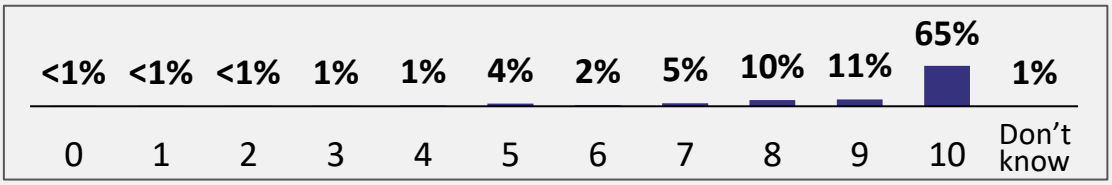
Ensuring the grid can withstand severe weather [average = **9.2**]



Ensuring the safety of electricity infrastructure [average = **9.2**]



Providing timely communications during outages [average = **9.1**]



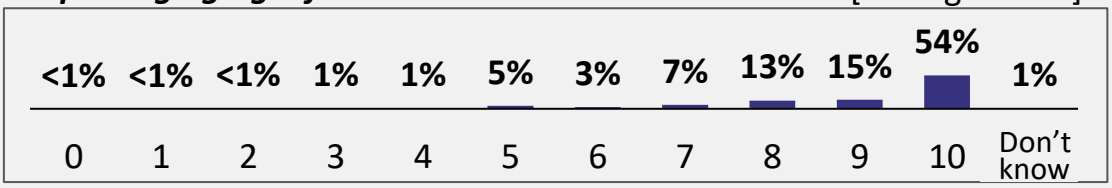
Note: Priority labels have been shortened for brevity. See slide 17 for full label text.
"Don't know" not included in calculation of means.

Online Survey
Importance of Customer Priorities (Cont'd)

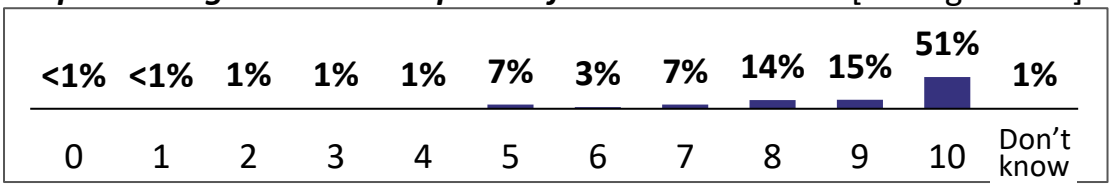
Residential

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

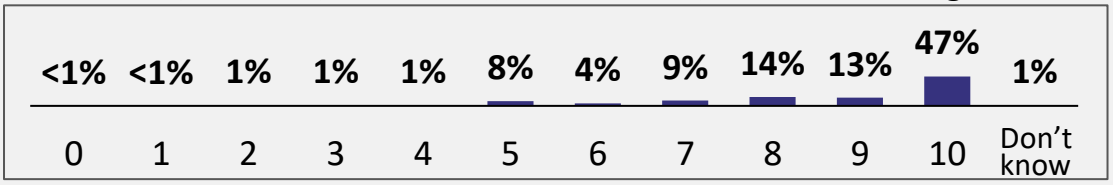
Replacing aging infrastructure [average = **8.8**]



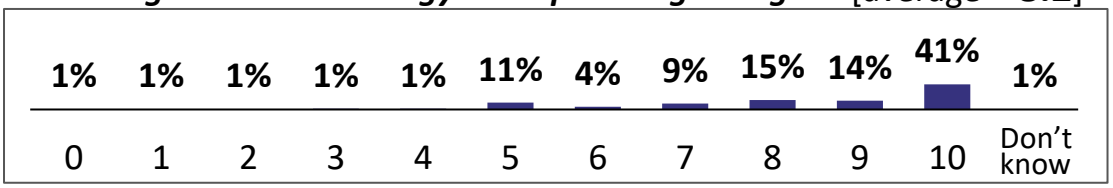
Expand the grid to meet expected future demand [average = **8.7**]



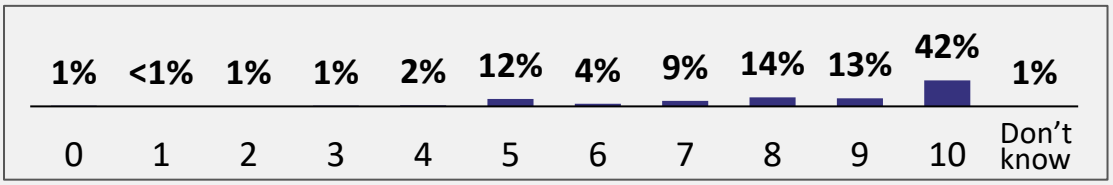
Proactively trim vegetation to prevent outages [average = **8.5**]



Investing in new technology to help manage usage [average = **8.2**]



Helping customers with energy conservation [average = **8.2**]



Note: Priority labels have been shortened for brevity. See slide 17 for full label text.
"Don't know" not included in calculation of means.

Online Survey

Importance of Customer Priorities – Average Scores

Residential

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

	Region					Bill Impact	
Average Score	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Maintaining reliable electrical service	9.5	9.5	9.5	9.7	9.4	9.4	9.6
Delivering electricity at a reasonable price	9.4	9.5	9.5	9.7	9.4	9.5	9.4
Ensuring the grid can withstand severe weather	9.2	9.2	9.2	9.4	9.2	9.2	9.3
Ensuring the safety of electricity infrastructure	9.2	9.1	9.3	9.3	9.1	9.1	9.3
Providing timely communications during outages	9.1	8.9	9.0	9.3	9.0	9.1	9.1
Replacing aging infrastructure	8.9	8.8	8.9	8.8	8.7	8.8	9.0
Expand the grid to meet expected future demand	8.8	8.6	8.8	8.5	8.6	8.7	8.9
Proactively trim vegetation to prevent outages	8.5	8.6	8.5	8.7	8.4	8.5	8.5
Investing in new technology to help manage usage	8.2	8.1	8.1	7.6	8.3	8.3	8.0
Helping customers with energy conservation	8.2	8.1	8.1	8.0	8.2	8.3	7.9

Note: Priority labels have been shortened for brevity. See slide 17 for full label text.
"Don't know" not included in calculation of means. "Don't know" not shown.

Online Survey

Importance of Customer Priorities – Average Scores

Residential

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

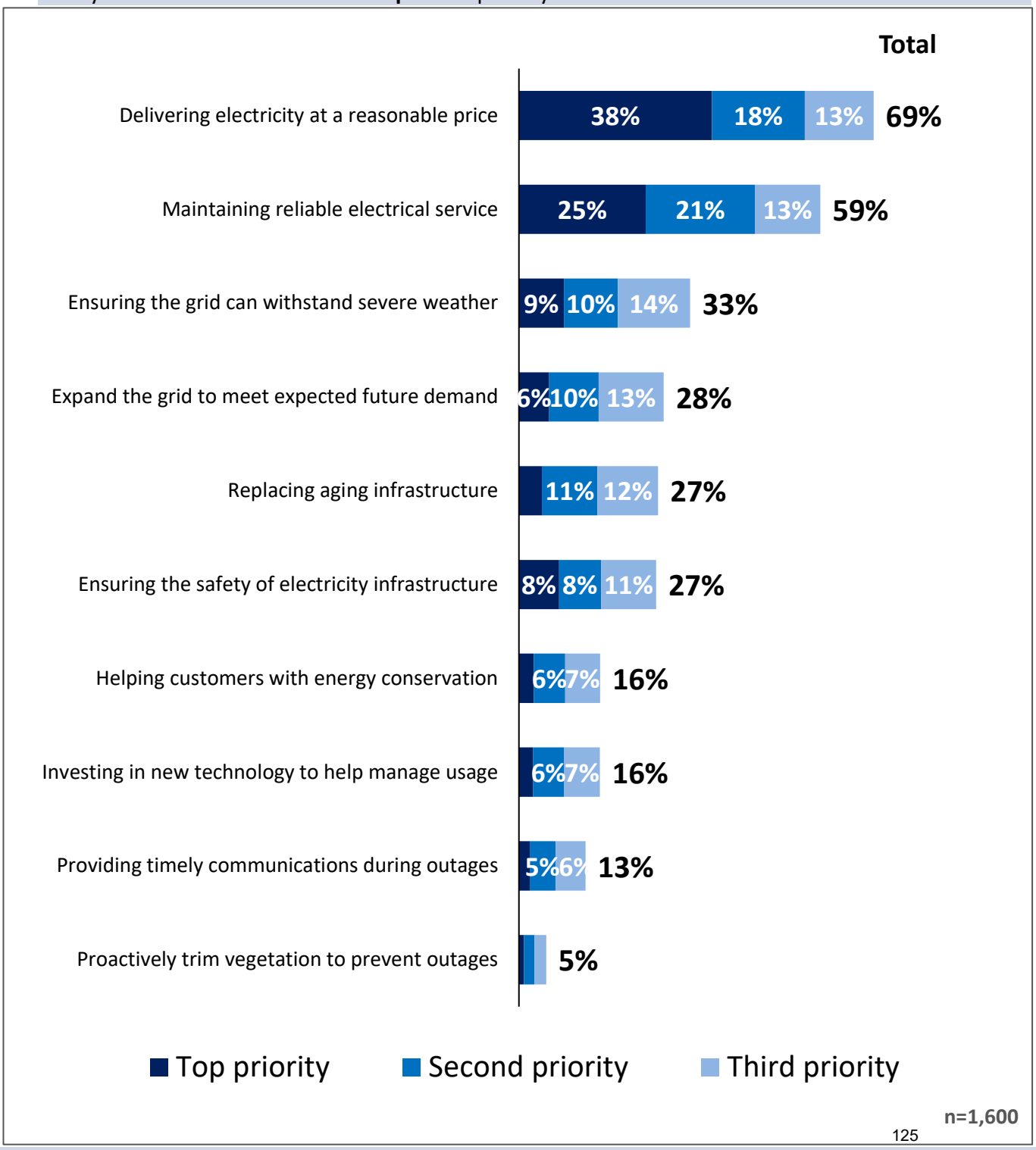
		Consumption Quartiles				LEAP/OESP Qualification		
Average Score	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Maintaining reliable electrical service	9.5	9.4	9.4	9.4	9.5	9.2	9.4	9.5
Delivering electricity at a reasonable price	9.4	9.5	9.4	9.4	9.5	9.3	9.4	9.4
Ensuring the grid can withstand severe weather	9.2	9.2	9.2	9.3	9.2	9.1	9.3	9.2
Ensuring the safety of electricity infrastructure	9.2	9.2	9.2	9.2	9.2	9.0	9.2	9.2
Providing timely communications during outages	9.1	9.0	9.1	9.1	9.1	8.8	9.1	9.0
Replacing aging infrastructure	8.8	8.8	8.8	8.9	8.8	8.9	8.8	8.8
Expand the grid to meet expected future demand	8.7	8.6	8.7	8.8	8.7	8.6	8.7	8.7
Proactively trim vegetation to prevent outages	8.5	8.5	8.4	8.5	8.5	8.4	8.5	8.4
Investing in new technology to help manage usage	8.2	8.2	8.2	8.3	8.1	8.4	8.3	8.1
Helping customers with energy conservation	8.2	8.3	8.1	8.3	8.0	8.6	8.4	7.9

Note: Priority labels have been shortened for brevity. See slide 17 for full label text.
"Don't know" not included in calculation of means. "Don't know" not shown.

Online Survey
Ranking Customer Priorities

Residential

Q Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?



Note: Priority labels have been shortened for brevity. See slide 17 for full label text.
Data labels are removed where 4% or less. "Don't know" not shown.

Online Survey

Ranking Customer Priorities – Summary

Residential

Q

Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?

	Region					Bill Impact	
% who select as top 3 priority	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Delivering electricity at a reasonable price	69%	71%	70%	65%	69%	76%	57%
Maintaining reliable electrical service	59%	62%	60%	64%	56%	55%	66%
Ensuring the grid can withstand severe weather	34%	31%	36%	36%	32%	32%	37%
Expand the grid to meet expected future demand	27%	26%	31%	24%	30%	23%	37%
Replacing aging infrastructure	28%	28%	28%	34%	24%	25%	32%
Ensuring the safety of electricity infrastructure	27%	27%	29%	28%	25%	26%	28%
Helping customers with energy conservation	15%	15%	13%	11%	19%	18%	12%
Investing in new technology to help manage usage	17%	15%	12%	8%	18%	17%	13%
Providing timely communications during outages	13%	10%	12%	7%	14%	14%	11%
Proactively trim vegetation to prevent outages	6%	6%	4%	17%	4%	6%	5%

Note: Priority labels have been shortened for brevity. See slide 17 for full label text. "Don't know" not shown.

Online Survey

Ranking Customer Priorities – Summary

Residential

Q Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?

		Consumption Quartiles				LEAP/OESP Qualification		
Average Score	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Delivering electricity at a reasonable price	69%	69%	71%	68%	68%	69%	70%	69%
Maintaining reliable electrical service	59%	56%	59%	57%	62%	53%	58%	60%
Ensuring the grid can withstand severe weather	33%	32%	35%	33%	33%	29%	39%	34%
Expand the grid to meet expected future demand	28%	27%	27%	31%	28%	22%	25%	31%
Replacing aging infrastructure	27%	29%	26%	25%	28%	27%	26%	27%
Ensuring the safety of electricity infrastructure	27%	28%	27%	27%	26%	29%	29%	27%
Helping customers with energy conservation	16%	16%	16%	16%	14%	20%	12%	16%
Investing in new technology to help manage usage	16%	18%	14%	15%	16%	16%	17%	16%
Providing timely communications during outages	13%	13%	15%	12%	13%	15%	13%	13%
Proactively trim vegetation to prevent outages	5%	7%	3%	5%	6%	8%	6%	4%

Note: Priority labels have been shortened for brevity. See slide 17 for full label text. "Don't know" not shown.

Online Survey
Additional Priority Areas

Residential

Q Can you think of any other important priorities that **Elexicon** should be focusing on?

Response	%
Lower costs	4.0%
Reliable electrical service	1.6%
Address climate change/green or renewable energy	1.5%
Energy conservation information	1.2%
Affordable pricing/service	1.1%
Proactive planning/action for the future	1.0%
Offering insight on managing usage	0.9%
Improve transparency regarding bills/investments	0.8%
More educational resources	0.8%
Improve communication with customers	0.7%
Communications during power outages	0.7%
Withstanding extreme weather	0.6%
Prioritizing safety	0.6%
Updating aging infrastructure	0.5%
Improve website/online services	0.4%
Electric vehicle (EV) infrastructure investment	0.4%
Line maintenance	0.3%
Bury wires underground	0.3%
Hire more employees/local workers	0.3%
Return to public ownership	0.2%
Other	0.3%
None/Don’t know	81.4%

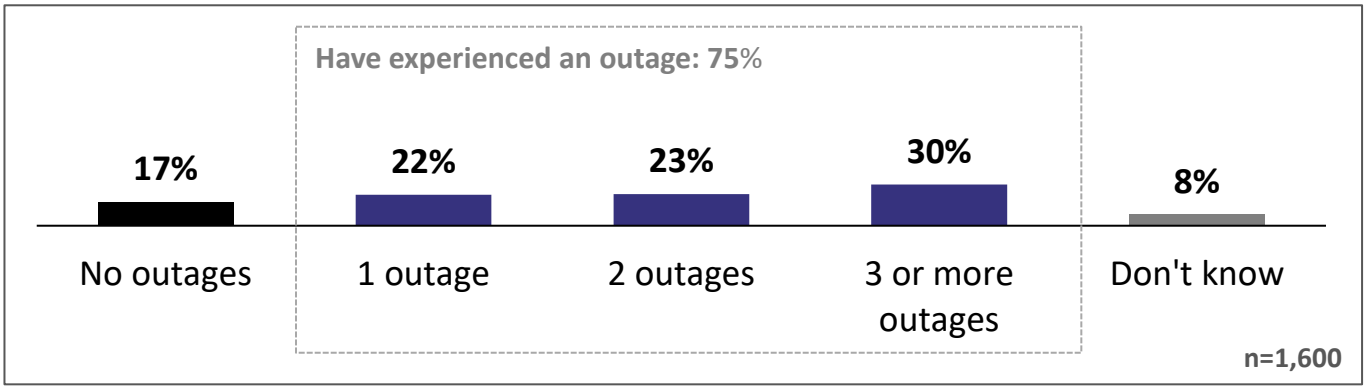
Note: Only responses >0.1% shown

Online Survey
Reliability Experience

Residential

Now, let's talk about the reliability of electricity service you receive.

Q Have you experienced any power outages at **your home in the past 12 months** which *lasted longer than one minute*? If so, approximately how many of these power outages did you experience over the past 12 months?



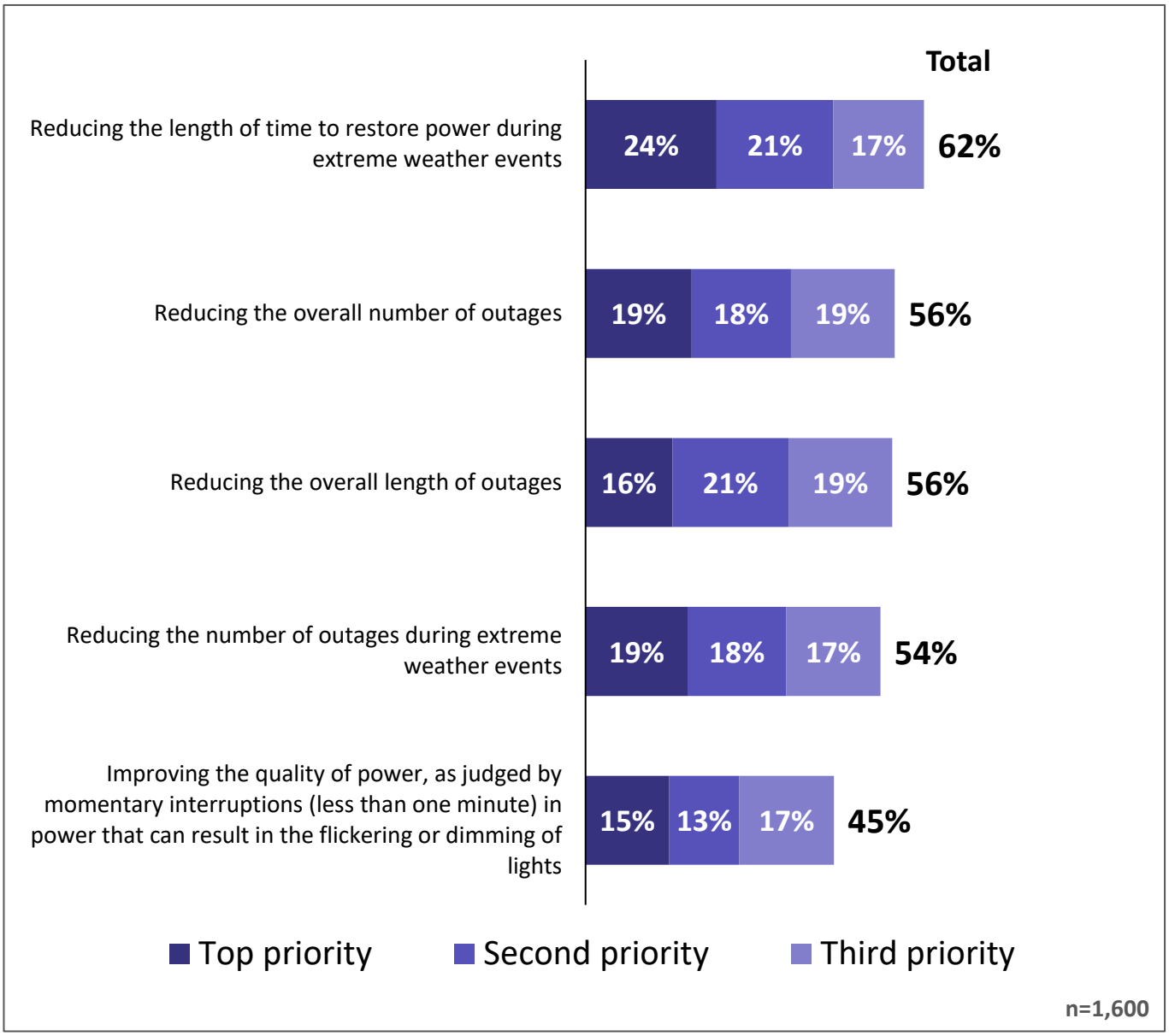
	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
No outages	13%	19%	12%	5%	27%	17%	18%
1 outage	21%	21%	20%	21%	27%	21%	26%
2 outages	24%	26%	23%	20%	19%	23%	23%
3 or more outages	34%	25%	37%	44%	18%	32%	26%
Don't know	8%	8%	8%	10%	8%	8%	7%
Have experienced at least 1 outage	**79%**	**73%**	**80%**	**85%**	**64%**	**75%**	**75%**

	Consumption Quartiles				LEAP/OESP Qualification		
	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
No outages	19%	16%	17%	17%	19%	15%	19%
1 outage	21%	24%	22%	24%	24%	23%	23%
2 outages	22%	25%	21%	23%	22%	23%	24%
3 or more outages	28%	28%	33%	28%	26%	30%	29%
Don't know	9%	8%	7%	8%	8%	9%	6%
Have experienced at least 1 outage	**71%**	**77%**	**76%**	**75%**	**73%**	**76%** [129]	**75%**

Online Survey
Ranking Reliability Preferences

Residential

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?



Note: "Don't know" not shown.

Online Survey

Ranking Reliability Preferences – Summary

Residential

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?

	Region					Bill Impact	
% who select as top 3 priority	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Reducing the length of time to restore power during extreme weather events	63%	63%	62%	47%	60%	62%	62%
Reducing the overall number of outages	58%	48%	59%	56%	56%	55%	60%
Reducing the overall length of outages	56%	53%	57%	67%	55%	53%	62%
Reducing the number of outages during and after extreme weather events	55%	50%	53%	54%	54%	56%	52%
Improving the quality of power, as judged by momentary interruptions	45%	48%	41%	41%	47%	48%	40%

Note: Priority labels have been shortened for brevity. See slide 27 for full label text. "Don't know" not shown.

Online Survey

Ranking Reliability Preferences – Summary

Residential

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?

		Consumption Quartiles				LEAP/OESP Qualification		
% who select as top 3 priority	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Reducing the length of time to restore power during extreme weather events	62%	60%	64%	62%	61%	58%	62%	62%
Reducing the overall number of outages	56%	58%	57%	54%	56%	47%	58%	60%
Reducing the overall length of outages	56%	55%	56%	57%	56%	47%	53%	60%
Reducing the number of outages during and after extreme weather events	54%	54%	52%	56%	54%	50%	55%	54%
Improving the quality of power, as judged by momentary interruptions	45%	46%	46%	43%	46%	49%	43%	45%

Note: Priority labels have been shortened for brevity. See slide 27 for full label text. "Don't know" not shown.

INNOVATIVE RESEARCH GROUP

Residential Customers

Investment Trade-Offs

Section 4.3

Online Survey

Investment Trade-Offs – System Renewal

Residential

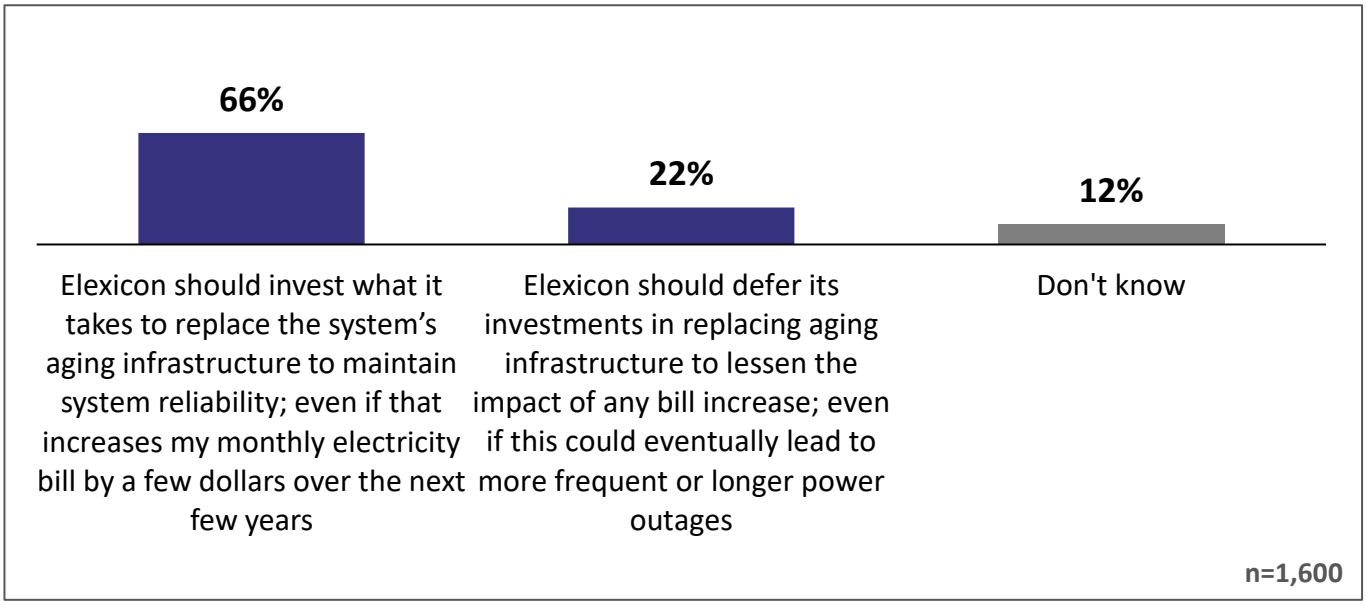
The final topic in this survey is on **investment trade-offs.**

Elexicon is in the early stages of developing its investment plan for the five years between 2027 and 2031. While conversations with customers will continue over the next 12-18 months, the utility wants to know your preferences when it comes to finding the right balance between the price of delivering electricity and the outcomes that customers value and expect from Elexicon.

There are four investment categories that we would like to discuss.

The first category focuses on projects that replace and restore aging electrical infrastructure, like overhead poles and underground cables.

Q Regarding investments in aging infrastructure, which of the following statements best represents your point of view?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Invest what it takes	67%	69%	68%	55%	64%	56%	84%
Defer investments	21%	19%	20%	20%	25%	29%	10%
Don't know	12%	13%	12%	24%	10%	15%	6%

Online Survey

Investment Trade-Offs – System Renewal

Residential

Q Regarding investments in aging infrastructure, which of the following statements best represents your point of view?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Invest what it takes	66%	65%	65%	69%	65%	58%	64%	71%
Defer investments	22%	23%	22%	19%	24%	24%	22%	22%
Don't know	12%	12%	12%	13%	11%	17%	14%	7%

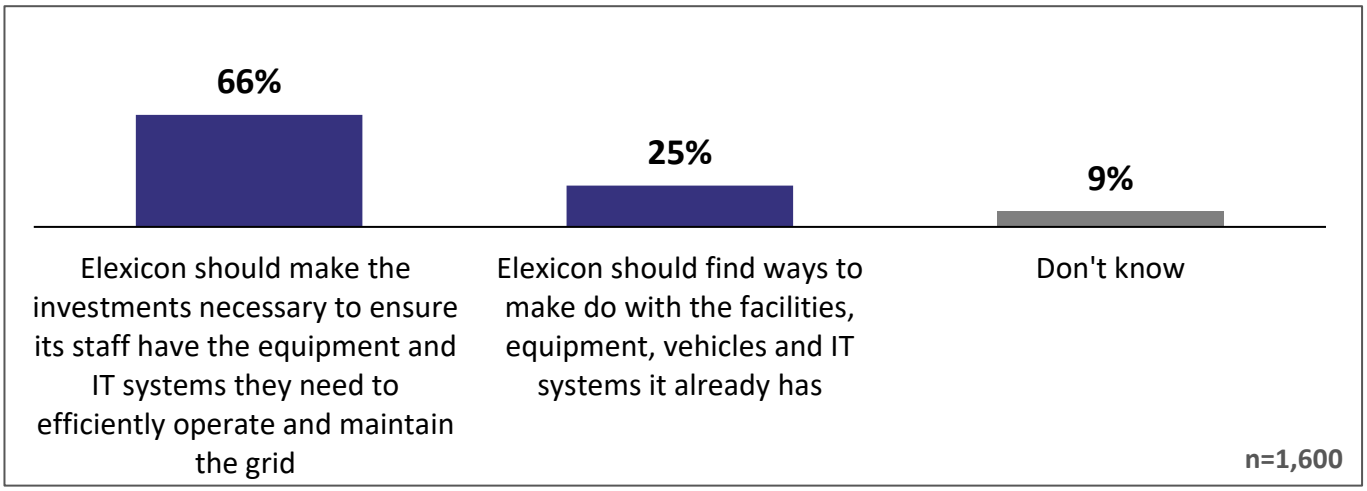
Online Survey

Investment Trade-Offs – General Plant

Residential

The second category focuses on keeping **Elexicon's** business running. This includes facilities to house staff and equipment, vehicles and tools to service equipment, and up-to-date IT systems to manage customer data and protect the electrical grid from cybersecurity threats.

Q Regarding these types of investments, which of the following statements best represents your point of view?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Make the necessary investments	66%	72%	65%	63%	66%	61%	76%
Make do with what it already has	25%	17%	25%	20%	26%	30%	17%
Don't know	8%	10%	11%	16%	8%	9%	7%

	Consumption Quartiles				LEAP/OESP Qualification		
	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Make the necessary investments	66%	68%	64%	68%	66%	67%	69%
Make do with what it already has	25%	23%	25%	25%	22%	22%	25%
Don't know	9%	10%	10%	7%	12%	11%	6%

Online Survey

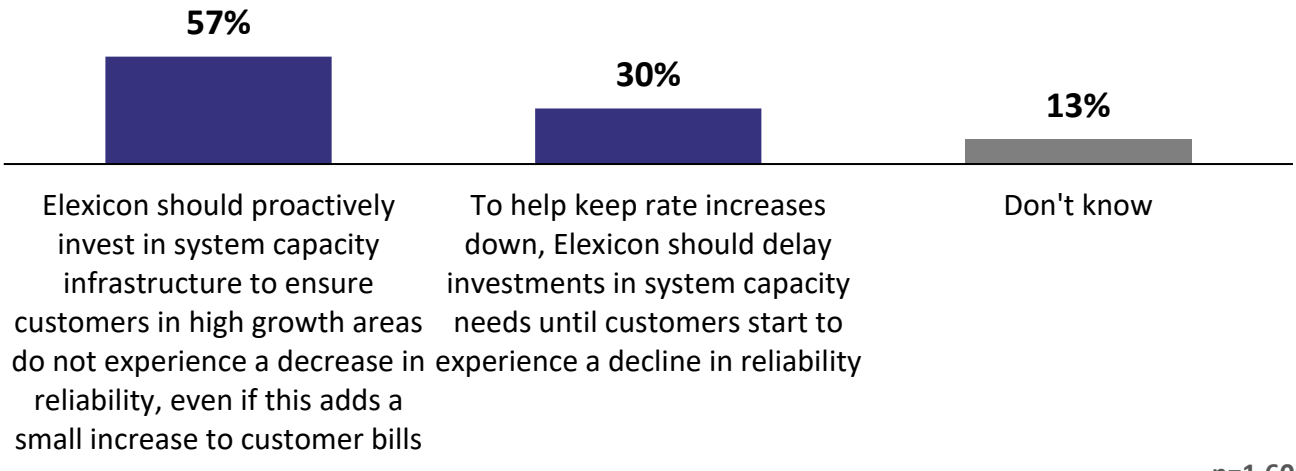
Investment Trade-Offs – System Service

Residential

The third investment category focuses on growth and greater demand for electricity in various parts of **Elexicon's** service territory.

Increased demand for electricity puts pressure on existing electrical infrastructure. Eventually, further infrastructure investments are required to support increased demand for electricity.

Q With this in mind, which of the following statements best represents your point of view?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Proactive investments in system capacity	58%	62%	61%	54%	52%	49%	73%
Delay capacity investments until reliability declines	29%	26%	27%	20%	35%	36%	19%
Don't know	13%	12%	12%	26%	13%	15%	8%

Online Survey

Investment Trade-Offs – System Service

Residential

Q With this in mind, which of the following statements best represents your point of view?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Proactive investments in system capacity	57%	55%	59%	61%	55%	53%	58%	61%
Delay capacity investments until reliability declines	30%	30%	28%	27%	34%	30%	27%	31%
Don't know	13%	15%	14%	13%	11%	17%	14%	9%

Online Survey

Investment Trade-Offs – Grid Modernization

Residential

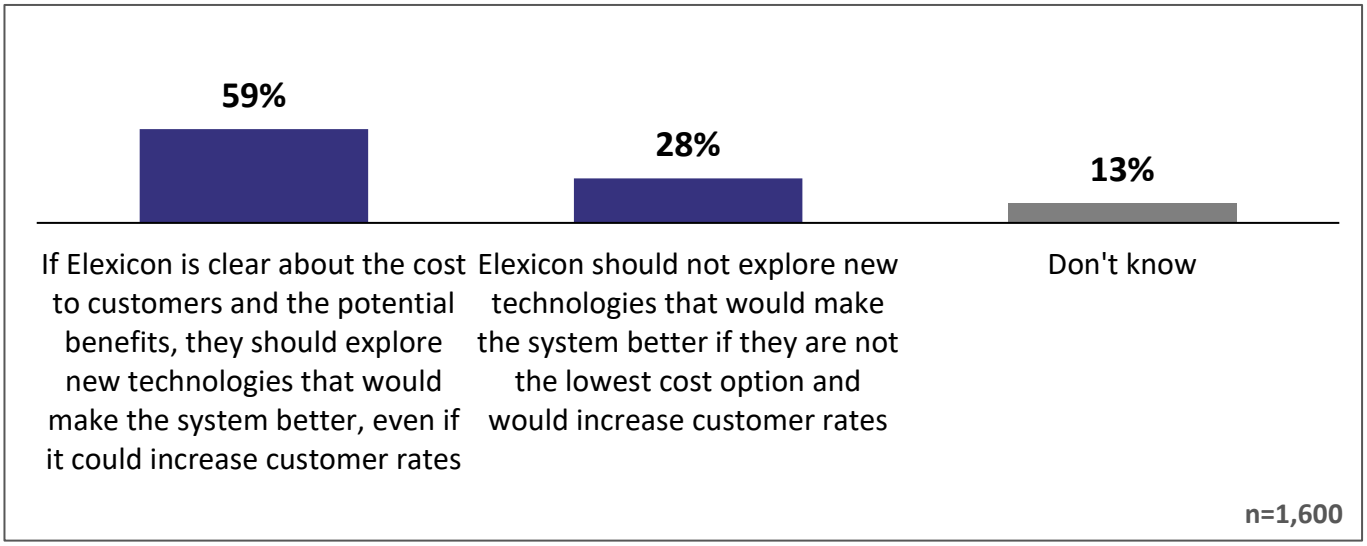
Elexicon can invest in technology that can lead to a wide range of benefits including reliability, efficiency, customer service, and reducing environmental impacts.

When deemed the lowest cost option that will provide equal or improved service, Elexicon will, in most cases, invest in technology.

However, there are two other scenarios where Elexicon needs your feedback.

First, there are times when Elexicon identifies new technology that can improve reliability or provide other benefits, but it will cost customers more. For instance, advanced monitoring technology can provide signals when there is an outage, allowing Elexicon to provide customers with better information on the areas impacted by outages and helping crews find affected areas more quickly.

Q Regarding these types of investments which of the following best represents your view?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Explore new technologies	61%	65%	60%	54%	55%	51%	75%
Should not explore new technologies	27%	22%	26%	24%	33%	36%	16%
Don't know	12%	13%	13%	22%	12%	13%	9%

Online Survey

Investment Trade-Offs – Grid Modernization

Residential

Q With this in mind, which of the following statements best represents your point of view?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Explore new technologies	59%	57%	61%	59%	60%	58%	56%	64%
Should not explore new technologies	28%	29%	26%	27%	29%	27%	29%	28%
Don't know	13%	14%	12%	13%	11%	15%	15%	9%

Online Survey

Investment Trade-Offs – Grid Modernization (Cont'd)

Residential

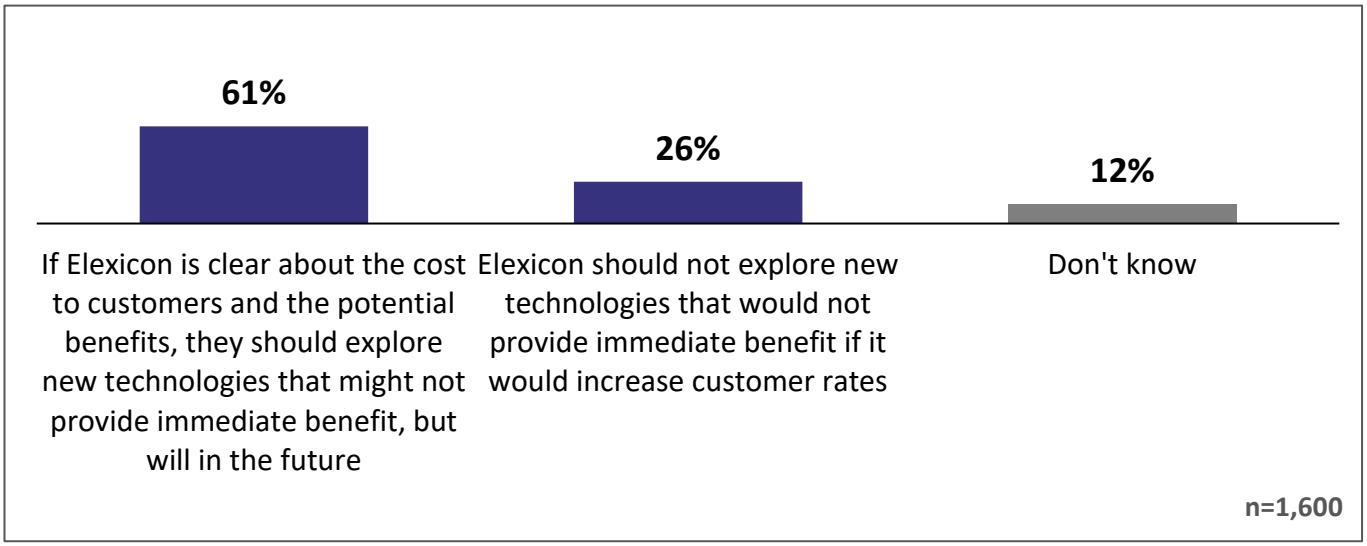
The second scenario is where **Elexicon** identifies new technology that is needed to improve the system in the future and would increase costs now, but the benefit might not be felt until later.

This includes accommodating emerging technologies like solar power, battery storage and electric vehicles.

Regardless of whether you are considering new energy choices like an electric vehicle for yourself today, **Elexicon** must be prepared as adoption becomes more widespread over the next 5-10 years.

For instance, charging each electric vehicle draws as much energy as two average homes. If a dozen or so people come home and start changing their vehicles at a period of peak demand, it could overload the grid in that neighbourhood. While **Elexicon** cannot predict the exact rate of electric vehicle adoption in east central Ontario, the utility must make certain investments today that will allow it to manage electric vehicle demand in the future.

Q Which of the following best represents your view?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Explore new technologies	62%	61%	64%	55%	59%	55%	74%
Should not explore new technologies	26%	25%	25%	26%	29%	32%	19%
Don't know	12%	14%	12%	19%	12%	14%	8%
						141	

Online Survey

Investment Trade-Offs – Grid Modernization (Cont'd)

Residential

Q Which of the following best represents your view?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Explore new technologies	61%	64%	59%	61%	61%	58%	59%	67%
Should not explore new technologies	26%	25%	27%	26%	28%	26%	29%	25%
Don't know	12%	11%	13%	13%	11%	17%	13%	7%

INNOVATIVE RESEARCH GROUP

Residential Customers

Energy Transition

Section 4.4

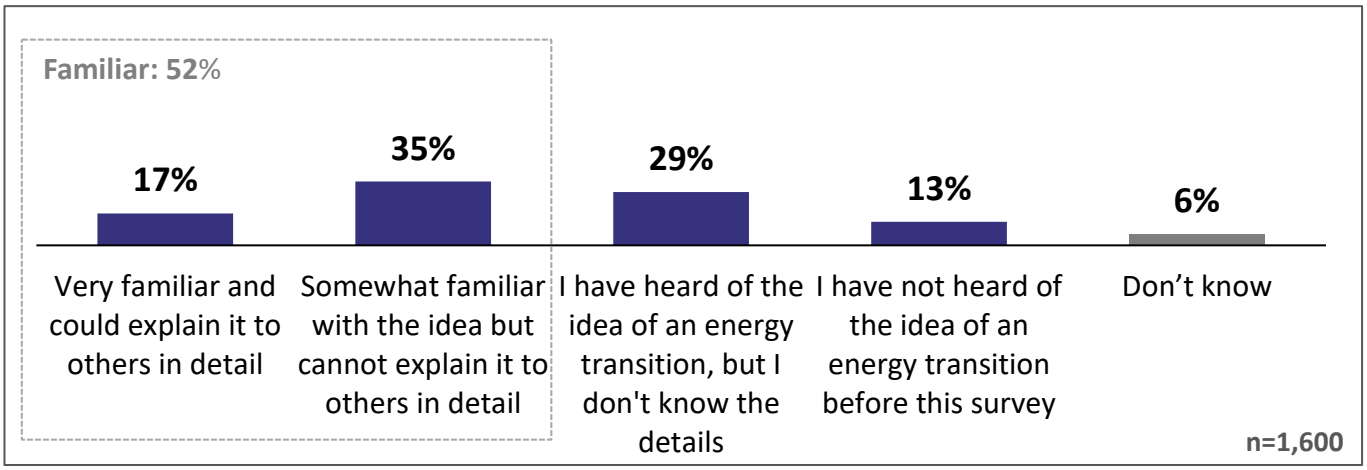
Online Survey

Familiarity with Energy Transition

Residential

One issue people have been talking about lately in Canada is the idea that Canada and the world may be transitioning from its current energy system that depends highly on carbon-based fossil fuels like coal, oil and gas to a lower-carbon energy system.

Q How familiar are you with the idea of transitioning from its current energy system that depends highly on carbon-based fuels to a lower-carbon energy system?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Very familiar, could explain it to others in detail	17%	15%	16%	12%	19%	15%	21%
Somewhat familiar, cannot explain it to others in detail	35%	39%	36%	36%	33%	32%	40%
Have heard of it before, but don't know the details	30%	26%	30%	30%	28%	31%	27%
Haven't heard of the idea of energy transition before	12%	13%	12%	16%	14%	14%	9%
Don't know	6%	6%	6%	7%	6%	7%	3%
Familiar (Very + Somewhat)	**52%**	**54%**	**52%**	**47%**	**52%**	**48%** [144]	**61%**

Online Survey
Familiarity with Energy Transition

Residential

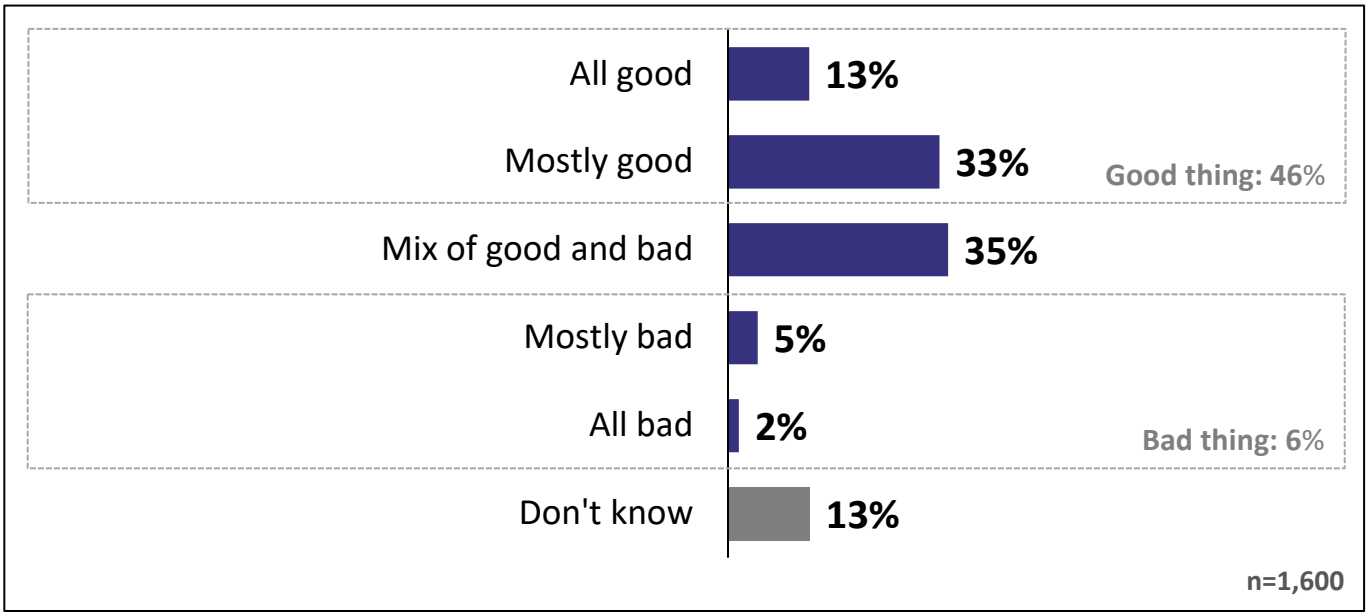
Q How familiar are you with the idea of transitioning from its current energy system that depends highly on carbon-based fuels to a lower-carbon energy system?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very familiar, could explain it to others in detail	17%	17%	17%	19%	17%	12%	12%	22%
Somewhat familiar, cannot explain it to others in detail	35%	32%	35%	36%	36%	29%	36%	36%
Have heard of it before, but don't know the details	29%	31%	30%	28%	28%	30%	32%	28%
Haven't heard of the idea of energy transition before	13%	14%	13%	11%	14%	17%	14%	10%
Don't know	6%	6%	6%	7%	5%	12%	6%	3%
Familiar (Very + Somewhat)	**52%**	**49%**	**52%**	**54%**	**54%**	**41%**	**48%**	**58%**

Online Survey
Impression of Energy Transition

Residential

Q From what you know or based on your first impression, does energy transition sound like a good thing or a bad thing?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
All good	13%	14%	12%	7%	13%	11%	16%
Mostly good	36%	27%	30%	30%	34%	31%	39%
Mix of good and bad	34%	41%	37%	32%	33%	37%	31%
Mostly bad	4%	4%	5%	9%	5%	5%	4%
All bad	1%	1%	2%	1%	3%	2%	1%
Don't know	12%	12%	15%	21%	12%	14%	8%
Good thing (All + Mostly)	**49%**	**41%**	**42%**	**36%**	**47%**	**42%**	**55%**
Bad thing (All + Mostly)	**5%**	**5%**	**6%**	**11%**	**8%**	**7%**	**6%**

Online Survey
Impression of Energy Transition

Residential

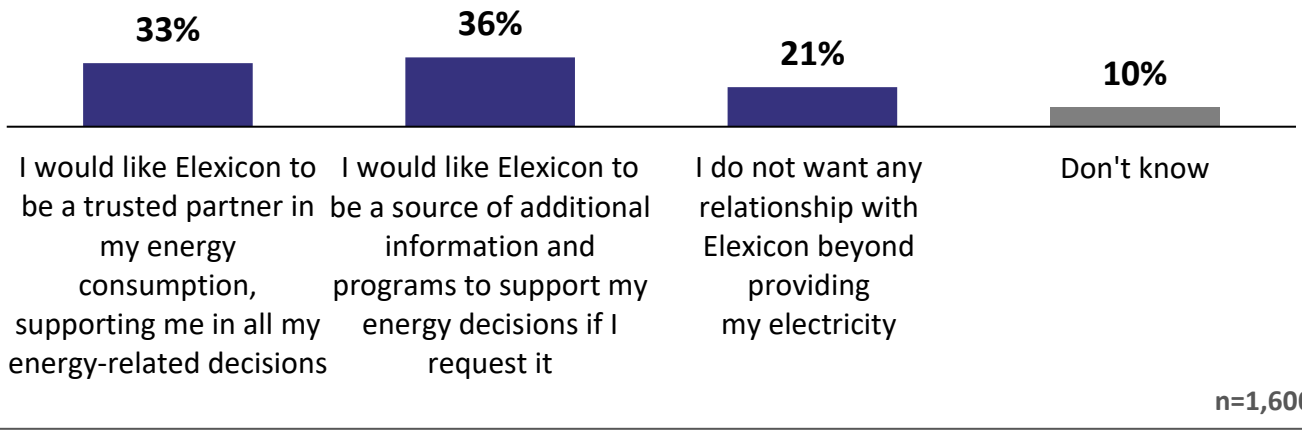
Q From what you know or based on your first impression, does energy transition sound like a good thing or a bad thing?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
All good	13%	14%	12%	12%	13%	14%	11%	15%
Mostly good	33%	34%	32%	32%	35%	28%	35%	37%
Mix of good and bad	35%	34%	34%	37%	33%	33%	35%	34%
Mostly bad	5%	3%	6%	4%	6%	4%	5%	5%
All bad	2%	2%	2%	2%	1%	1%	1%	2%
Don't know	13%	13%	13%	13%	13%	20%	14%	8%
Good thing (All + Mostly)	**46%**	**48%**	**45%**	**44%**	**47%**	**42%**	**45%**	**52%**
Bad thing (All + Mostly)	**6%**	**5%**	**8%**	**6%**	**7%**	**5%**	**6%**	**7%**

Online Survey
Relationship with Elexicon

Residential

Q Beyond providing you with electricity, which of the following best describes your desired relationship with Elexicon?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Trusted partnership with decision-making support	33%	29%	33%	25%	35%	34%	31%
Relationship limited to information and additional programs	38%	38%	33%	35%	35%	33%	42%
No relationship beyond providing electricity	20%	21%	23%	26%	19%	21%	20%
Don’t know	9%	12%	11%	13%	11%	11%	7%

Online Survey

Investment Trade-Offs – System Service

Residential

Q With this in mind, which of the following statements best represents your point of view?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Trusted partnership with decision-making support	33%	34%	34%	35%	30%	36%	33%	34%
Relationship limited to information and additional programs	36%	37%	36%	34%	37%	32%	39%	39%
No relationship beyond providing electricity	21%	19%	21%	19%	23%	16%	18%	20%
Don't know	10%	10%	9%	12%	10%	16%	10%	7%

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Residential Customers

Rate Harmonization

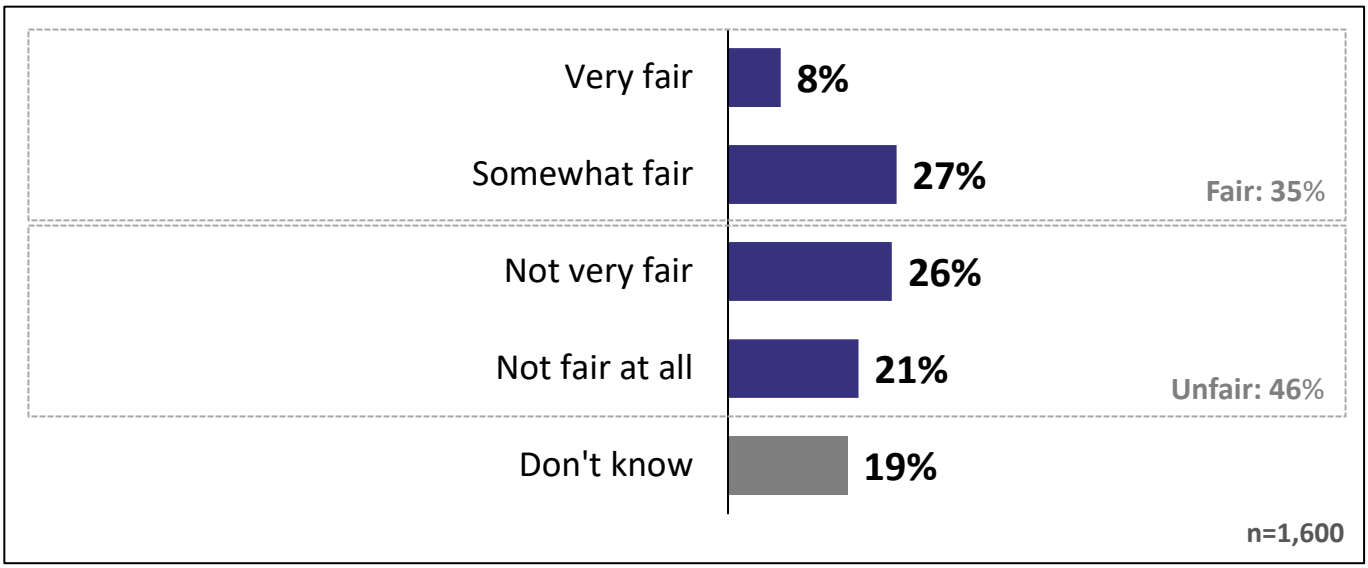
Section 4.5

Online Survey
Impression of Rate Harmonization

Residential

As you may be aware, **Elexicon** was created through a merger between **Whitby Hydro** and **Veridian**. Elexicon customers currently have their respective legacy distribution rates, which differ slightly between the two former utilities.

Q Is it **fair** if Elexicon customers pay different rates for their electrical service?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Very fair	9%	10%	8%	4%	8%	9%	8%
Somewhat fair	26%	28%	29%	33%	25%	26%	28%
Not very fair	26%	23%	24%	21%	27%	25%	28%
Not fair at all	21%	17%	15%	15%	24%	23%	17%
Don't know	18%	22%	24%	27%	16%	18%	18%
Fair (Very + Somewhat)	**35%**	**39%**	**37%**	**37%**	**33%**	**35%**	**36%**
Unfair (Very + Somewhat)	**48%**	**40%**	**40%**	**36%**	**51%**	**48%**	**46%**

Online Survey
Impression of Rate Harmonization

Residential

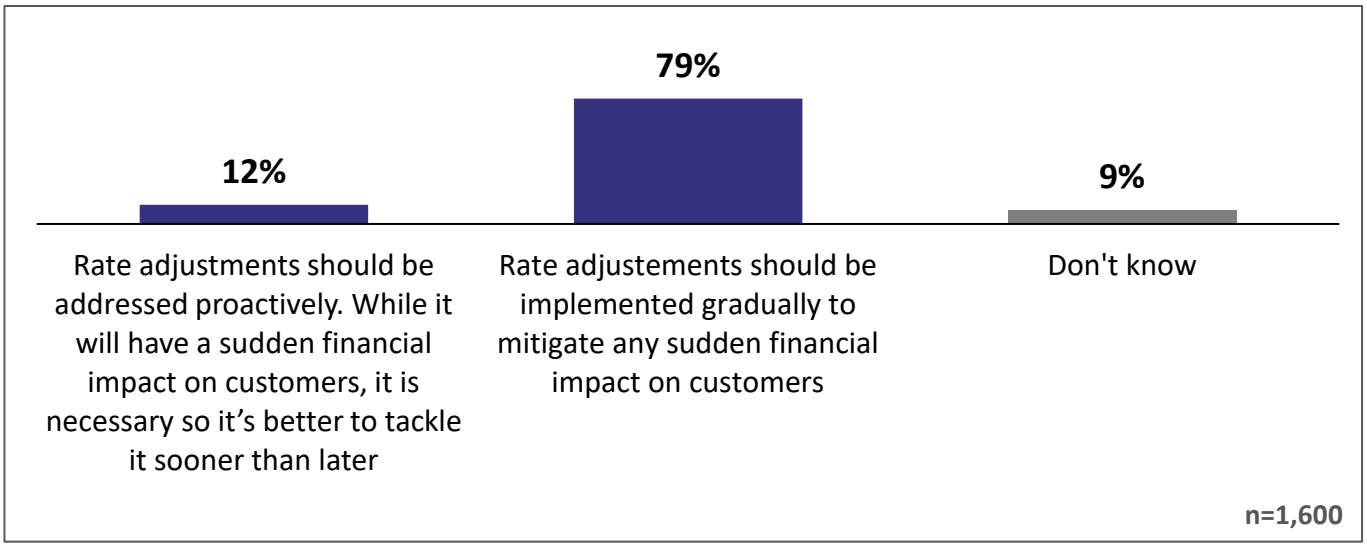
Q Is it **fair** if Elexicon customers pay different rates for their electrical service?

		Consumption Quartiles				LEAP/OESP Qualification		
	Overall	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very fair	8%	8%	9%	8%	8%	10%	9%	9%
Somewhat fair	27%	28%	26%	28%	24%	29%	26%	28%
Not very fair	26%	28%	24%	25%	25%	19%	25%	28%
Not fair at all	21%	18%	20%	21%	24%	20%	19%	20%
Don't know	19%	18%	20%	18%	18%	22%	20%	15%
Fair (Very + Somewhat)	**35%**	**36%**	**35%**	**36%**	**32%**	**39%**	**36%**	**37%**
Unfair (Very + Somewhat)	**46%**	**46%**	**45%**	**46%**	**49%**	**39%**	**44%**	**48%**

Online Survey
Pace of Rate Harmonization

Residential

Q If Elexicon were to adjust the rate across communities so all similar types of customers pay the same distribution rates, which of the following statements best represents your point of view?



	Region					Bill Impact	
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact
Proactive rate adjustments	13%	8%	9%	4%	14%	14%	9%
Gradual rate adjustments	78%	84%	82%	84%	77%	76%	86%
Don't know	9%	8%	9%	13%	8%	10%	5%

	Consumption Quartiles				LEAP/OESP Qualification		
	Low	Medium-Low	Medium-High	High	Qualified	<$71k Not Qualified	>$71k Not Qualified
Proactive rate adjustments	12%	13%	12%	11%	15%	14%	13%
Gradual rate adjustments	78%	78%	79%	82%	75%	79%	82%
Don't know	10%	9%	9%	7%	11%	7%	6%

INNOVATIVE RESEARCH GROUP

Residential Customers

Final Comments

Online Survey
Additional Comments or Feedback

Residential

Q Before this survey concludes, do you have any additional comments or feedback you'd like to share with Elexicon?

Response	%
Priority should be to lower rates/keep costs low/maintain affordability	4.2%
Positive comment about Elexicon/satisfied with service	3.8%
Focus on grid infrastructure investments/maintenance	2.2%
Satisfied with the information presented/opportunity to provide feedback	1.6%
Did not like the options presented in the survey	1.6%
Ways to reduce usage, save money on bill/rebates	1.6%
Prioritize reliability (e.g. Plans for underground cables, reduce outages)	1.5%
Support investment in green energy/nuclear/energy transition	1.3%
Customers should not have to pay for these investments	1.0%
Find operational efficiencies (salaries, spending) and accountability	0.9%
Improve website/online portal	0.9%
Provide more information on the costs, breakdown of either the plan or bill	0.6%
Improve customer service	0.5%
Support EV investments/prepare grid for EV adoption	0.3%
Comparison to other regions or utilities	0.3%
Need additional information	0.1%
Other	0.9%
None/Don't know	76.6%

Note: Only responses >0.1% shown

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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INNOVATIVE RESEARCH GROUP

APPENDIX 06

Needs and Preferences Survey

Small Business Customers

elexicon ENERGY

June 7, 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

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Combined Report

- APPENDIX.00 – Customer Engagement Executive Summary

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- APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
- APPENDIX.02 – C&I Customer Needs & Preference Interviews
- APPENDIX.03 – Key Account Needs & Preference Interviews
- APPENDIX.04 – Customer Sample Validation
- APPENDIX.05 – Residential Needs & Preferences Survey
- APPENDIX.06 – Small Business Needs & Preferences Survey
- APPENDIX.07 – Seasonal Needs & Preferences Survey
- APPENDIX.08 – Key Accounts Need & Preferences Survey
- APPENDIX.09 – Needs & Preferences Planning Placemat

PHASE II: Trade-offs

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- APPENDIX.11 – Small Business Trade-off Survey
- APPENDIX.12 – Seasonal Trade-off Survey
- APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

INNOVATIVE RESEARCH GROUP

Small Business Customers

Online Survey Results

Section 6.1

Online Survey
Survey Design & Methodology

Field Dates

The **Small Business Online Survey** was sent to a random selection of Elexicon Small Business customers who provided the utility with an email address. Customers had an opportunity to complete the survey between **April 3rd and April 15th, 2024**.

Each customer received a unique URL that could be linked back to their average monthly consumption, region and rate class.

In total, the Small Business survey was sent to **1,209** customers from *customerexperience@elexiconenergy.com*. Reminder emails were sent on April 5th, April 10th, and April 12th, 2024 to those who had not yet completed the survey.

Small Business Online Survey Completes

A total of **98** (unweighted) Elexicon Small Business customers completed the online survey.

Given the limited sample size among small business customers, results should be treated as directional.

Sample Weighting

The Small Business online survey sample was weighted to 98 proportionately by collapsed consumption quartiles and region in order to be representative of the broader Elexicon customer base.

The table below summarizes the unweighted and weighted (in brackets) sample breakdown by collapsed consumption quartile and region.

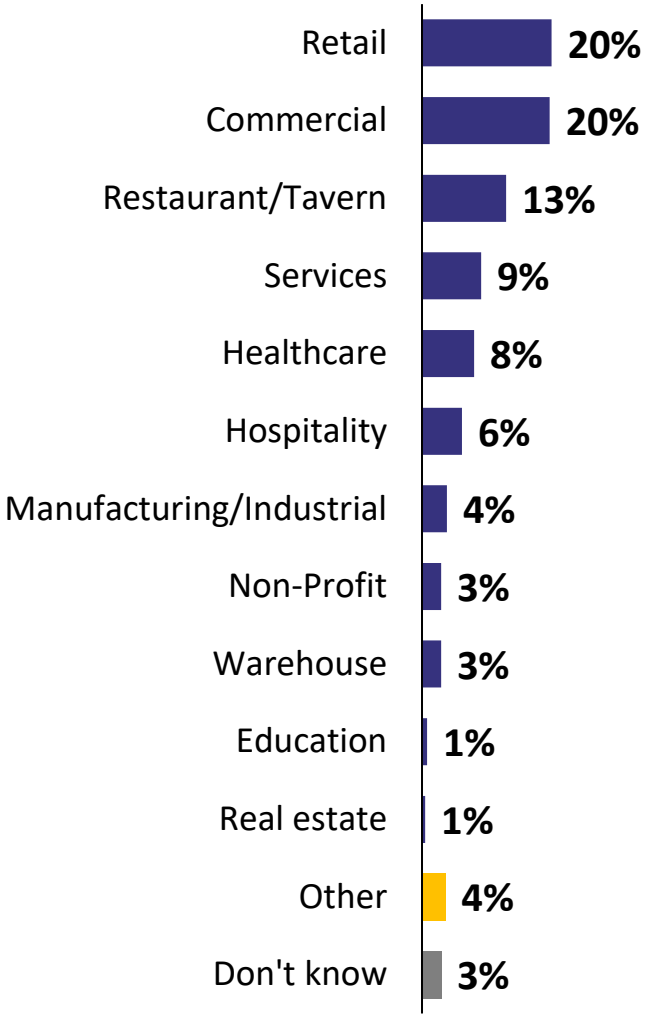
Region	Collapsed Consumption Quartiles		Total
	Low-Medium (First + Second)	Medium-High (Third + Fourth)	
Ajax/Pickering	25 (19)	17 (19)	42 (38)
Belleville	11 (6)	6 (8)	17 (13)
Brock/Clarington	9 (10)	7 (9)	16 (19)
Gravenhurst	4 (4)	4 (2)	8 (6)
Whitby	7 (10)	8 (12)	15 (22)
Total	56 (49)	42 (49)	98 (98)

Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Online Survey
Firmographic Breakdown

Small Business

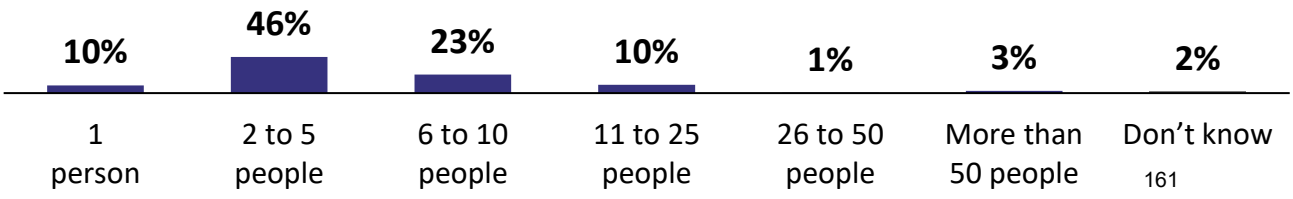
Q Business Sector



"Prefer not to say" (5%) not shown.

n=98

Q Business Size



"Prefer not to say" (6%) not shown.

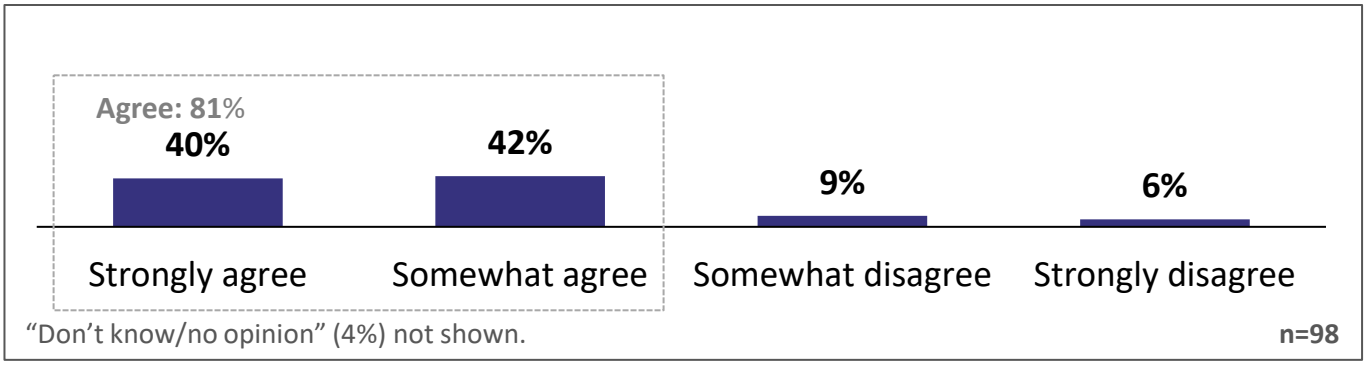
n=98

Online Survey
Environmental Controls

Small Business

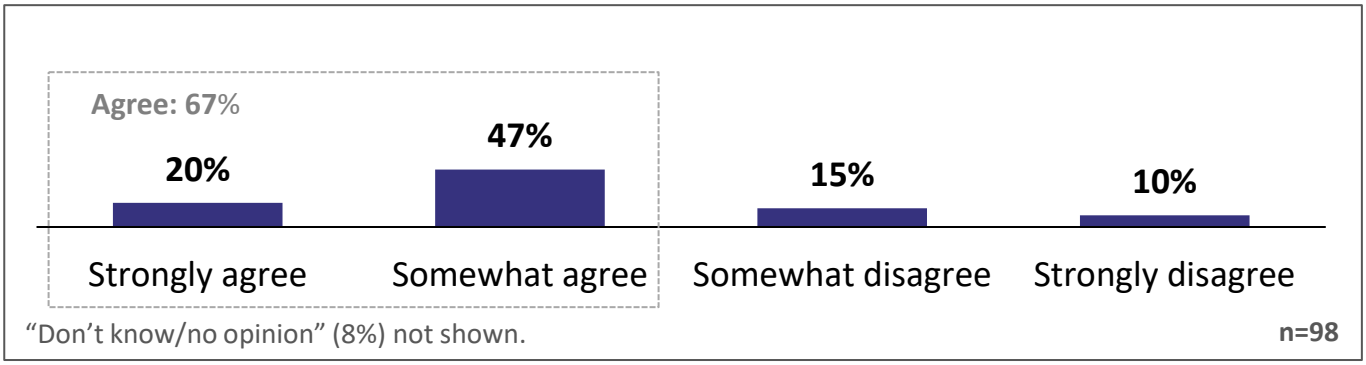
To what extent do you agree or disagree with the following statements?

Q The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.



"Don't know/no opinion" (4%) not shown. n=98

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (8%) not shown. n=98

Online Survey

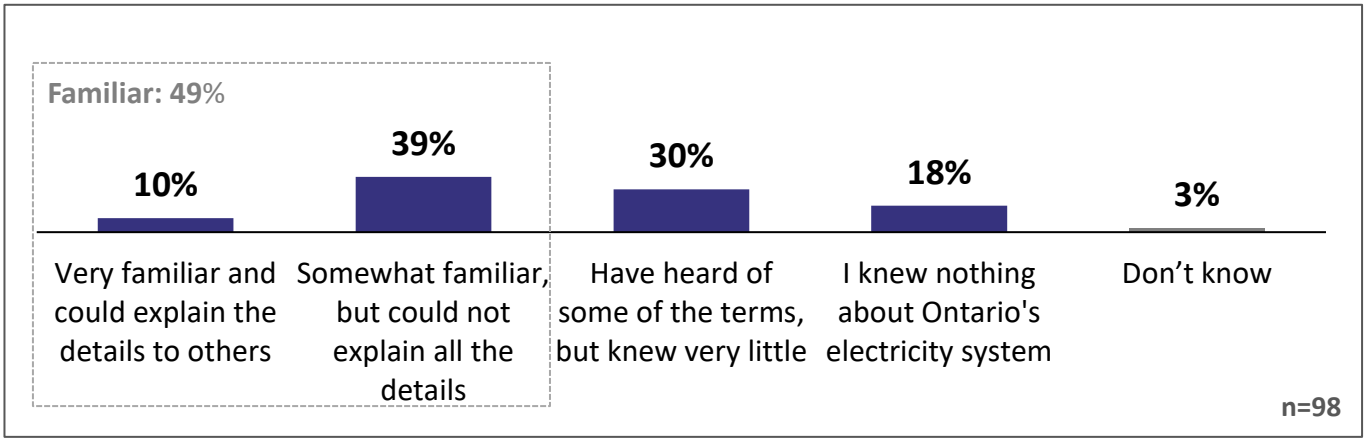
Familiarity with Ontario's Electricity System

Small Business

As you may know, Ontario's electricity system has three key components: **generation**, **transmission** and **distribution**.

- **Generating stations** convert various forms of energy into electric power;
- **High-voltage transmission lines** connect the power produced at generating stations to where it is needed across the province; and
- **Local distribution networks** take the electricity from provincial transmission lines and bring it to your home through a network of wires, poles and other equipment.

Q Before this survey, how familiar were you with the various parts of the electricity system and how they work together?



Collapsed Consumption Quartiles

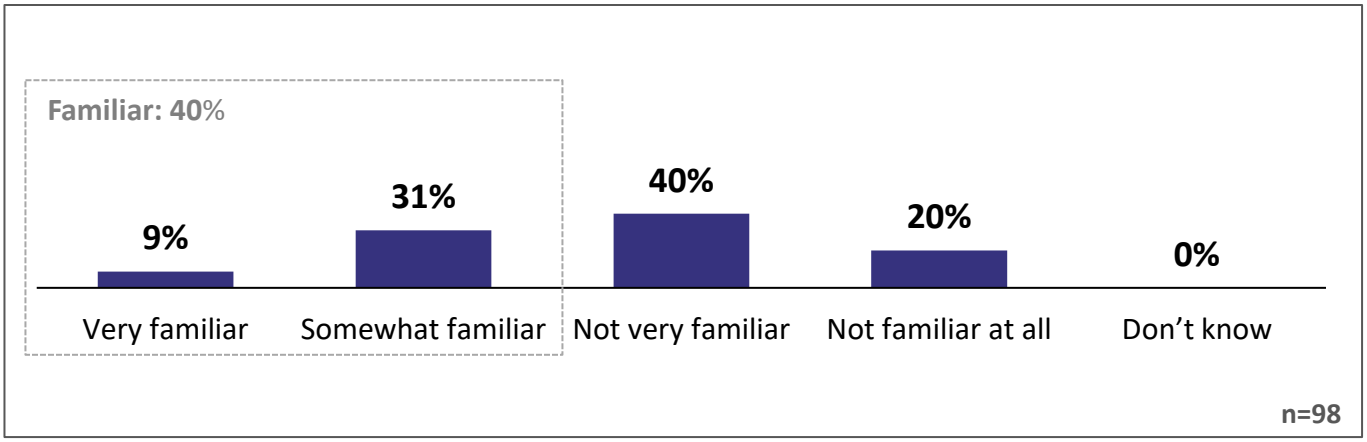
	Low-Medium	Medium-High
Very familiar	9%	11%
Somewhat familiar	41%	36%
Knew very little	38%	22%
Knew nothing	11%	26%
Don't know	2%	4%
Familiar (Very + Somewhat)	**50%**	**47%**

Online Survey
Familiarity with Elexicon

Small Business

Elexicon owns and operates all aspects of the local electricity distribution system across 10 municipalities in the Durham region, Belleville, and Gravenhurst. This is the network that takes the electricity from the high-voltage transmission system and connects it to your home and local community.

Q Before this survey, how familiar were you with **Elexicon**, and the role it plays in Ontario's electricity system?



Collapsed Consumption Quartiles

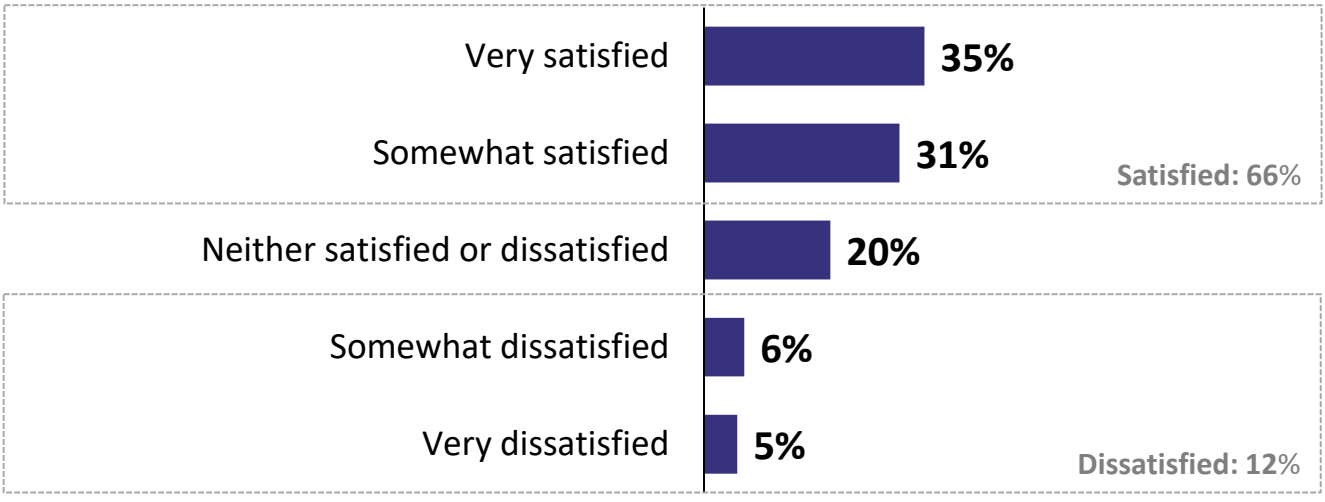
	Low-Medium	Medium-High
Very familiar	3%	15%
Somewhat familiar	39%	23%
Not very familiar	38%	42%
Not familiar at all	20%	20%
Don't know	--	--
Familiar (Very + Somewhat)	**42%**	**38%**

Online Survey

Overall Satisfaction with Elexicon

Small Business

Q Generally, how satisfied or dissatisfied are you with the services that your organization receives from **Elexicon**?



"Don't know" (3%) not shown.

n=98

Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Very satisfied	38%	32%
Somewhat satisfied	29%	32%
Neither satisfied nor dissatisfied	16%	24%
Somewhat dissatisfied	7%	6%
Very dissatisfied	8%	2%
Don't know	2%	4%
Satisfied (Very + Somewhat)	**67%**	**64%**
Dissatisfied (Very + Somewhat)	**15%**	**8%**

Online Survey

How Elexicon can improve its services

Small Business

Q Is there anything **Elexicon** can do to improve its services to your organization?

Response	%
Lower rates/decrease bills	12.1%
Decrease outages/interruptions	6.8%
Improve website/portal	3.0%
Resources to find efficiencies and costs savings	2.9%
Improve communication during outages	2.4%
Pre-authorized payments	1.9%
Improve customer service	1.0%
Other	6.0%
None/Don't know	64.0%

Note: Only responses >0.1% shown

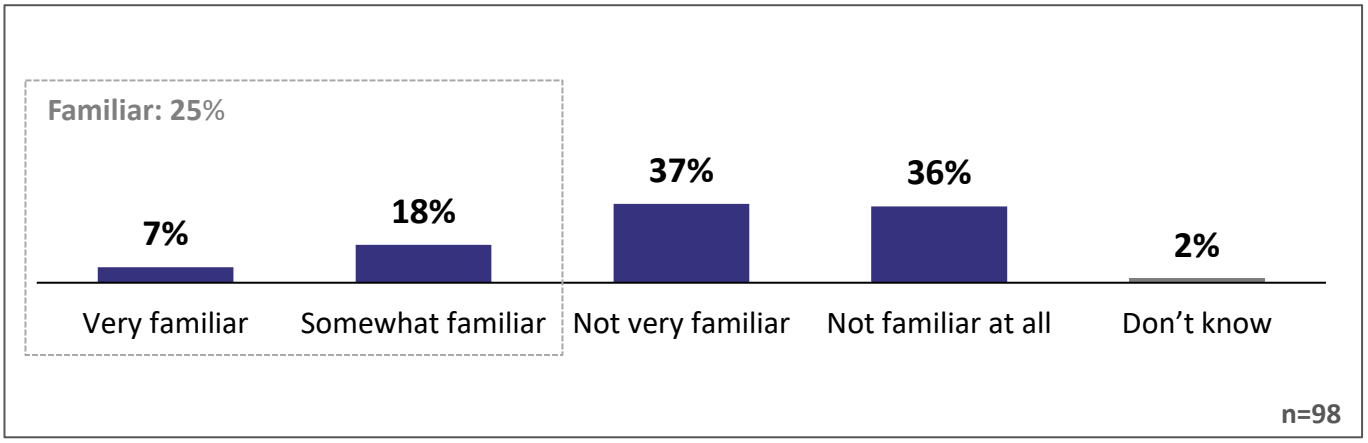
Online Survey
Bill Remittance Familiarity

Small Business

While Elexicon is only responsible for the distribution portion of the system, to make it easier for customers, they collect payment for the entire electricity system.

Elexicon keeps about 14% to 15% of the average small business customer's bill in your area. The rest of the bill goes to power generation companies, transmission companies, the system operator, and regulator.

Q Before this survey, how familiar were you with the amount of your organization's electricity bill that went to **Elexicon**?



Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Very familiar	4%	10%
Somewhat familiar	22%	13%
Not very familiar	43%	32%
Not familiar at all	30%	42%
Don't know	2%	2%
Familiar (Very + Somewhat)	**26%**	**24%**

INNOVATIVE RESEARCH GROUP

Small Business Customers

Priorities & Preferences

Section 6.2

Online Survey

Importance of Customer Priorities

Small Business

The second topic in this survey is on **outcomes**, or services that matter to you. Everyday **Elexicon** interacts with hundreds of its customers through multiple channels and touchpoints, including surveys, the customer care centre and social media.

In a recent series of customer focus groups, a number of goals were identified as potential priorities for **Elexicon**.

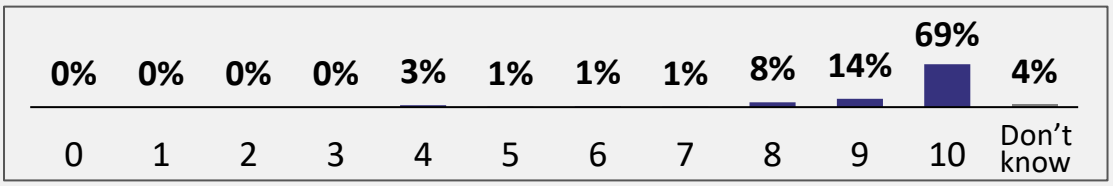
Shortened General Outcomes Priorities Response Labels	Full General Outcomes Priorities Response Labels
Maintaining reliable electrical service	Maintaining reliable electrical service for customers.
Ensuring the grid can withstand severe weather	Ensuring the grid can withstand increasingly severe weather events.
Providing timely communications during outages	Providing accurate and timely communications during power outages.
Delivering electricity at a reasonable price	Delivering electricity at a reasonable price.
Helping customers with energy conservation	Helping customers with energy conservation.
Expand the grid to meet expected future demand	Proactively building electrical grid capacity to meet the local community's expected future demand.
Replacing aging infrastructure	Replacing aging electrical infrastructure operating beyond its expected useful life.
Investing in new technology to help manage usage	Providing tools and new technologies to help customers better manage their electricity usage.
Ensuring the safety of electricity infrastructure	Ensuring the safety of electrical equipment and infrastructure.
Proactively trim vegetation to prevent outages	Proactively trimming back trees and vegetation around power lines to prevent outages.

Online Survey
Importance of Customer Priorities

Small Business

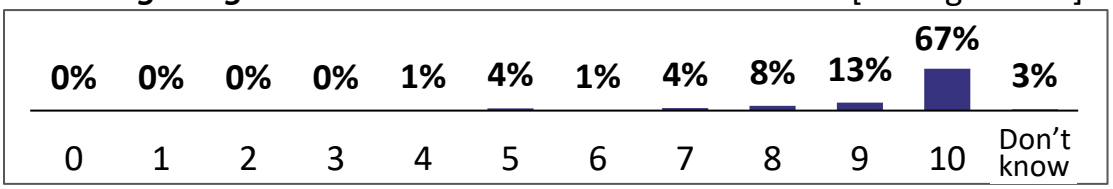
Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

Maintaining reliable electrical service [average = **9.4**]



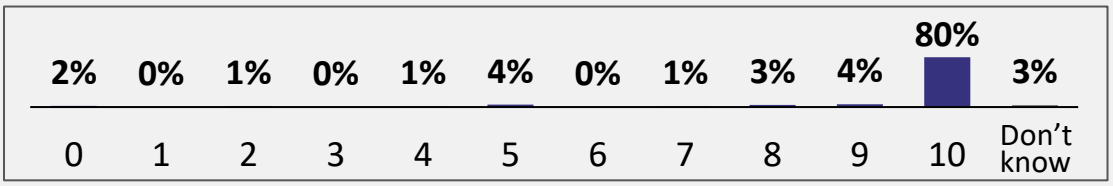
Not at all important — **Extremely important**

Ensuring the grid can withstand severe weather [average = **9.3**]



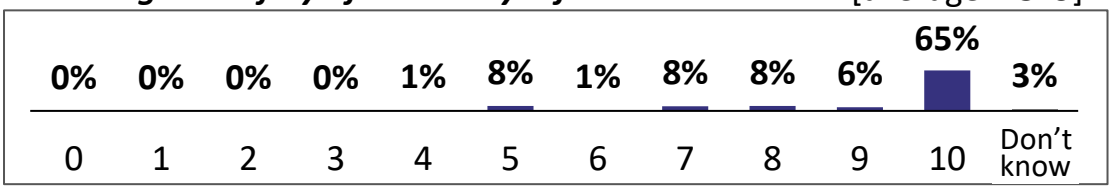
Not at all important — **Extremely important**

Delivering electricity at reasonable price [average = **9.3**]



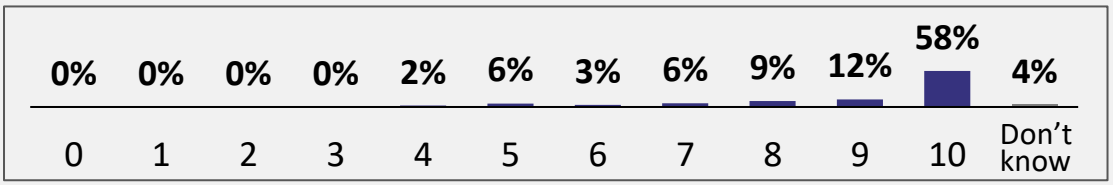
Not at all important — **Extremely important**

Ensuring the safety of electricity infrastructure [average = **9.0**]



Not at all important — **Extremely important**

Providing timely communications during outages [average = **8.9**]



Not at all important — **Extremely important**

Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
"Don't know" not included in calculation of means.

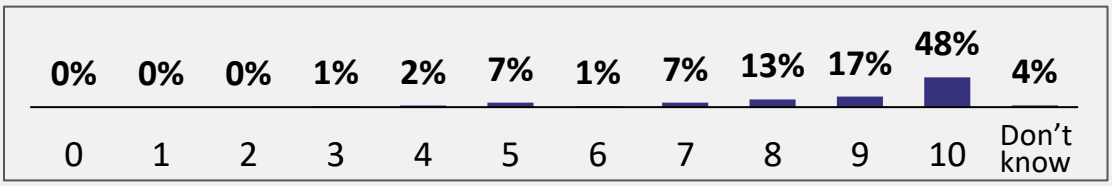
Online Survey

Importance of Customer Priorities (Cont'd)

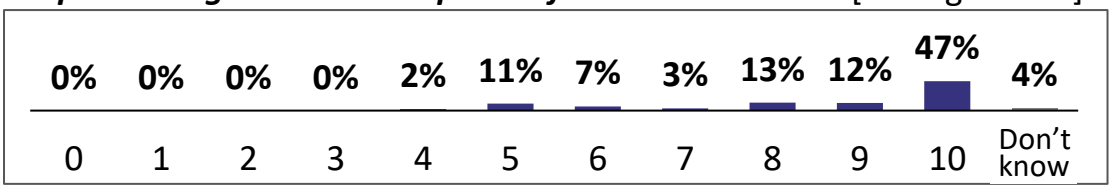
Small Business

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

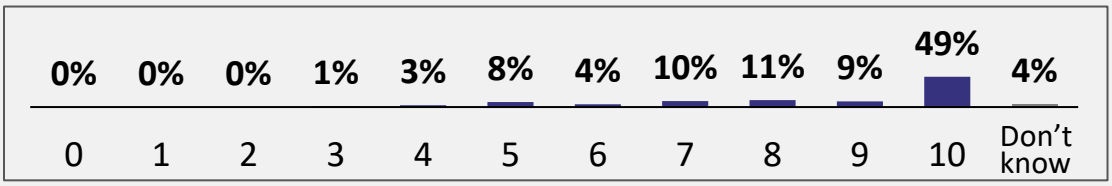
Replacing aging infrastructure [average = **8.7**]



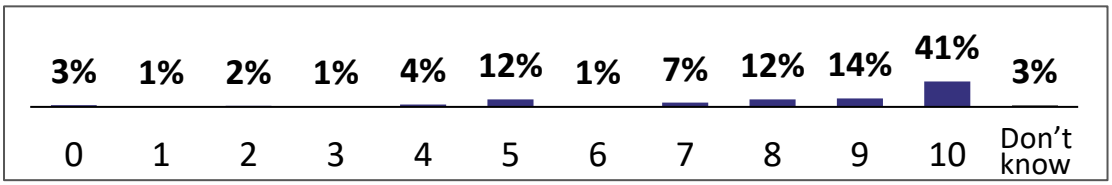
Expand the grid to meet expected future demand [average = **8.5**]



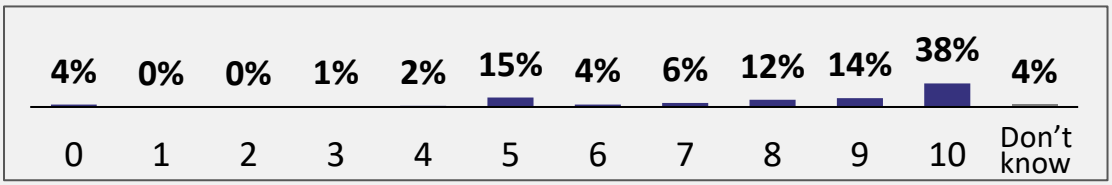
Proactively trim vegetation to prevent outages [average = **8.5**]



Investing in new technology to help manage usage [average = **7.9**]



Helping customers with energy conservation [average = **7.9**]



Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
"Don't know" not included in calculation of means.

Online Survey

Importance of Customer Priorities – Average Scores

Small Business

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

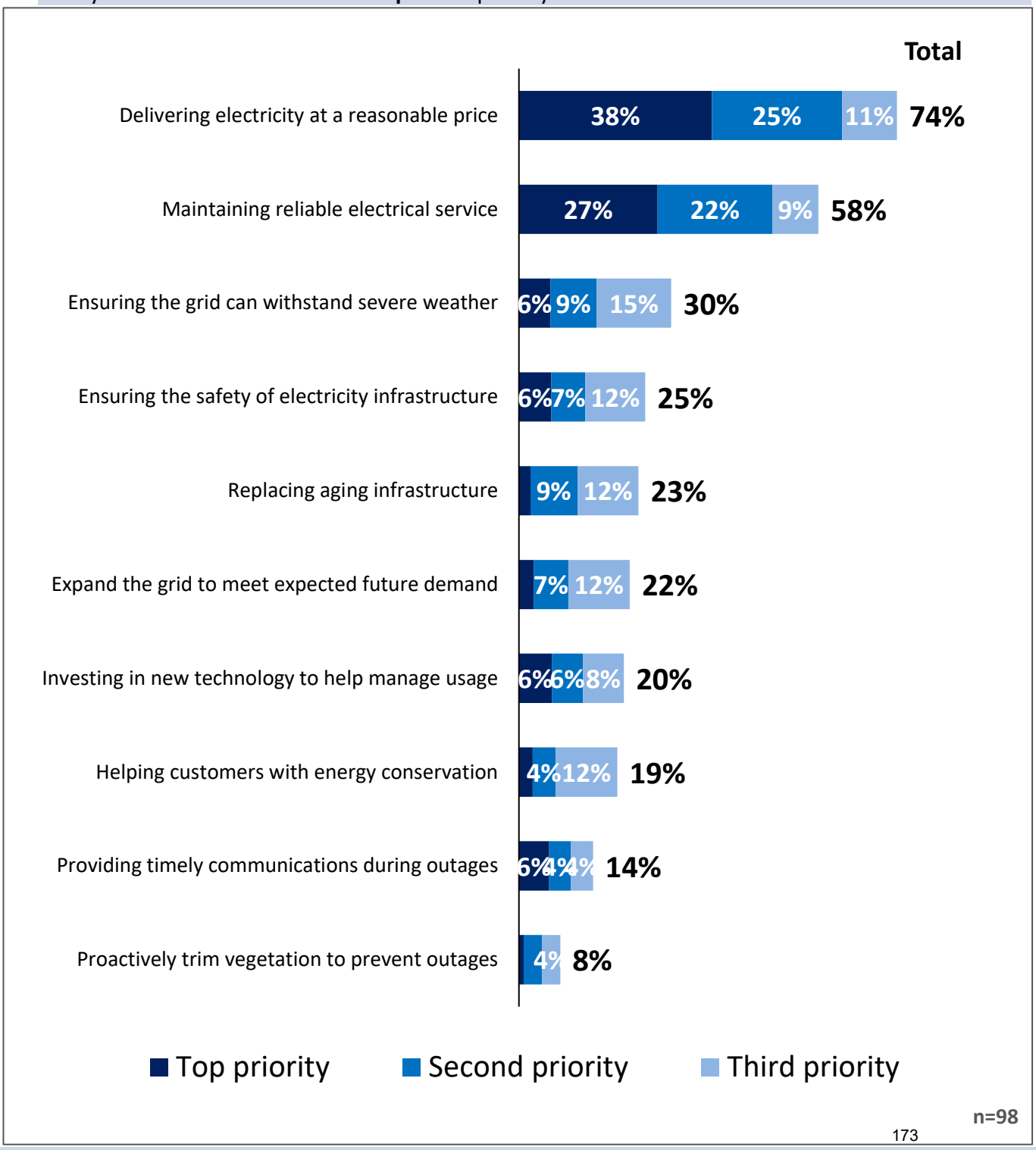
		Collapsed Consumption Quartiles	
Average Score	Overall	Low-Medium	Medium-High
Maintaining reliable electrical service	9.4	9.3	9.4
Ensuring the grid can withstand severe weather	9.3	9.1	9.5
Delivering electricity at a reasonable price	9.3	9.3	9.2
Ensuring the safety of electricity infrastructure	9.0	9.1	8.9
Providing timely communications during outages	8.9	8.7	9.2
Replacing aging infrastructure	8.7	8.7	8.7
Expand the grid to meet expected future demand	8.5	8.6	8.4
Proactively trim vegetation to prevent outages	8.5	8.3	8.6
Investing in new technology to help manage usage	7.9	7.6	8.1
Helping customers with energy conservation	7.9	7.5	8.3

Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
"Don't know" not included in calculation of means. "Don't know" not shown.

Online Survey
Ranking Customer Priorities

Small Business

Q Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?



n=98

Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
Data labels are removed where 4% or less. "Don't know" not shown.

Online Survey

Ranking Customer Priorities – Summary

Small Business

Q Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?

% who select as top 3 priority	Overall	Collapsed Consumption Quartiles: Low-Medium	Collapsed Consumption Quartiles: Medium-High
Delivering electricity at a reasonable price	74%	71%	77%
Maintaining reliable electrical service	58%	63%	53%
Ensuring the grid can withstand severe weather	30%	30%	29%
Ensuring the safety of electricity infrastructure	25%	30%	19%
Replacing aging infrastructure	23%	32%	15%
Expand the grid to meet expected future demand	22%	23%	20%
Investing in new technology to help manage usage	20%	14%	27%
Helping customers with energy conservation	19%	14%	24%
Providing timely communications during outages	14%	11%	18%
Proactively trim vegetation to prevent outages	8%	5%	11%

Note: Priority labels have been shortened for brevity. See slide 12 for full label text. "Don't know" not shown.

Online Survey
Additional Priority Areas

Small Business

Q Can you think of any other important priorities that **Elexicon** should be focusing on?

Response	%
Maintain cybersecurity	2.4%
Offering insight on managing usage	2.0%
Address climate change/green or renewable energy	1.6%
Communications during power outages	1.5%
More educational resources	1.5%
Other	4.0%
None/Don't know	87.2%

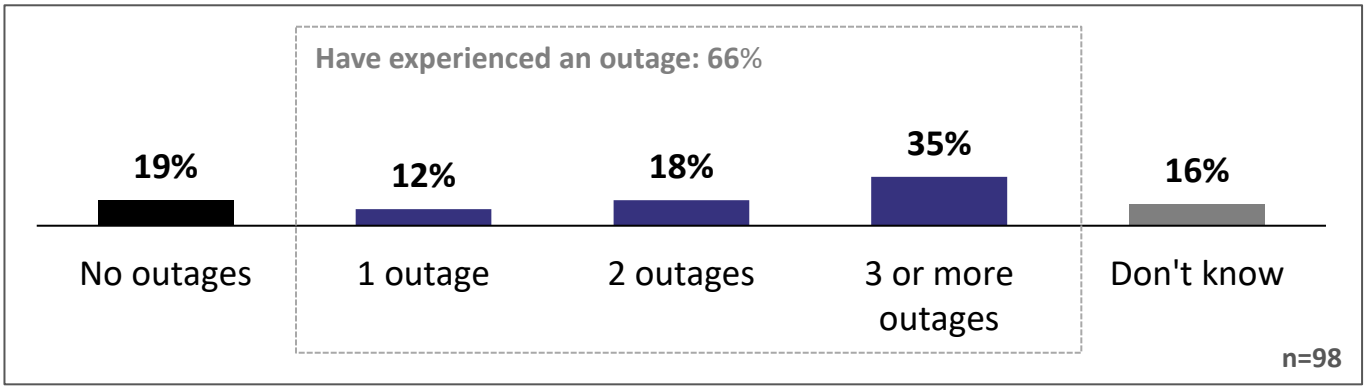
Note: Only responses >0.1% shown

Online Survey
Reliability Experience

Small Business

Now, let's talk about the reliability of electricity service you receive.

Q Have you experienced any power outages **at your organization in the past 12 months** which *lasted longer than one minute*? If so, approximately how many of these power outages did you experience over the past 12 months?



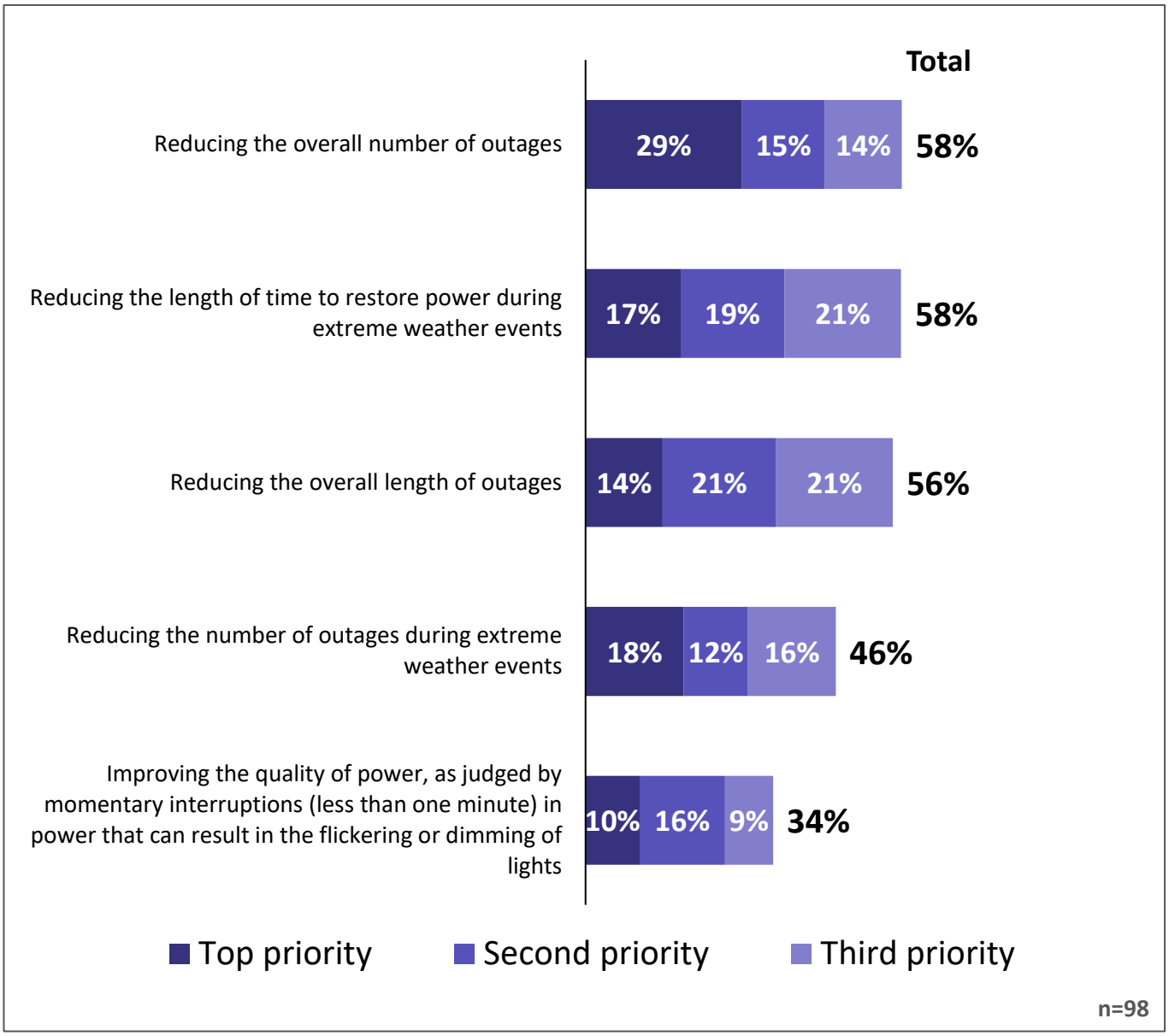
Collapsed Consumption Quartiles

	Low-Medium	Medium-High
No outages	28%	10%
1 outage	7%	17%
2 outages	21%	16%
3 or more outages	28%	42%
Don't know	16%	16%
Have experienced at least 1 outage	**56%**	**75%**

Online Survey
Ranking Reliability Preferences

Small Business

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?



Note: "Don't know" not shown.

Online Survey

Ranking Reliability Preferences – Summary

Small Business

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?

		Collapsed Consumption Quartiles	
% who select as top 3 priority	Overall	Low-Medium	Medium-High
Reducing the overall number of outages	58%	50%	65%
Reducing the length of time to restore power during extreme weather events	58%	52%	63%
Reducing the overall length of outages	56%	51%	61%
Reducing the number of outages during and after extreme weather events	46%	40%	51%
Improving the quality of power, as judged by momentary interruptions	34%	36%	32%

Note: Priority labels have been shortened for brevity. See slide 20 for full label text. "Don't know" not shown.

INNOVATIVE RESEARCH GROUP

Small Business Customers

Investment Trade-Offs

Section 6.3

Online Survey

Investment Trade-Offs – System Renewal

Small Business

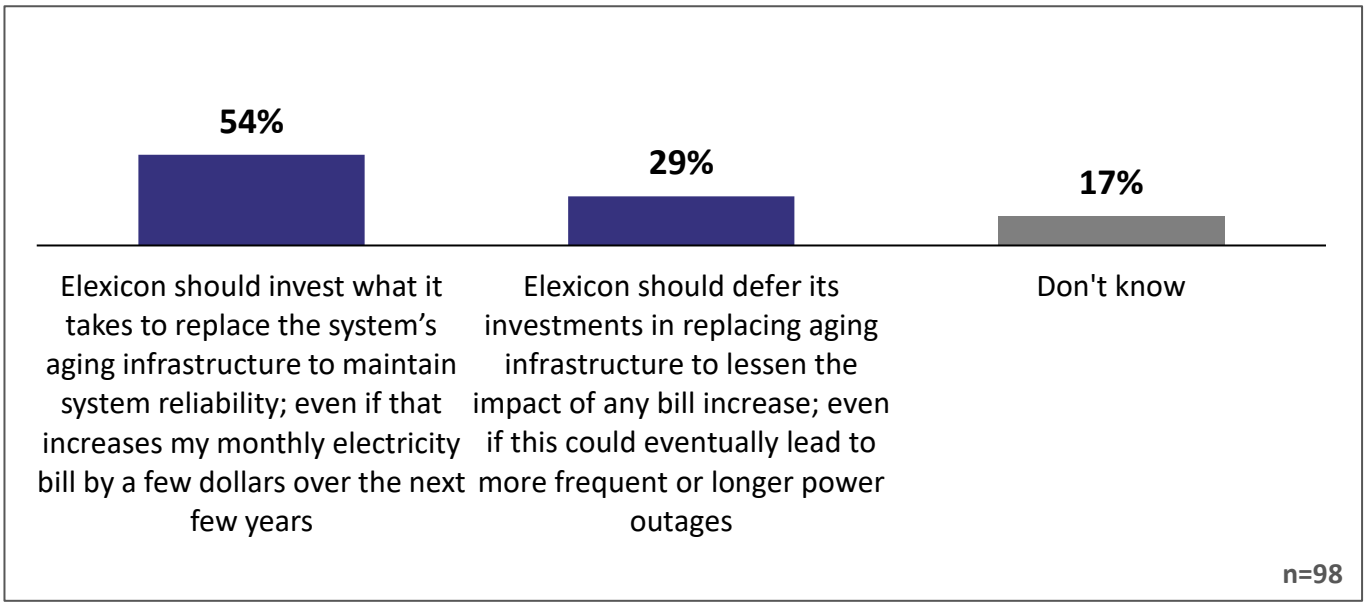
The final topic in this survey is on **investment trade-offs.**

Elexicon is in the early stages of developing its investment plan for the five years between 2027 and 2031. While conversations with customers will continue over the next 12-18 months, the utility wants to know your preferences when it comes to finding the right balance between the price of delivering electricity and the outcomes that customers value and expect from Elexicon.

There are four investment categories that we would like to discuss.

The first category focuses on projects that replace and restore aging electrical infrastructure, like overhead poles and underground cables.

Q Regarding investments in aging infrastructure, which of the following statements best represents your point of view?



Collapsed Consumption Quartiles

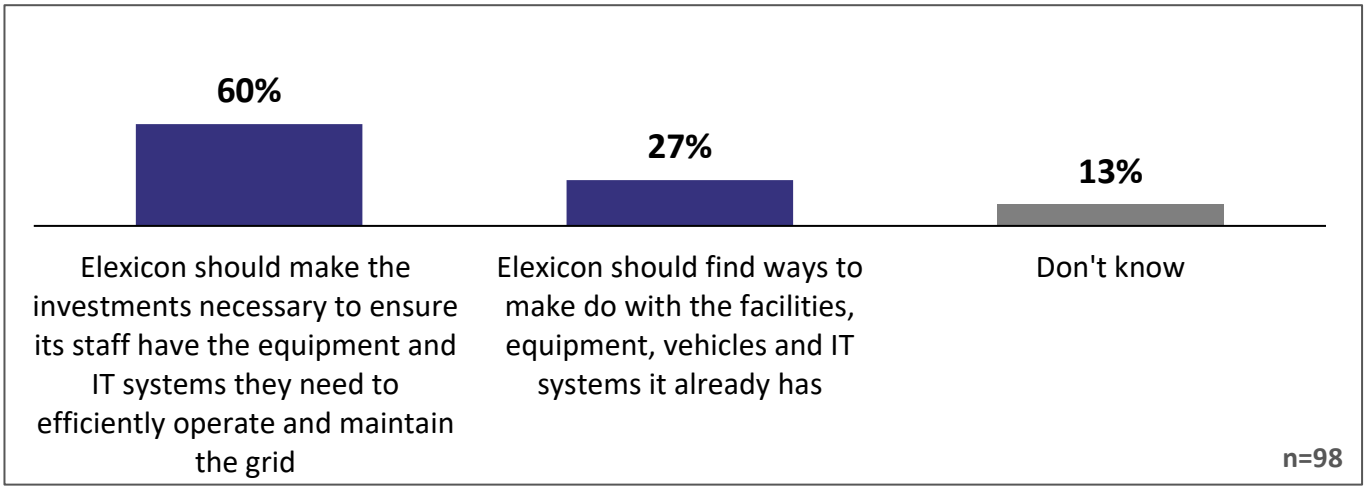
	Low-Medium	Medium-High
Invest what it takes	64%	43%
Defer investments	23%	36%
Don't know	13%	21%

Online Survey

Investment Trade-Offs – General Plant

The second category focuses on keeping **Elexicon's** business running. This includes facilities to house staff and equipment, vehicles and tools to service equipment, and up-to-date IT systems to manage customer data and protect the electrical grid from cybersecurity threats.

Q Regarding these types of investments, which of the following statements best represents your point of view?



Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Make the necessary investments	65%	56%
Make do with what it already has	26%	28%
Don't know	10%	16%

Online Survey

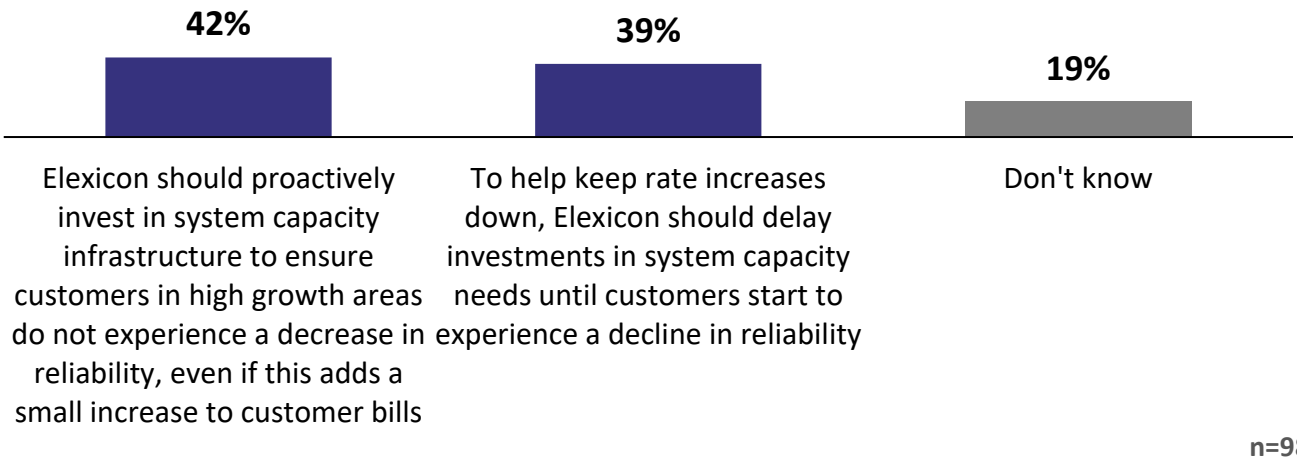
Investment Trade-Offs – System Service

Small Business

The third investment category focuses on growth and greater demand for electricity in various parts of **Elexicon's** service territory.

Increased demand for electricity puts pressure on existing electrical infrastructure. Eventually, further infrastructure investments are required to support increased demand for electricity.

Q With this in mind, which of the following statements best represents your point of view?



Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Proactive investments in system capacity	48%	37%
Delay capacity investments until reliability declines	36%	42%
Don't know	16%	21%

Online Survey

Investment Trade-Offs – Grid Modernization

Small Business

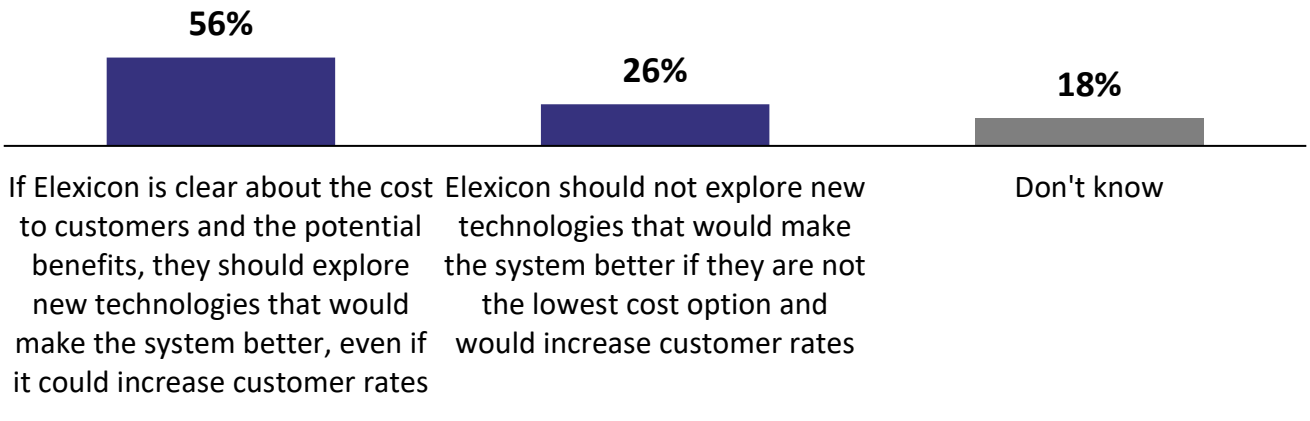
Elexicon can invest in technology that can lead to a wide range of benefits including reliability, efficiency, customer service, and reducing environmental impacts.

When deemed the lowest cost option that will provide equal or improved service, Elexicon will, in most cases, invest in technology.

However, there are two other scenarios where Elexicon needs your feedback.

First, there are times when Elexicon identifies new technology that can improve reliability or provide other benefits, but it will cost customers more. For instance, advanced monitoring technology can provide signals when there is an outage, allowing Elexicon to provide customers with better information on the areas impacted by outages and helping crews find affected areas more quickly.

Q Regarding these types of investments which of the following best represents your view?



Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Explore new technologies	60%	52%
Should not explore new technologies	23%	30%
Don't know	17%	18%

Online Survey

Investment Trade-Offs – Grid Modernization (Cont'd)

Small Business

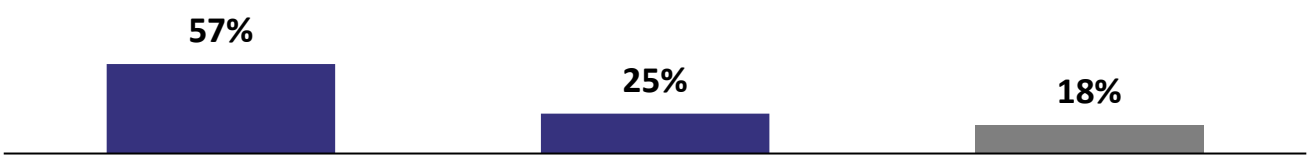
The second scenario is where **Elexicon** identifies new technology that is needed to improve the system in the future and would increase costs now, but the benefit might not be felt until later.

This includes accommodating emerging technologies like solar power, battery storage and electric vehicles.

Regardless of whether you are considering new energy choices like an electric vehicle for yourself today, **Elexicon** must be prepared as adoption becomes more widespread over the next 5-10 years.

For instance, charging each electric vehicle draws as much energy as two average homes. If a dozen or so people come home and start changing their vehicles at a period of peak demand, it could overload the grid in that neighbourhood. While **Elexicon** cannot predict the exact rate of electric vehicle adoption in east central Ontario, the utility must make certain investments today that will allow it to manage electric vehicle demand in the future.

Q Which of the following best represents your view?



If Elexicon is clear about the cost to customers and the potential benefits, they should explore new technologies that might not provide immediate benefit, but will in the future

Elexicon should not explore new technologies that would not provide immediate benefit if it would increase customer rates

Don't know

n=98

Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Explore new technologies	60%	54%
Should not explore new technologies	28%	22%
Don't know	12%	24%

INNOVATIVE RESEARCH GROUP

Small Business Customers

Energy Transition

Section 6.4

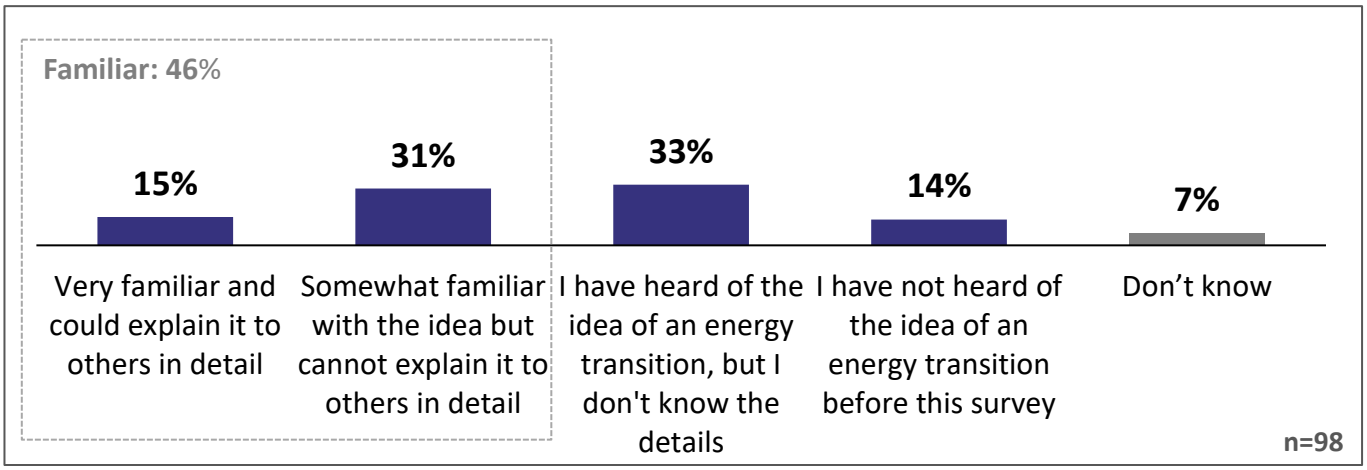
Online Survey

Familiarity with Energy Transition

Small Business

One issue people have been talking about lately in Canada is the idea that Canada and the world may be transitioning from its current energy system that depends highly on carbon-based fossil fuels like coal, oil and gas to a lower-carbon energy system.

Q How familiar are you with the idea of transitioning from its current energy system that depends highly on carbon-based fuels to a lower-carbon energy system?



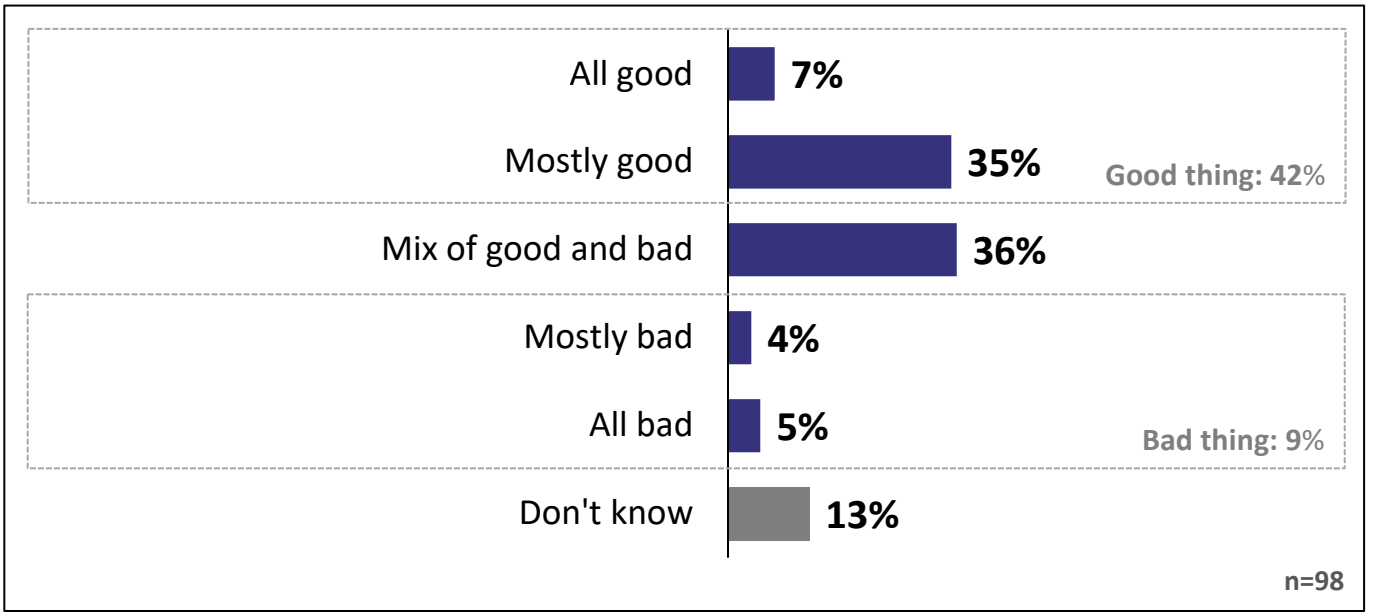
Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Very familiar, could explain it to others in detail	17%	14%
Somewhat familiar, cannot explain it to others in detail	28%	34%
Have heard of it before, but don't know the details	39%	27%
Haven't heard of the idea of energy transition before	7%	21%
Don't know	9%	4%
Familiar (Very + Somewhat)	**45%**	**48%**

Online Survey
Impression of Energy Transition

Small Business

Q From what you know or based on your first impression, does energy transition sound like a good thing or a bad thing?



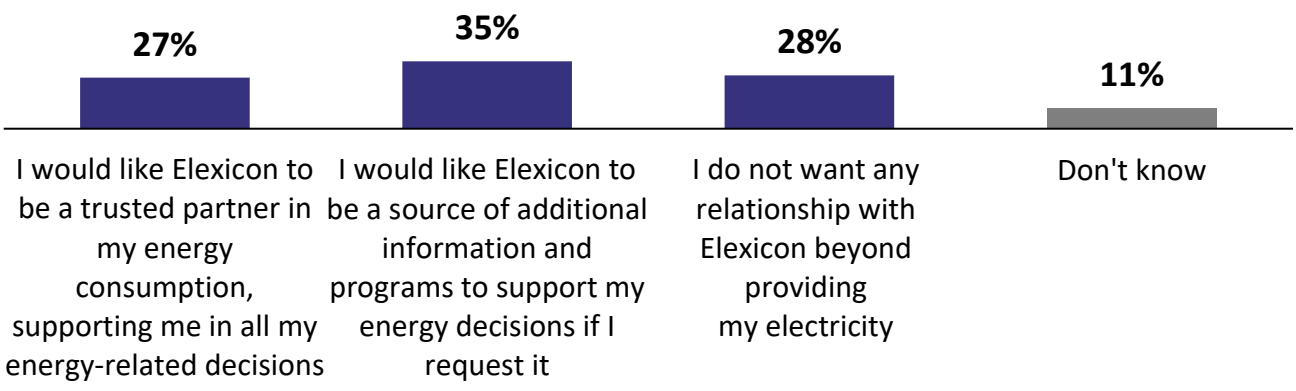
Collapsed Consumption Quartiles

	Low-Medium	Medium-High
All good	6%	9%
Mostly good	43%	27%
Mix of good and bad	29%	43%
Mostly bad	5%	2%
All bad	3%	7%
Don't know	14%	12%
Good thing (All + Mostly)	**49%**	**36%**
Bad thing (All + Mostly)	**8%**	**9%**

Online Survey
Relationship with Elexicon

Small Business

Q Beyond providing you with electricity, which of the following best describes your desired relationship with Elexicon?



n=98

Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Trusted partnership with decision-making support	23%	30%
Relationship limited to information and additional programs	36%	34%
No relationship beyond providing electricity	29%	27%
Don't know	12%	9%

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Small Business Customers

Rate Harmonization

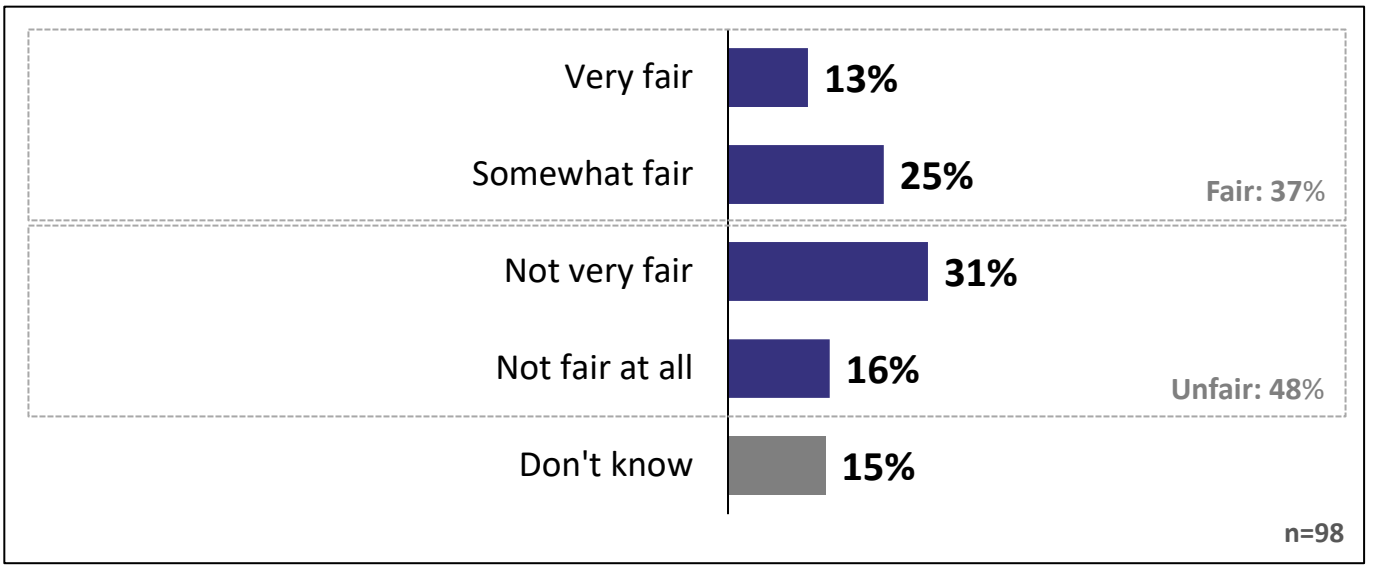
Section 6.5

Online Survey
Impression of Rate Harmonization

Small Business

As you may be aware, **Elexicon** was created through a merger between **Whitby Hydro** and **Veridian**. Elexicon customers currently have their respective legacy distribution rates, which differ slightly between the two former utilities.

Q Is it **fair** if Elexicon customers pay different rates for their electrical service?



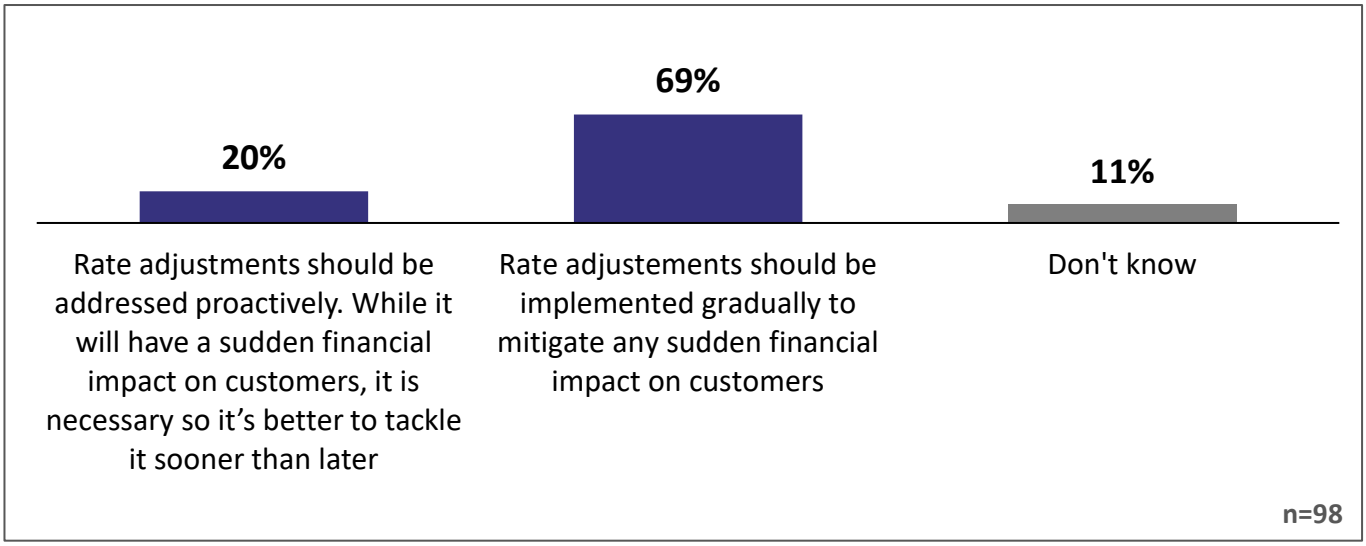
Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Very fair	5%	20%
Somewhat fair	23%	26%
Not very fair	36%	27%
Not fair at all	16%	17%
Don't know	22%	9%
Fair (Very + Somewhat)	**27%**	**47%**
Unfair (Very + Somewhat)	**51%**	**44%**

Online Survey
Pace of Rate Harmonization

Small Business

Q If Elexicon were to adjust the rate across communities so all similar types of customers pay the same distribution rates, which of the following statements best represents your point of view?



Collapsed Consumption Quartiles

	Low-Medium	Medium-High
Proactive rate adjustments	12%	28%
Gradual rate adjustments	75%	62%
Don't know	13%	10%

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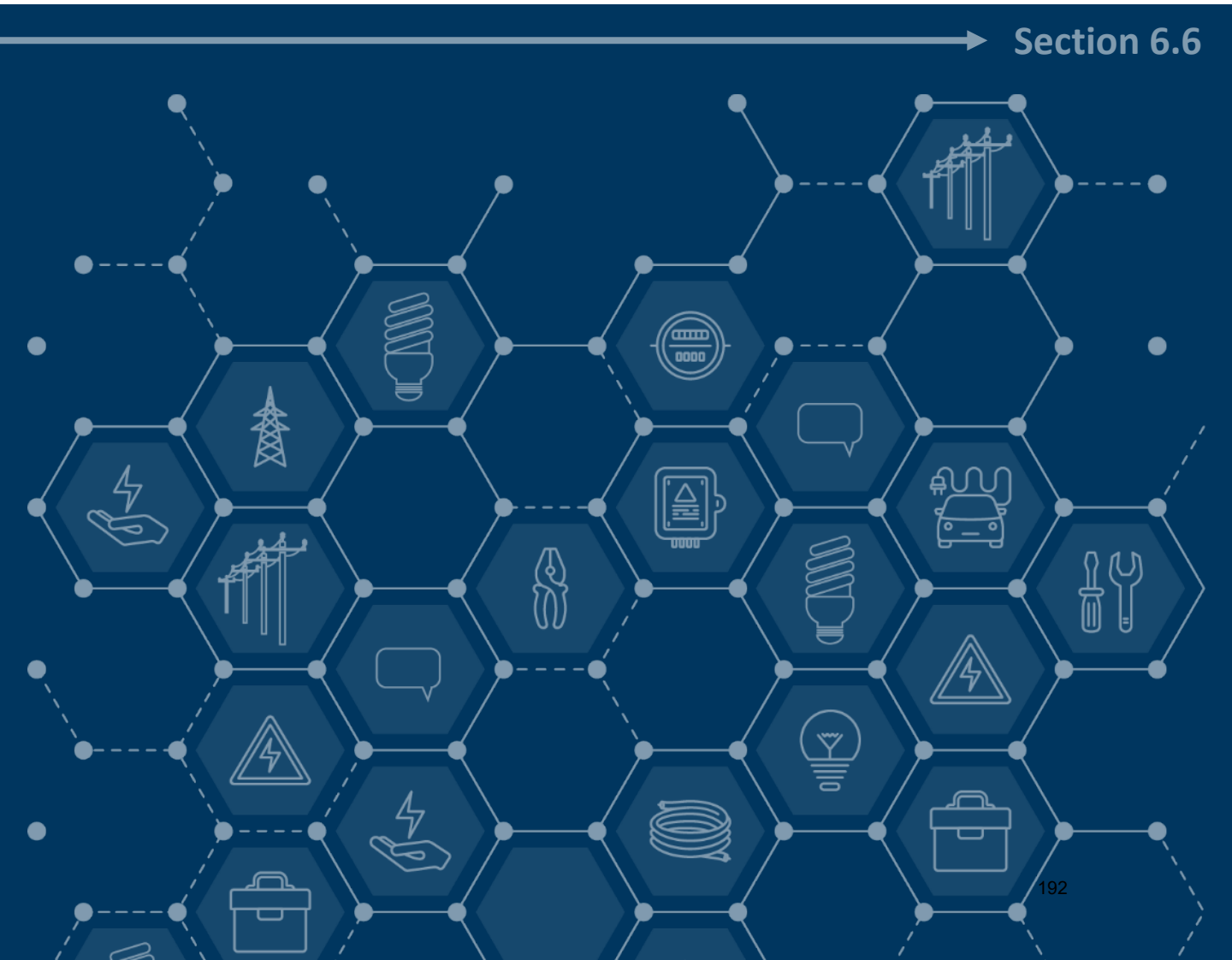
Small Business Customers

Final Comments



Online Survey

Additional Comments or Feedback

Small Business

Q Before this survey concludes, do you have any additional comments or feedback you'd like to share with Elexicon?

Response	%
Priority should be to lower rates/keep costs low/maintain affordability	8.7%
Customers should not have to pay for these investments	1.8%
Positive comment about Elexicon/satisfied with service	1.6%
Satisfied with the information presented/opportunity to provide feedback	1.5%
Improve customer service	1.5%
Support investment in green energy/nuclear/energy transition	1.3%
Provide more information on the costs, breakdown of either the plan or bill	1.1%
Find operational efficiencies (salaries, spending) and accountability	1.1%
Did not like the options presented in the survey	1.0%
Other	2.4%
None/Don't know	78.0%

Note: Only responses >0.1% shown

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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APPENDIX 07

Needs and Preferences Survey

Seasonal Customers

elexicon ENERGY

June 7, 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Report Navigation

- **Combined Report**
  - APPENDIX.00 – Customer Engagement Executive Summary
- **PHASE I: Needs & Preferences**
  - APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
  - APPENDIX.02 – C&I Customer Needs & Preference Interviews
  - APPENDIX.03 – Key Account Needs & Preference Interviews
  - APPENDIX.04 – Customer Sample Validation
  - APPENDIX.05 – Residential Needs & Preferences Survey
  - APPENDIX.06 – Small Business Needs & Preferences Survey
  - APPENDIX.07 – Seasonal Needs & Preferences Survey
  - APPENDIX.08 – Key Accounts Need & Preferences Survey
  - APPENDIX.09 – Needs & Preferences Planning Placemat
- **PHASE II: Trade-offs**
  - APPENDIX.10 – Residential Trade-off Survey
  - APPENDIX.11 – Small Business Trade-off Survey
  - APPENDIX.12 – Seasonal Trade-off Survey
  - APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

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Seasonal Customers

Online Survey Results

Section 5.1

Online Survey
Survey Design & Methodology

Field Dates

The **Seasonal Online Survey** was sent to all Elexicon seasonal customers who provided the utility with an email address. Customers had an opportunity to complete the survey between **April 3rd and April 15th, 2024**.

Each customer received a unique URL that could be linked back to their average monthly consumption, region and rate class.

In total, the seasonal survey was sent to **444** customers from *customerexperience@elexiconenergy.com*. Reminder emails were sent on April 5th and April 10th, 2024 to those who had not yet completed the survey.

Seasonal Online Survey Completes

A total of **101** (unweighted) Elexicon seasonal customers completed the online survey.

Sample Weighting

The seasonal online survey sample was weighted proportionately by consumption quartiles in order to be representative of the broader Elexicon customer base. Unlike other rate classes, the seasonal rate class only exists in Gravenhurst so further regional weighting was not implemented.

The table below summarizes the unweighted and weighted (in brackets) sample breakdown by consumption quartile.

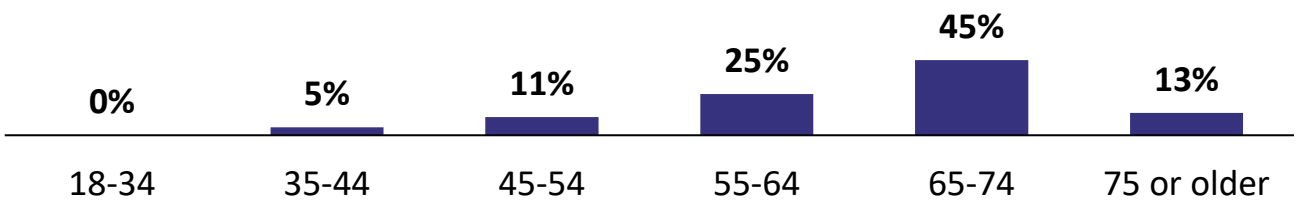
	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Seasonal customers	21 (25)	30 (25)	26 (25)	24 (25)	101 (101)

Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Online Survey
Demographic breakdown

Seasonal

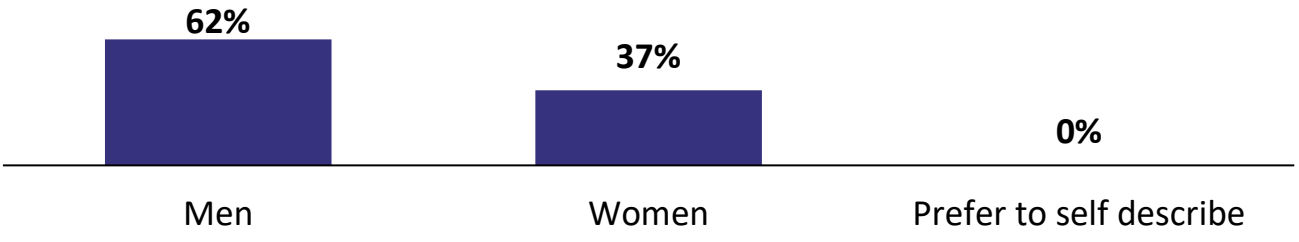
Q Age



"Prefer not to say" (1%) not shown.

n=101

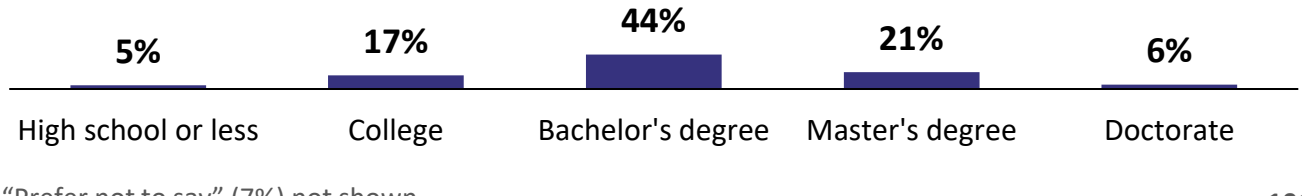
Q Gender



"Prefer not to say" (1%) not shown.

n=101

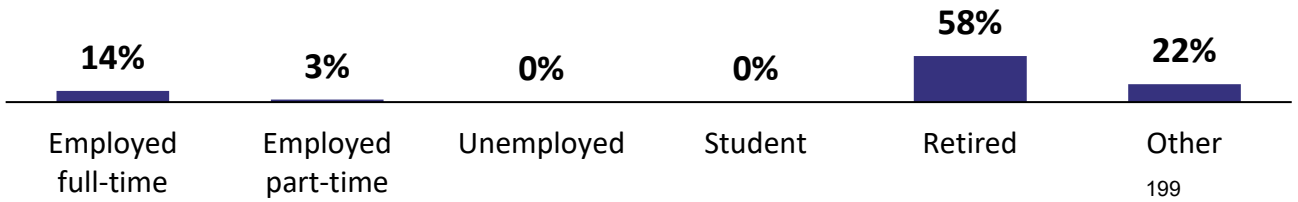
Q Education



"Prefer not to say" (7%) not shown.

n=101

Q Employment Status



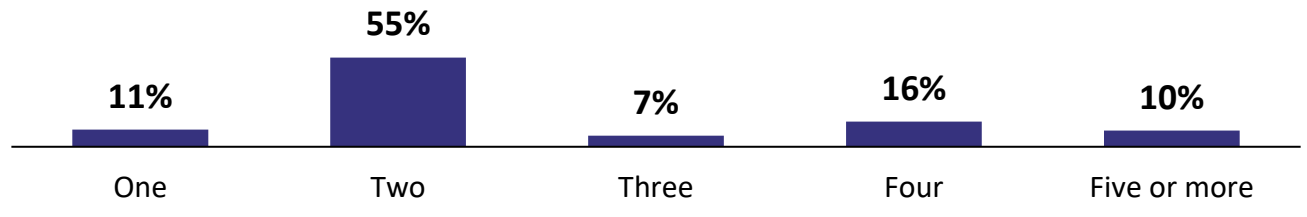
199

"Prefer not to say" (2%) not shown.

n=101

Online Survey
Demographic breakdown

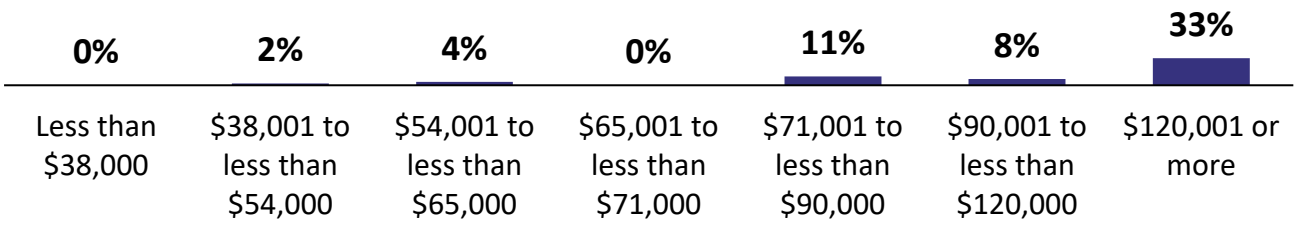
Q Household Size



"Prefer not to say" (2%) not shown.

n=101

Q After Tax Household Income



"Prefer not to say" (42%) not shown.

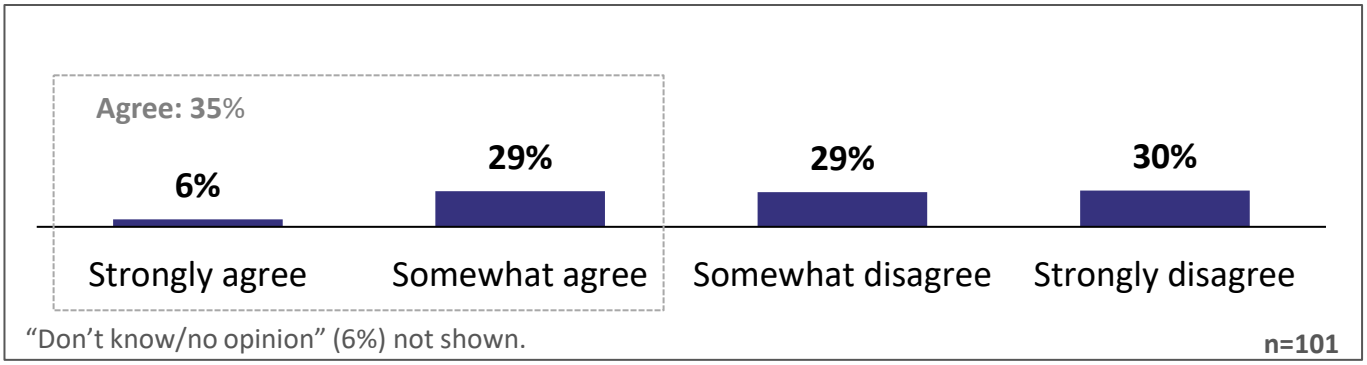
n=101

Online Survey
Environmental Controls

Seasonal

To what extent do you agree or disagree with the following statements?

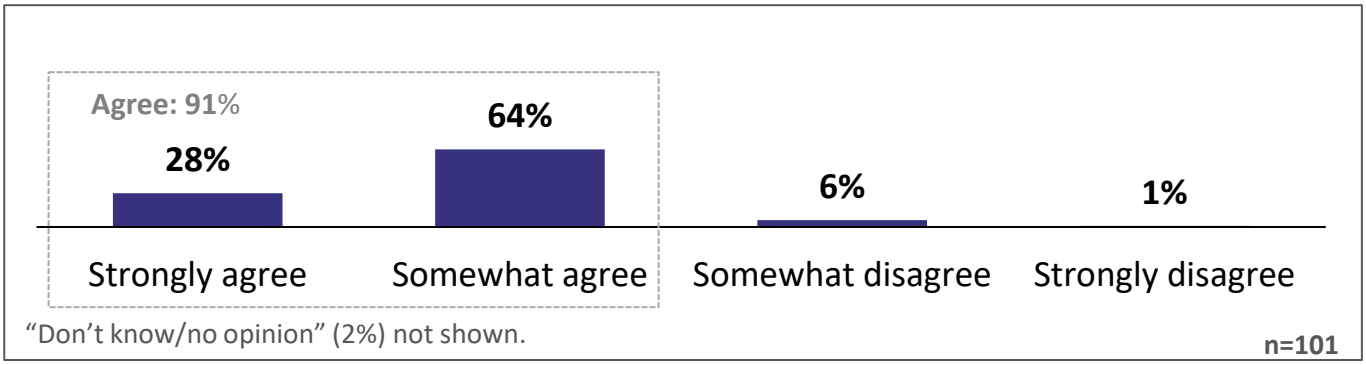
Q The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.



"Don't know/no opinion" (6%) not shown.

n=101

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (2%) not shown.

n=101

Online Survey

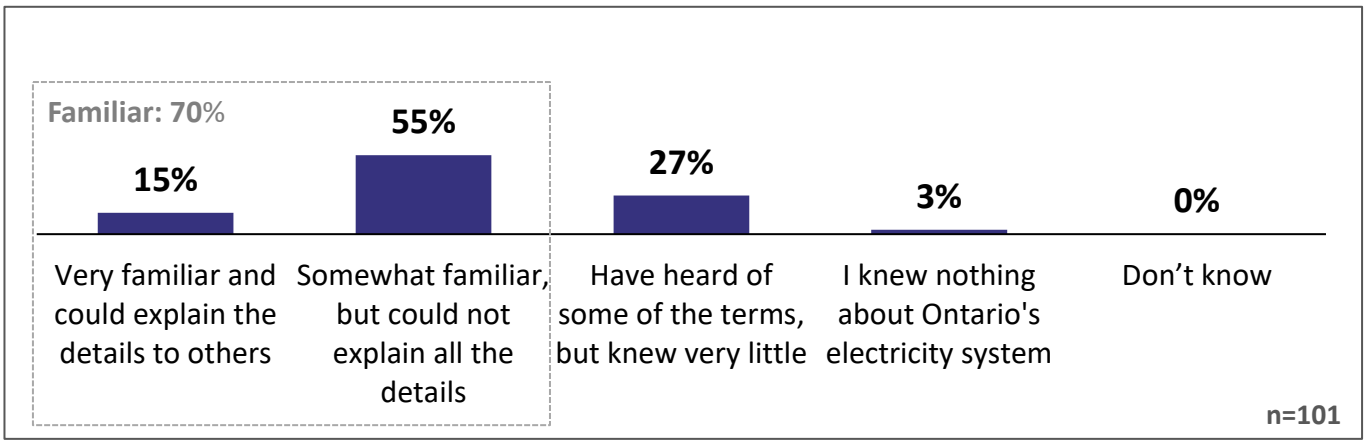
Familiarity with Ontario's Electricity System

Seasonal

As you may know, Ontario's electricity system has three key components: **generation**, **transmission** and **distribution**.

- **Generating stations** convert various forms of energy into electric power;
- **High-voltage transmission lines** connect the power produced at generating stations to where it is needed across the province; and
- **Local distribution networks** take the electricity from provincial transmission lines and bring it to your home through a network of wires, poles and other equipment.

Q Before this survey, how familiar were you with the various parts of the electricity system and how they work together?



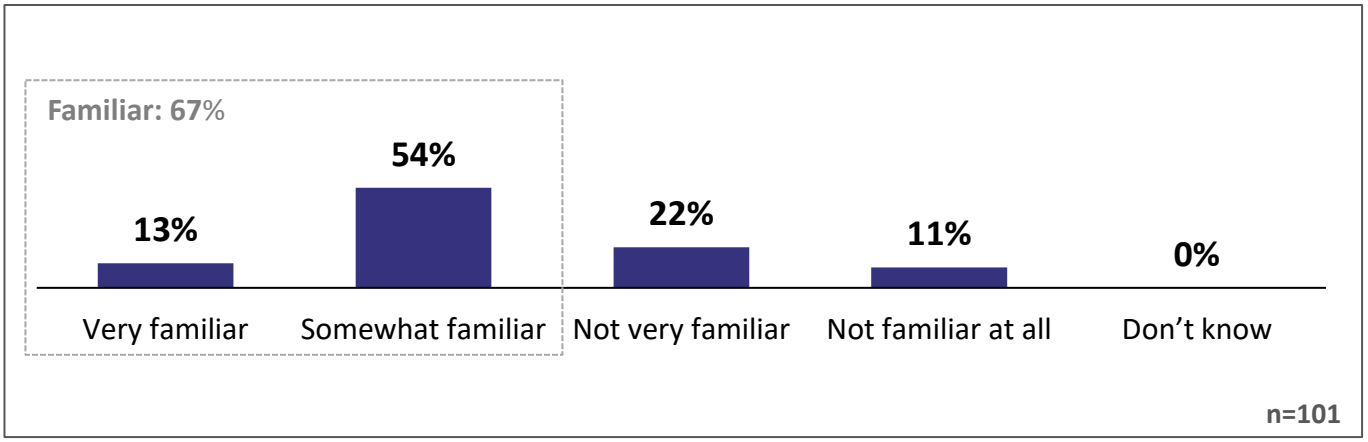
	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Very familiar	8%	22%	10%	17%
Somewhat familiar	58%	52%	61%	53%
Knew very little	30%	24%	26%	27%
Knew nothing	4%	2%	3%	3%
Don't know	--	--	--	--
Familiar (Very + Somewhat)	**66%**	**74%**	**71%**	**69%**

Online Survey
Familiarity with Elexicon

Seasonal

Elexicon owns and operates all aspects of the local electricity distribution system across 10 municipalities in the Durham region, Belleville, and Gravenhurst. This is the network that takes the electricity from the high-voltage transmission system and connects it to your **seasonal** home and local community.

Q Before this survey, how familiar were you with **Elexicon**, and the role it plays in Ontario's electricity system?



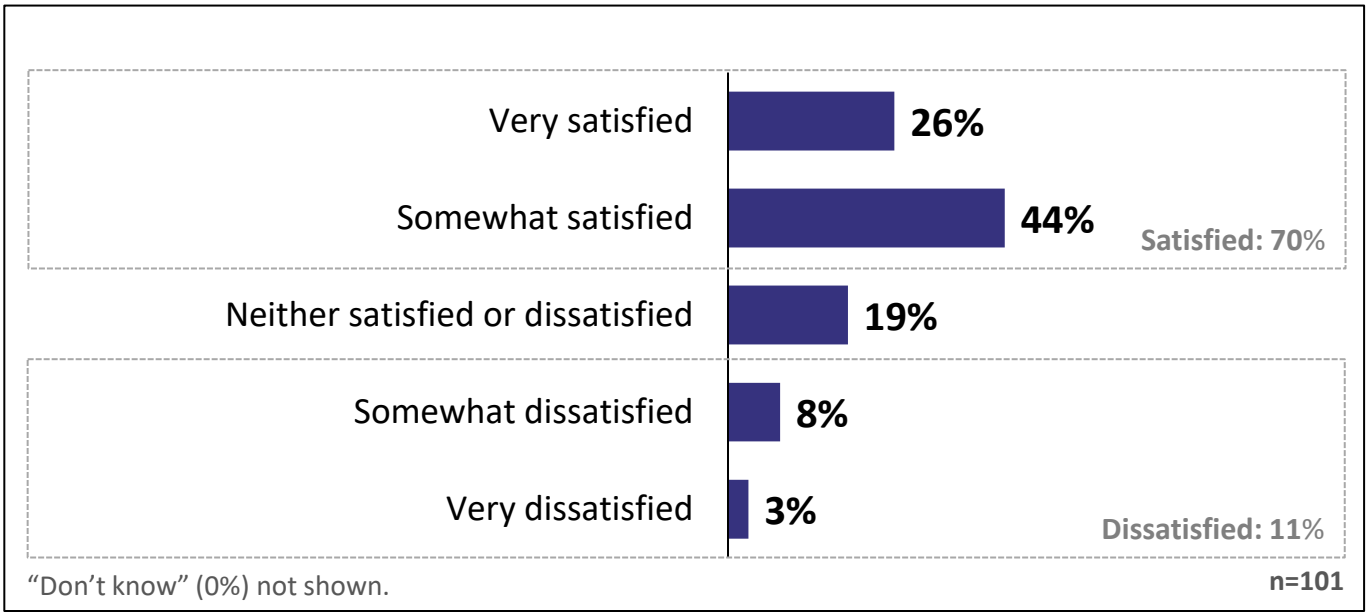
	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Very familiar	11%	16%	12%	13%
Somewhat familiar	56%	52%	53%	55%
Not very familiar	24%	20%	20%	23%
Not familiar at all	10%	12%	15%	10%
Don't know	--	--	--	--
Familiar (Very + Somewhat)	**66%**	**68%**	**65%**	**67%**

Online Survey

Overall Satisfaction with Elexicon

Seasonal

Q Generally, how satisfied or dissatisfied are you with the services that you receive from **Elexicon**?



"Don't know" (0%) not shown.

n=101

	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Very satisfied	34%	18%	17%	31%
Somewhat satisfied	39%	48%	51%	40%
Neither satisfied nor dissatisfied	18%	20%	20%	19%
Somewhat dissatisfied	6%	10%	11%	5%
Very dissatisfied	2%	4%	--	5%
Don't know	--	--	--	--
Satisfied (Very + Somewhat)	**73%**	**66%**	**68%**	**70%**
Dissatisfied (Very + Somewhat)	**9%**	**14%**	**11%**	**11%**

Online Survey

How Elexicon can improve its services

Seasonal

Q Is there anything **Elexicon** can do to improve its services to you?

Response	%
Decrease outages/interruptions	12.6%
Lower rates/decrease bills	11.9%
Improve response time for outages	9.9%
Improve communication during outages	7.0%
Improve website/portal	4.2%
Address vegetation growth	3.4%
More information/communication/ability to track usage	2.2%
Satisifed with services/no issues	2.0%
Improve customer service	1.9%
Billing improvements - timing/payments/bill format	1.0%
Offer/improve green energy options	1.0%
More transparency around costs	0.8%
Bury power lines	0.8%
Other	2.2%
None/Don’t know	39.1%

Note: Only responses >0.1% shown

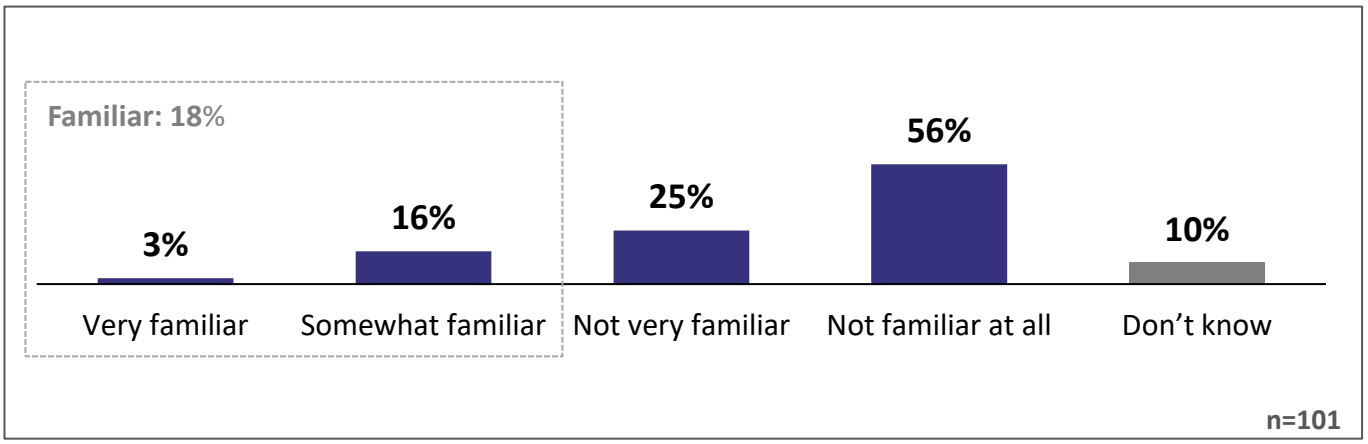
Online Survey
Bill Remittance Familiarity

Seasonal

While **Elexicon** is only responsible for the distribution portion of the system, to make it easier for customers, they collect payment for the entire electricity system.

Elexicon keeps about 38% of the average seasonal customer's bill in your area. The rest of the bill goes to power generation companies, transmission companies, the system operator and the regulator.

Q Before this survey, how familiar were you with the amount of your electricity bill that went to **Elexicon**?

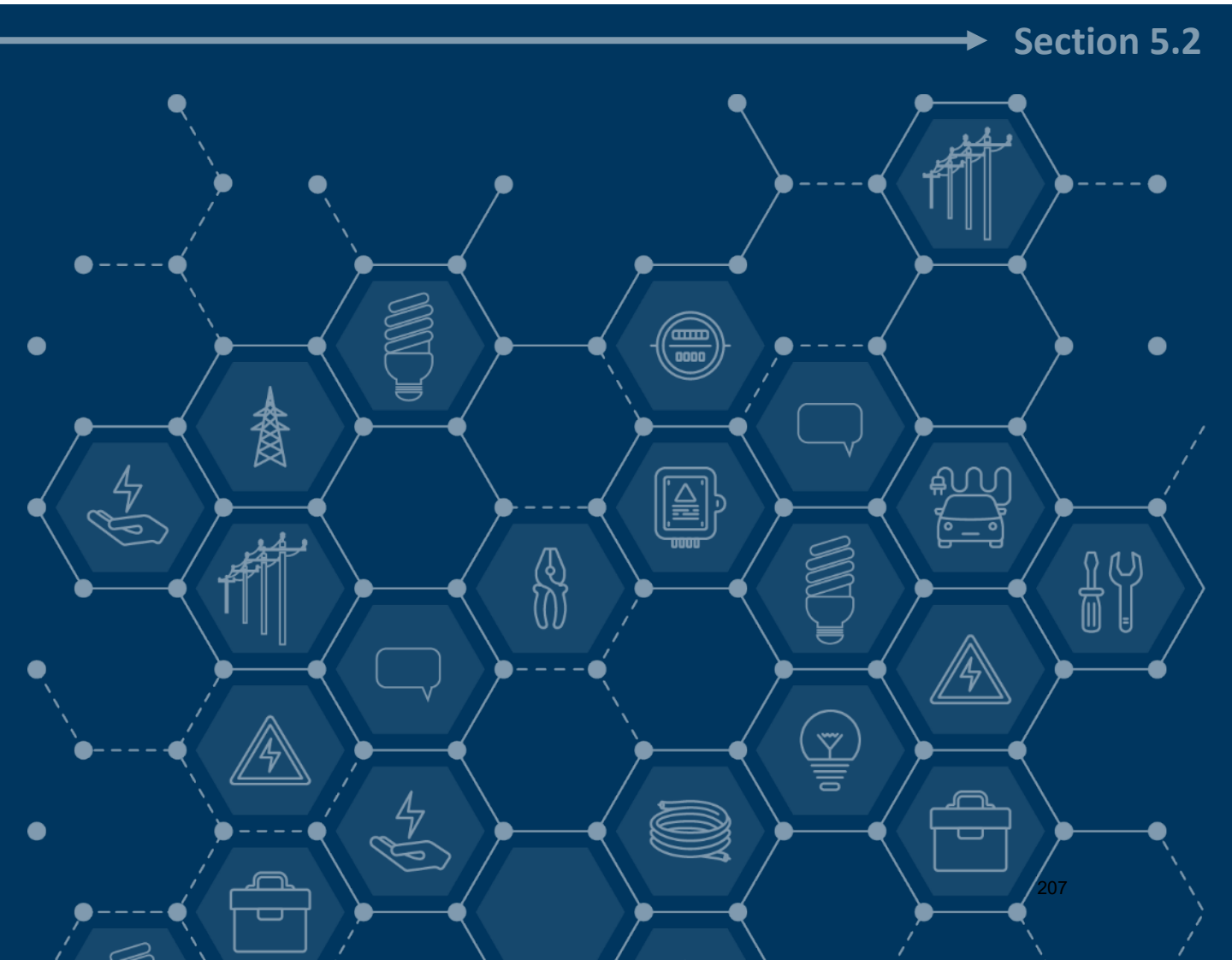


	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Very familiar	2%	4%	3%	3%
Somewhat familiar	15%	16%	11%	16%
Not very familiar	26%	25%	24%	24%
Not familiar at all	57%	56%	62%	57%
Don't know	--	--	--	--
Familiar (Very + Somewhat)	**17%**	**19%**	**14%**	**19%**

Seasonal Customers

Priorities & Preferences

Section 5.2



Online Survey

Importance of Customer Priorities

Seasonal

The second topic in this survey is on **outcomes**, or services that matter to you. Everyday **Elexicon** interacts with hundreds of its customers through multiple channels and touchpoints, including surveys, the customer care centre and social media.

In a recent series of customer focus groups, a number of goals were identified as potential priorities for **Elexicon**.

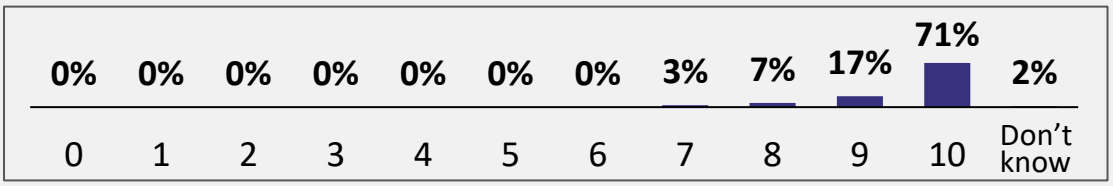
Shortened General Outcomes Priorities Response Labels	Full General Outcomes Priorities Response Labels
Maintaining reliable electrical service	Maintaining reliable electrical service for customers.
Ensuring the grid can withstand severe weather	Ensuring the grid can withstand increasingly severe weather events.
Providing timely communications during outages	Providing accurate and timely communications during power outages.
Delivering electricity at a reasonable price	Delivering electricity at a reasonable price.
Helping customers with energy conservation	Helping customers with energy conservation.
Expand the grid to meet expected future demand	Proactively building electrical grid capacity to meet the local community's expected future demand.
Replacing aging infrastructure	Replacing aging electrical infrastructure operating beyond its expected useful life.
Investing in new technology to help manage usage	Providing tools and new technologies to help customers better manage their electricity usage.
Ensuring the safety of electricity infrastructure	Ensuring the safety of electrical equipment and infrastructure.
Proactively trim vegetation to prevent outages	Proactively trimming back trees and vegetation around power lines to prevent outages.

Online Survey
Importance of Customer Priorities

Seasonal

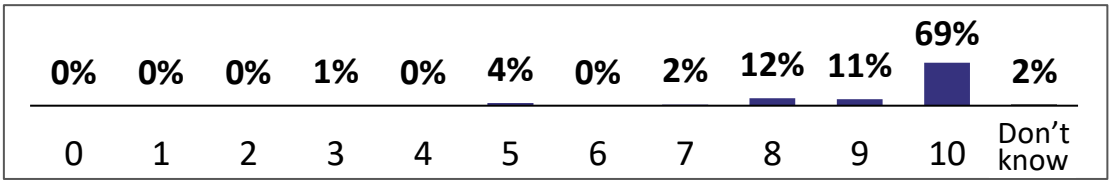
Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

Maintaining reliable electrical service [average = **9.6**]



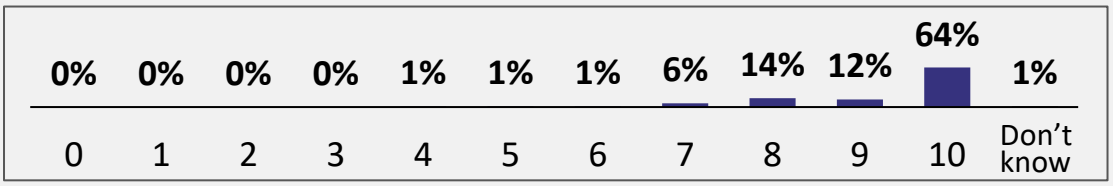
Not at all important — **Extremely important**

Delivering electricity at reasonable price [average = **9.3**]



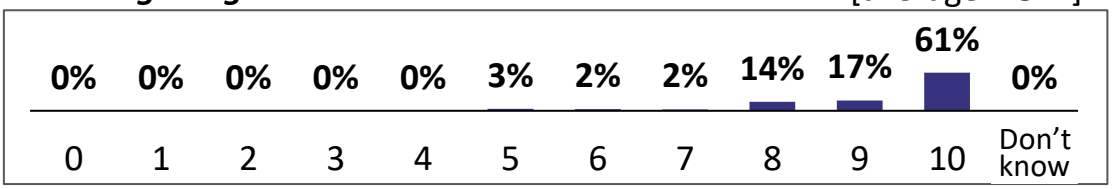
Not at all important — **Extremely important**

Providing timely communications during outages [average = **9.3**]



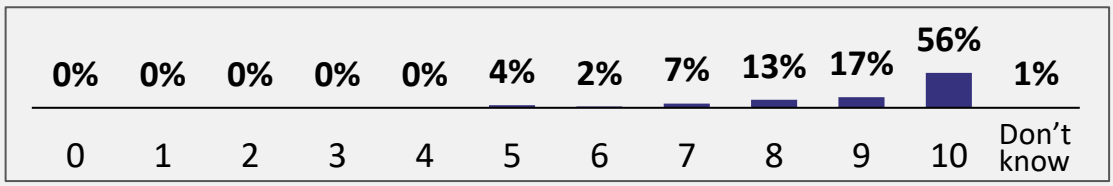
Not at all important — **Extremely important**

Ensuring the grid can withstand severe weather [average = **9.2**]



Not at all important — **Extremely important**

Ensuring the safety of electricity infrastructure [average = **9.1**]



Not at all important — **Extremely important**

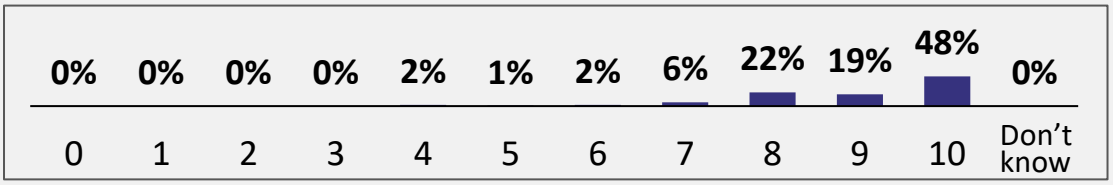
Note: Priority labels have been shortened for brevity. See slide 13 for full label text.
"Don't know" not included in calculation of means.

Online Survey
Importance of Customer Priorities (Cont'd)

Seasonal

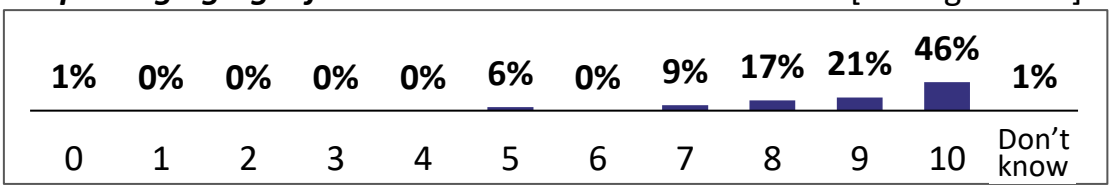
Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

Proactively trim vegetation to prevent outages [average = **8.9**]



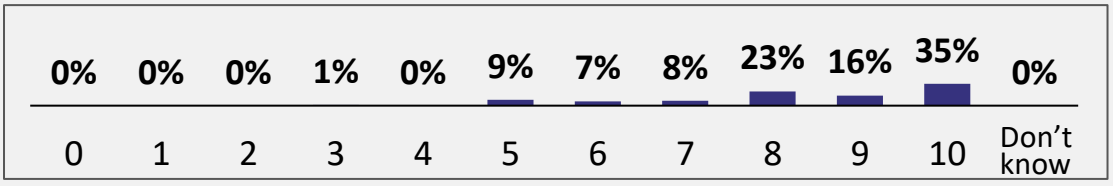
Not at all important — Extremely important

Replacing aging infrastructure [average = **8.8**]



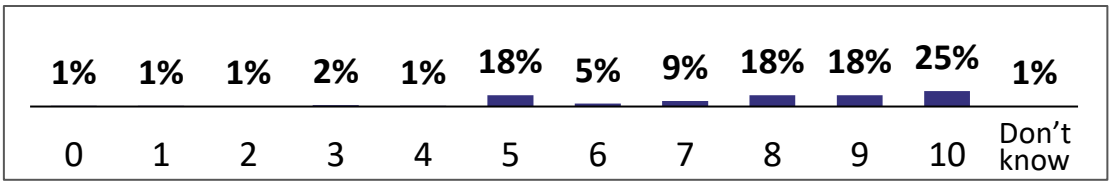
Not at all important — Extremely important

Expand the grid to meet expected future demand [average = **8.3**]



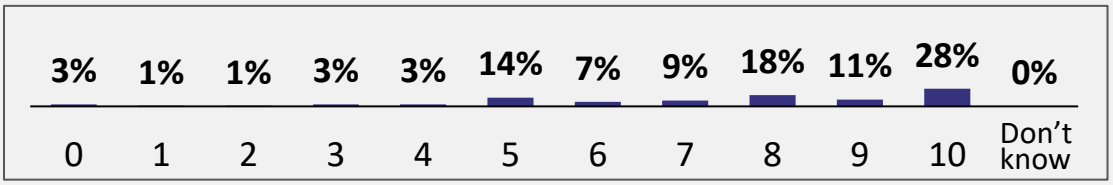
Not at all important — Extremely important

Investing in new technology to help manage usage [average = **7.6**]



Not at all important — Extremely important

Helping customers with energy conservation [average = **7.3**]



Not at all important — Extremely important

Note: Priority labels have been shortened for brevity. See slide 13 for full label text.
"Don't know" not included in calculation of means.

Online Survey

Importance of Customer Priorities – Average Scores

Seasonal

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to you as a customer?

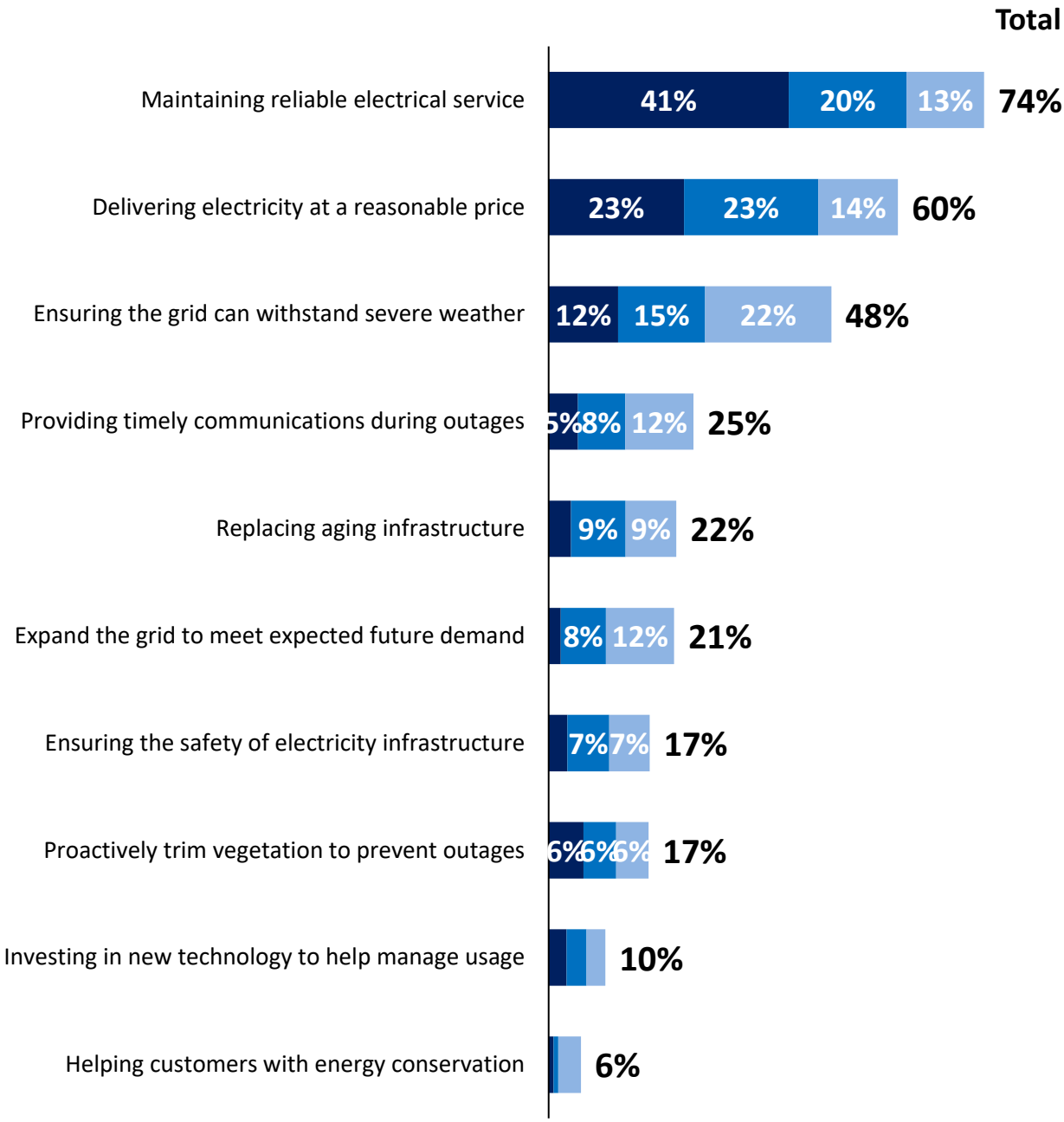
		Collapsed Consumption Quartiles		Bill Impact	
Average Score	Overall	Low-Medium	Medium-High	Major Impact	No Major Impact
Maintaining reliable electrical service	9.6	9.5	9.7	9.6	9.6
Delivering electricity at a reasonable price	9.3	9.6	9.1	9.6	9.1
Providing timely communications during outages	9.3	9.2	9.3	9.2	9.3
Ensuring the grid can withstand severe weather	9.2	9.2	9.3	9.1	9.2
Ensuring the safety of electricity infrastructure	9.1	9.2	8.9	9.0	9.1
Proactively trim vegetation to prevent outages	8.9	9.0	8.9	8.9	9.0
Replacing aging infrastructure	8.8	8.8	8.8	8.8	8.8
Expand the grid to meet expected future demand	8.3	8.4	8.2	8.2	8.4
Investing in new technology to help manage usage	7.6	7.8	7.4	8.1	7.3
Helping customers with energy conservation	7.3	7.5	7.1	7.8	7.1

Note: Priority labels have been shortened for brevity. See slide 13 for full label text.
"Don't know" not included in calculation of means. "Don't know" not shown.

Online Survey
Ranking Customer Priorities

Seasonal

Q Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?



n=101

Note: Priority labels have been shortened for brevity. See slide 13 for full label text.
Data labels are removed where 4% or less. "Don't know" not shown.

Online Survey

Ranking Customer Priorities – Summary

Seasonal

Q Thinking of the priorities on the previous page, which would you say is the **most** important? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?

		Collapsed Consumption Quartiles		Bill Impact	
% who select as top 3 priority	Overall	Low-Medium	Medium-High	Major Impact	No Major Impact
Maintaining reliable electrical service	74%	69%	80%	65%	77%
Delivering electricity at a reasonable price	60%	61%	58%	69%	51%
Ensuring the grid can withstand severe weather	48%	53%	44%	40%	57%
Providing timely communications during outages	25%	20%	30%	20%	29%
Replacing aging infrastructure	22%	18%	26%	23%	20%
Expand the grid to meet expected future demand	21%	23%	20%	20%	23%
Ensuring the safety of electricity infrastructure	17%	20%	14%	24%	15%
Proactively trim vegetation to prevent outages	17%	20%	14%	17%	17%
Investing in new technology to help manage usage	10%	11%	8%	18%	3%
Helping customers with energy conservation	6%	5%	6%	3%	8%

Note: Priority labels have been shortened for brevity. See slide 13 for full label text. "Don't know" not shown.

Online Survey
Additional Priority Areas

Seasonal

Q Can you think of any other important priorities that **Elexicon** should be focusing on?

Response	%
Reliable electrical service	4.7%
Lower costs	3.8%
Energy conservation information	2.4%
Improve transparency regarding bills/investments	2.2%
Affordable pricing/service	2.0%
Line maintenance	2.0%
Address climate change/green or renewable energy	2.0%
Communications during power outages	1.9%
Offering insight on managing usage	1.2%
Updating aging infrastructure	1.0%
Withstanding extreme weather	0.8%
Proactive planning/action for the future	0.8%
Electric vehicle (EV) infrastructure investment	0.8%
Other	2.0%
None/Don’t know	72.4%

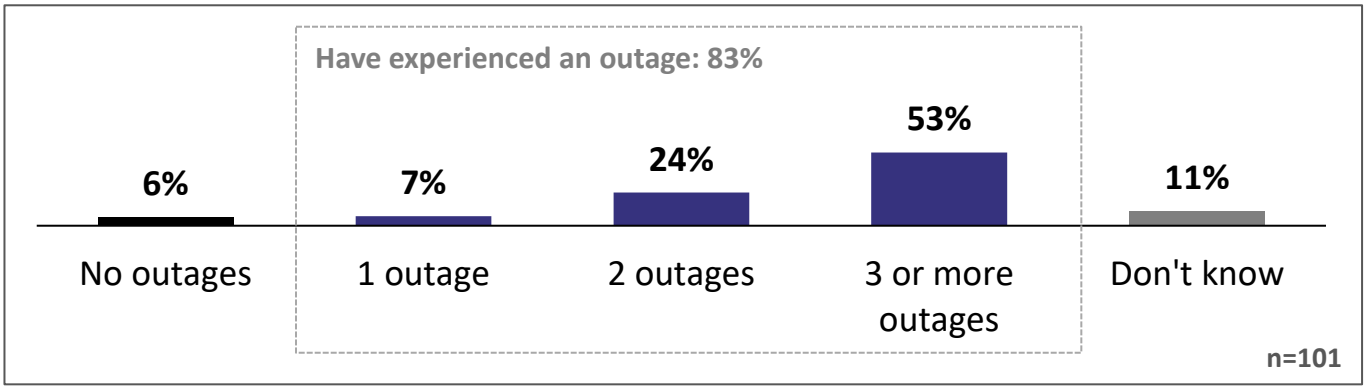
Note: Only responses >0.1% shown

Online Survey
Reliability Experience

Seasonal

Now, let's talk about the reliability of electricity service you receive.

Q Have you experienced any power outages at **your seasonal property in the past 12 months** which *lasted longer than one minute*? If so, approximately how many of these power outages did you experience over the past 12 months?

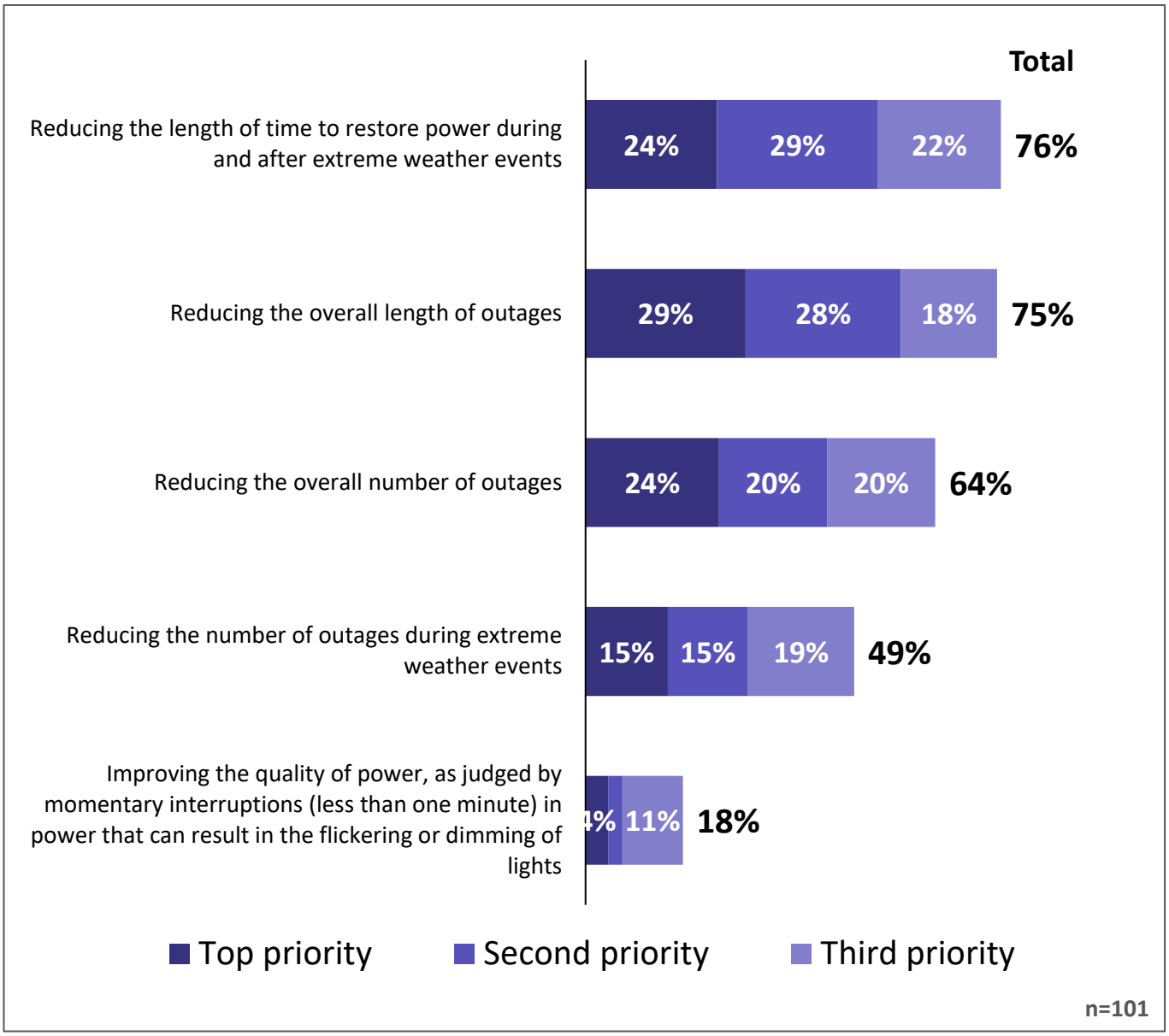


	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
No outages	6%	6%	6%	5%
1 outage	10%	4%	--	12%
2 outages	34%	14%	31%	22%
3 or more outages	39%	66%	51%	54%
Don't know	11%	10%	12%	8%
Have experienced at least 1 outage	**83%**	**84%**	**82%**	**87%**

Online Survey
Ranking Reliability Preferences

Seasonal

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?



Note: "Don't know" not shown.

Online Survey

Ranking Reliability Preferences – Summary

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the third most important priority?

		Collapsed Consumption Quartiles		Bill Impact	
% who select as top 3 priority	Overall	Low-Medium	Medium-High	Major Impact	No Major Impact
Reducing the length of time to restore power during extreme weather events	76%	81%	70%	81%	72%
Reducing the overall length of outages	75%	80%	70%	77%	73%
Reducing the overall number of outages	64%	51%	76%	65%	64%
Reducing the number of outages during extreme weather events	49%	46%	52%	49%	47%
Improving the quality of power, as judged by momentary interruptions	18%	11%	24%	14%	20%

Note: Priority labels have been shortened for brevity. See slide 21 for full label text. "Don't know" not shown.

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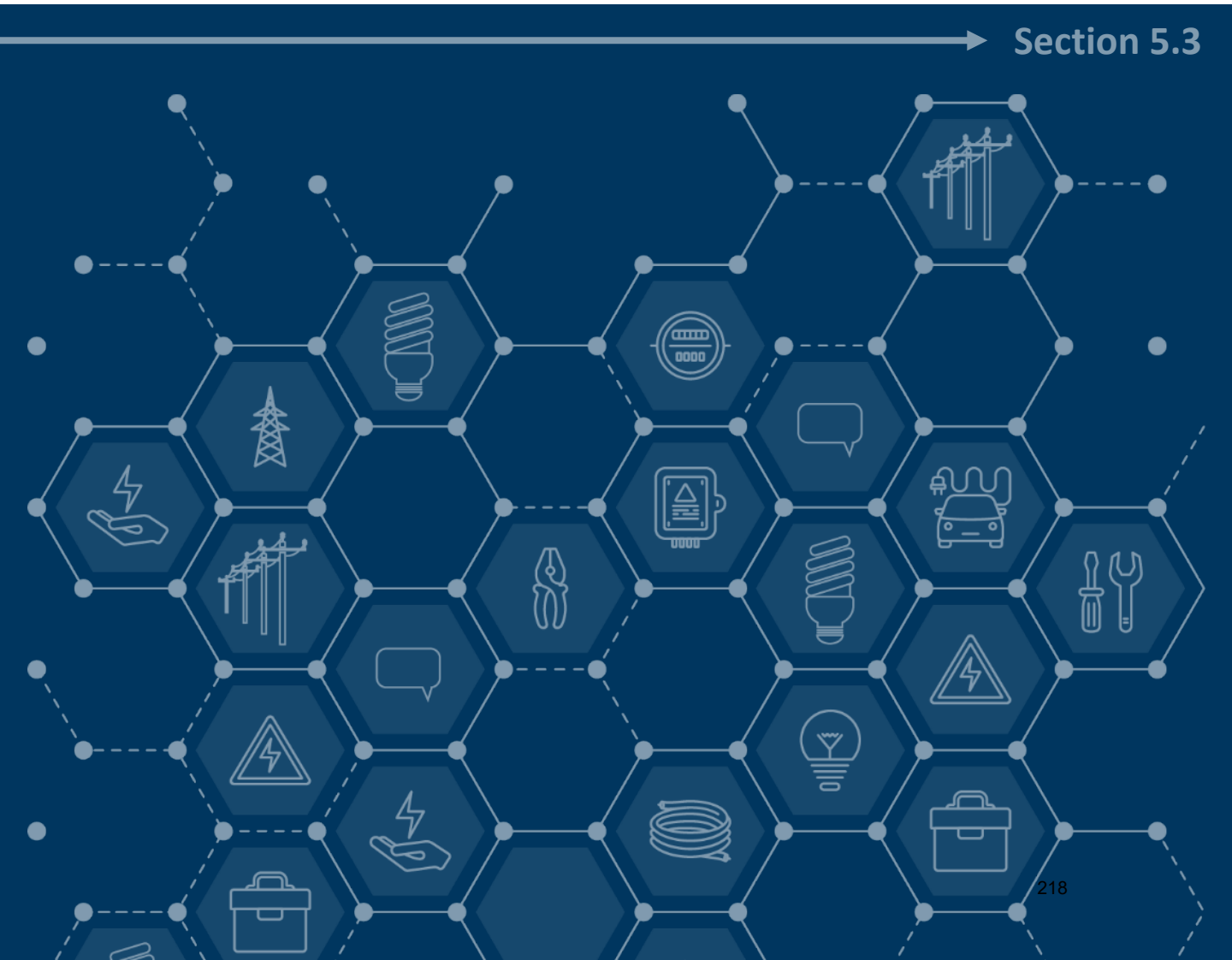
Seasonal Customers

Investment Trade-Offs

Section 5.3



Online Survey

Investment Trade-Offs – System Renewal

Seasonal

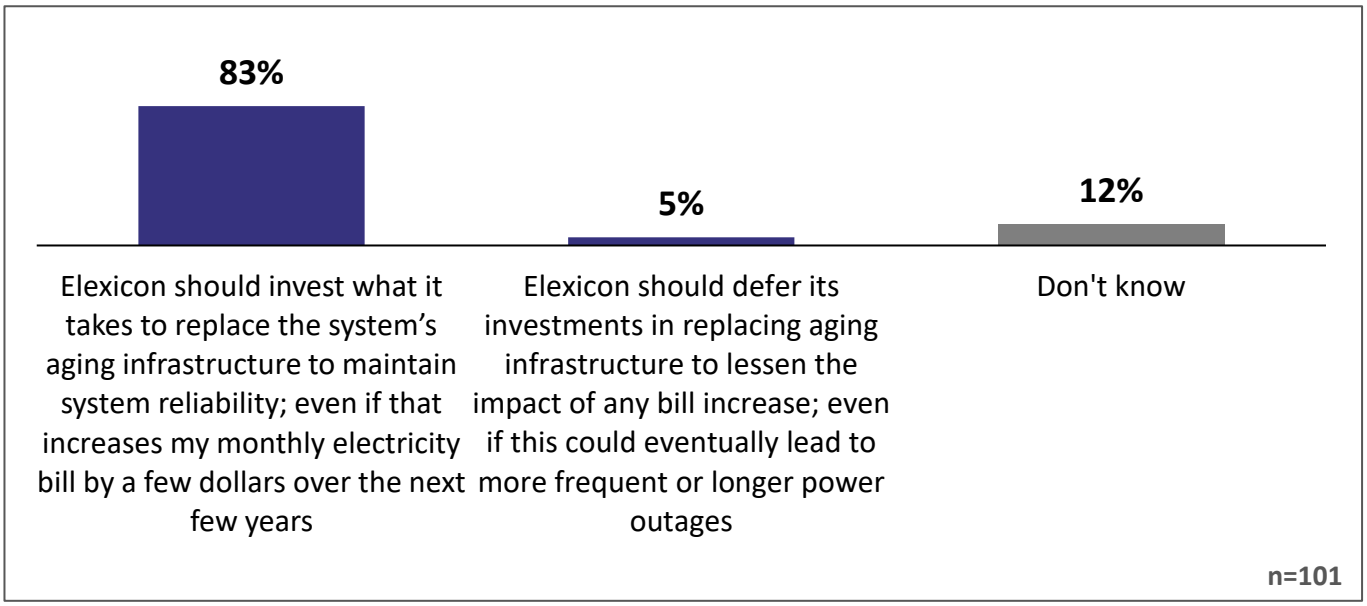
The final topic in this survey is on **investment trade-offs.**

Elexicon is in the early stages of developing its investment plan for the five years between 2027 and 2031. While conversations with customers will continue over the next 12-18 months, the utility wants to know your preferences when it comes to finding the right balance between the price of delivering electricity and the outcomes that customers value and expect from Elexicon.

There are four investment categories that we would like to discuss.

The first category focuses on projects that replace and restore aging electrical infrastructure, like overhead poles and underground cables.

Q Regarding investments in aging infrastructure, which of the following statements best represents your point of view?



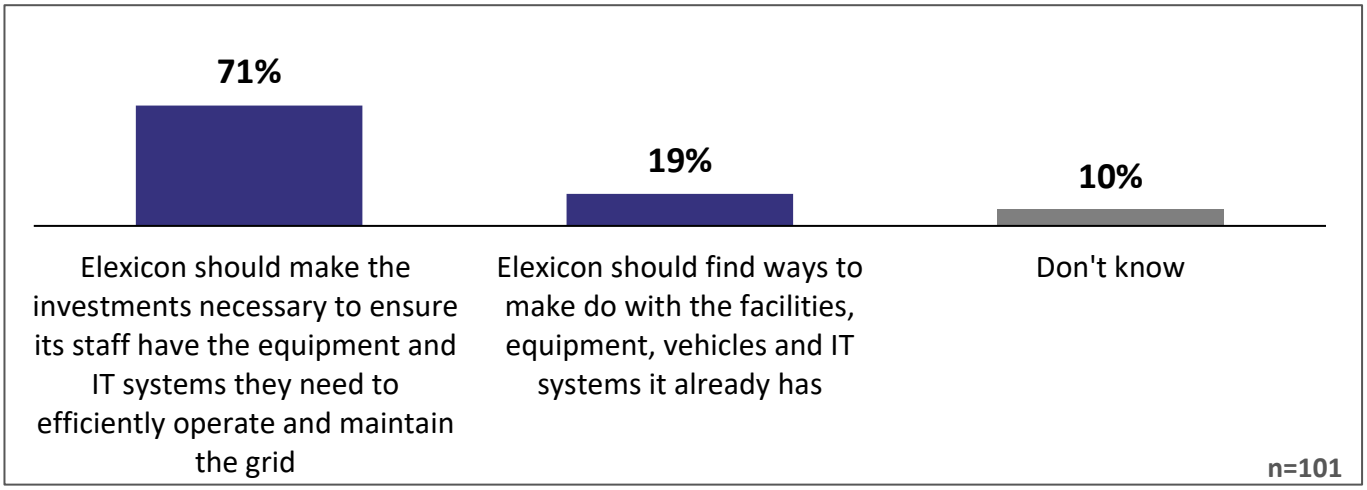
	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Invest what it takes	81%	84%	71%	89%
Defer investments	10%	--	6%	3%
Don't know	9%	16%	23%	8%

Online Survey

Investment Trade-Offs – General Plant

The second category focuses on keeping **Elexicon's** business running. This includes facilities to house staff and equipment, vehicles and tools to service equipment, and up-to-date IT systems to manage customer data and protect the electrical grid from cybersecurity threats.

Q Regarding these types of investments, which of the following statements best represents your point of view?



	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Make the necessary investments	71%	72%	66%	73%
Make do with what it already has	22%	16%	17%	21%
Don't know	7%	12%	18%	6%

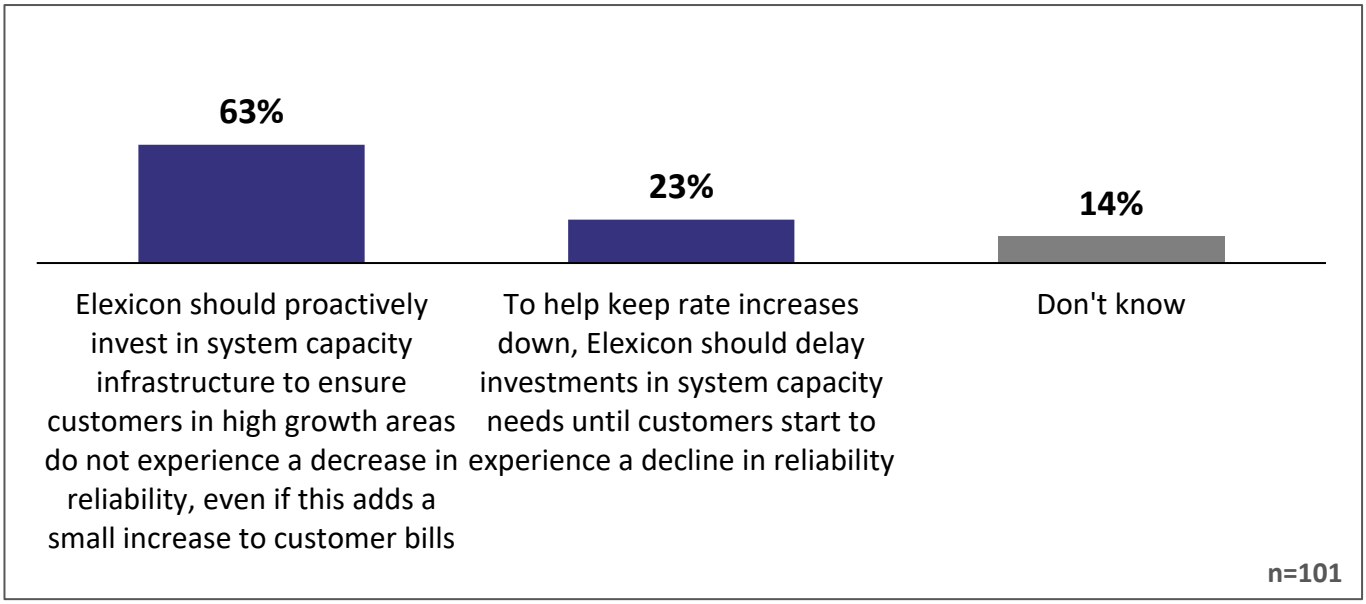
Online Survey

Investment Trade-Offs – System Service

The third investment category focuses on growth and greater demand for electricity in various parts of **Elexicon's** service territory.

Increased demand for electricity puts pressure on existing electrical infrastructure. Eventually, further infrastructure investments are required to support increased demand for electricity.

Q With this in mind, which of the following statements best represents your point of view?



	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Proactive investments in system capacity	54%	72%	56%	65%
Delay capacity investments until reliability declines	28%	18%	24%	23%
Don't know	18%	10%	19%	12%

Online Survey

Investment Trade-Offs – Grid Modernization

Seasonal

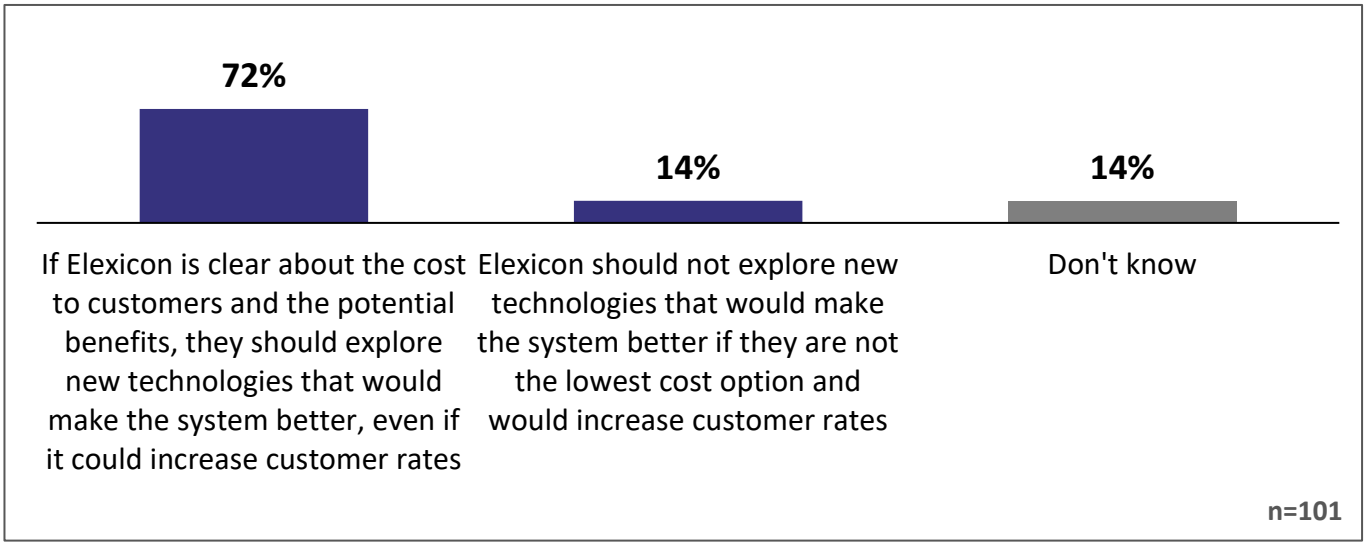
Elexicon can invest in technology that can lead to a wide range of benefits including reliability, efficiency, customer service, and reducing environmental impacts.

When deemed the lowest cost option that will provide equal or improved service, Elexicon will, in most cases, invest in technology.

However, there are two other scenarios where Elexicon needs your feedback.

First, there are times when Elexicon identifies new technology that can improve reliability or provide other benefits, but it will cost customers more. For instance, advanced monitoring technology can provide signals when there is an outage, allowing Elexicon to provide customers with better information on the areas impacted by outages and helping crews find affected areas more quickly.

Q Regarding these types of investments which of the following best represents your view?



	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Explore new technologies	70%	74%	59%	77%
Should not explore new technologies	15%	14%	17%	14%
Don't know	15%	12%	23%	9%

Online Survey

Investment Trade-Offs – Grid Modernization (Cont'd)

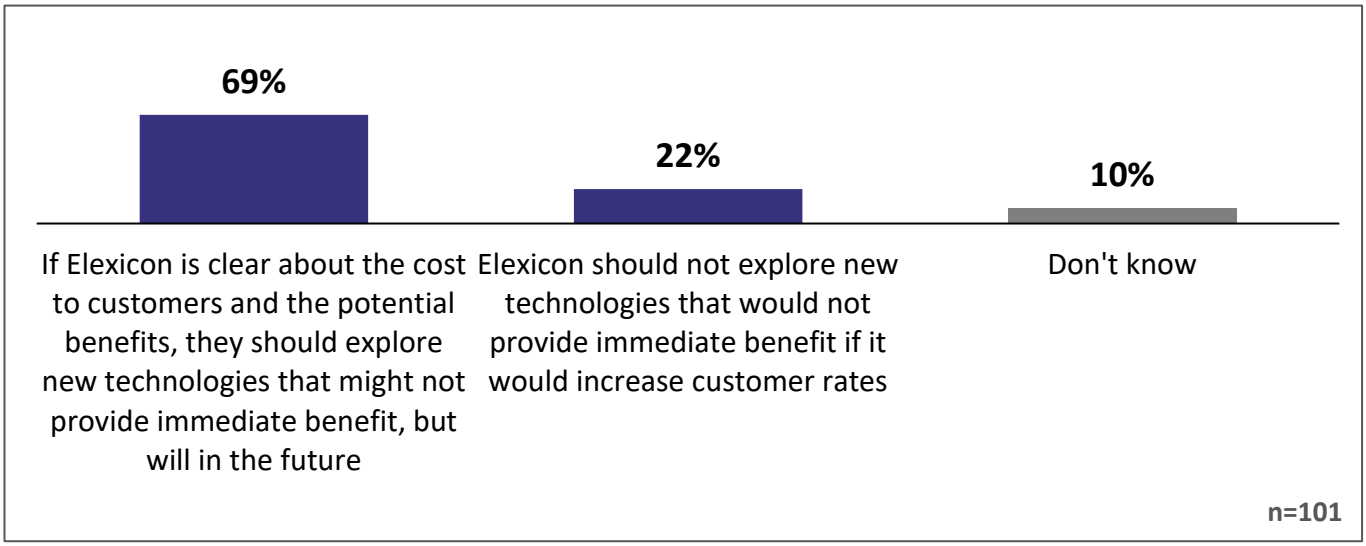
The second scenario is where **Elexicon** identifies new technology that is needed to improve the system in the future and would increase costs now, but the benefit might not be felt until later.

This includes accommodating emerging technologies like solar power, battery storage and electric vehicles.

Regardless of whether you are considering new energy choices like an electric vehicle for yourself today, **Elexicon** must be prepared as adoption becomes more widespread over the next 5-10 years.

For instance, charging each electric vehicle draws as much energy as two average homes. If a dozen or so people come home and start changing their vehicles at a period of peak demand, it could overload the grid in that neighbourhood. While **Elexicon** cannot predict the exact rate of electric vehicle adoption in east central Ontario, the utility must make certain investments today that will allow it to manage electric vehicle demand in the future.

Q Which of the following best represents your view?



	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Explore new technologies	69%	68%	48%	80%
Should not explore new technologies	18%	26%	36%	14%
Don't know	13%	6%	16%	223 6%

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Seasonal Customers

Energy Transition

Section 5.4

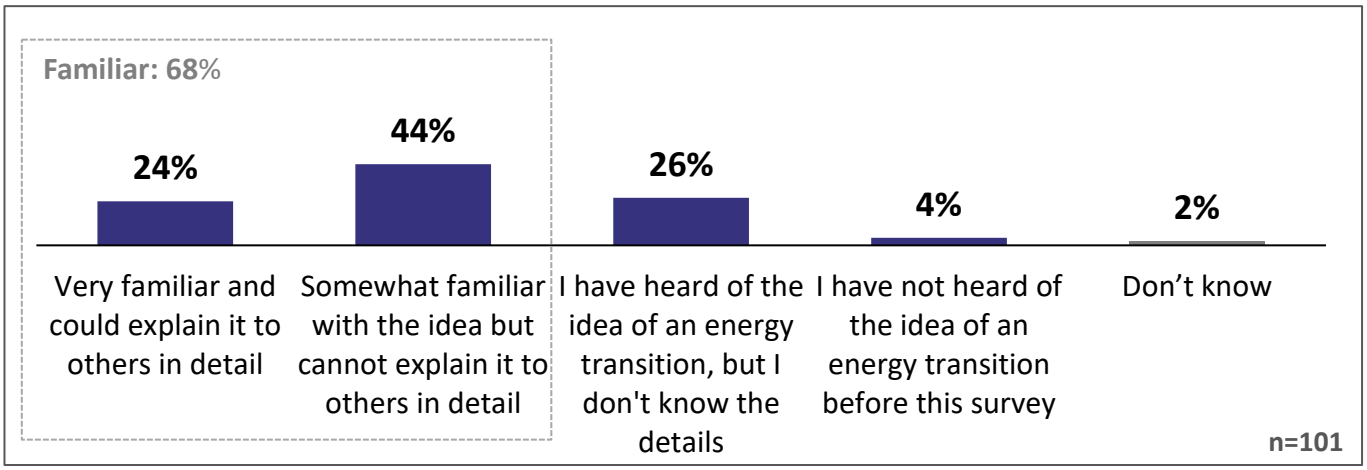
Online Survey

Familiarity with Energy Transition

Seasonal

One issue people have been talking about lately in Canada is the idea that Canada and the world may be transitioning from its current energy system that depends highly on carbon-based fossil fuels like coal, oil and gas to a lower-carbon energy system.

Q How familiar are you with the idea of transitioning from its current energy system that depends highly on carbon-based fuels to a lower-carbon energy system?

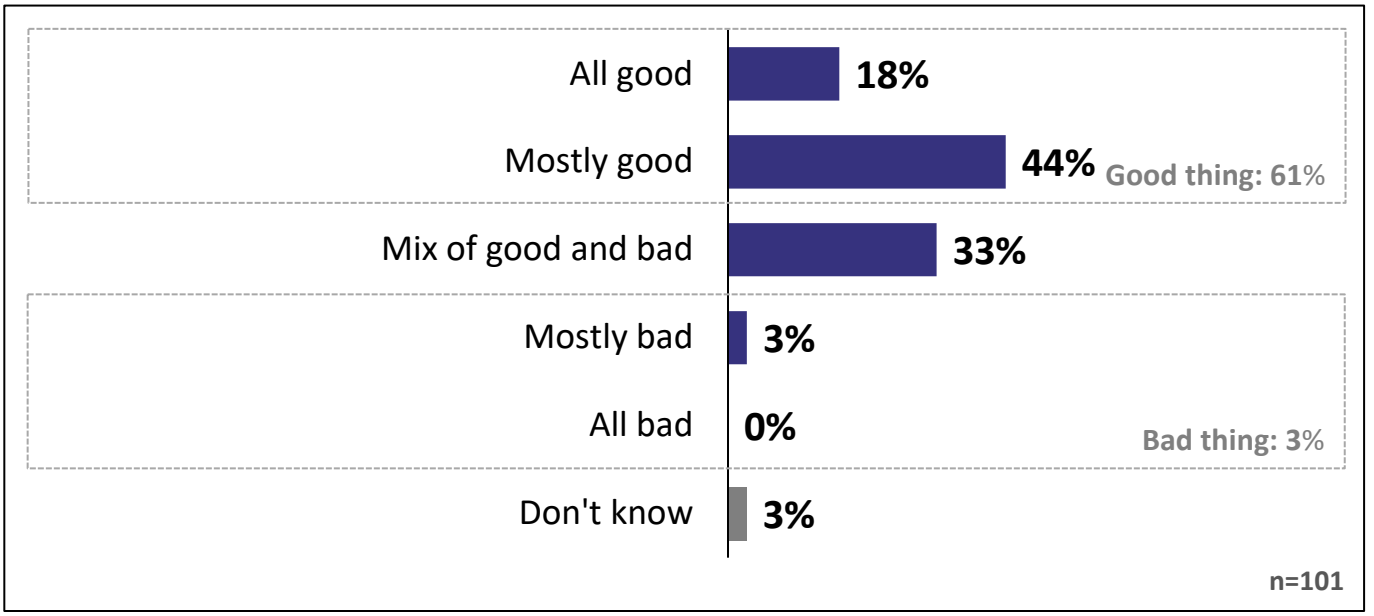


	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Very familiar, could explain it to others in detail	20%	28%	17%	29%
Somewhat familiar, cannot explain it to others in detail	42%	46%	46%	41%
Have heard of it before, but don't know the details	32%	20%	26%	27%
Haven't heard of the idea of energy transition before	4%	4%	5%	4%
Don't know	2%	2%	6%	--
Familiar (Very + Somewhat)	**62%**	**74%**	**63%**	**70%**

Online Survey
Impression of Energy Transition

Seasonal

Q From what you know or based on your first impression, does energy transition sound like a good thing or a bad thing?

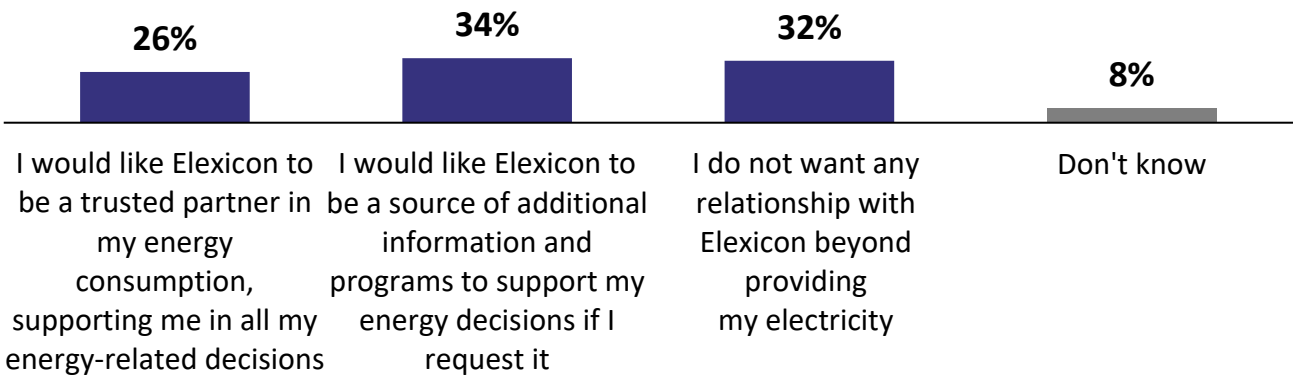


	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
All good	17%	18%	9%	23%
Mostly good	45%	42%	38%	43%
Mix of good and bad	36%	30%	45%	29%
Mostly bad	--	6%	5%	2%
All bad	--	--	--	--
Don't know	2%	4%	3%	3%
Good thing (All + Mostly)	**63%**	**60%**	**46%**	**66%**
Bad thing (All + Mostly)	**--**	**6%**	**5%**	**2%**

Online Survey
Relationship with Elexicon

Seasonal

Q Beyond providing you with electricity, which of the following best describes your desired relationship with Elexicon?



	Collapsed Consumption Quartiles		Bill Impact	
	Low-Medium	Medium-High	Major Impact	No Major Impact
Trusted partnership with decision-making support	23%	30%	35%	20%
Relationship limited to information and additional programs	35%	32%	29%	38%
No relationship beyond providing electricity	31%	34%	34%	32%
Don't know	11%	4%	2%	10%

INNOVATIVE RESEARCH GROUP

Seasonal Customers

Final Comments

Online Survey

Additional Comments or Feedback

Seasonal

Q Before this survey concludes, do you have any additional comments or feedback you'd like to share with Elexicon?

Response	%
Focus on grid infrastructure investments/maintenance	4.3%
Positive comment about Elexicon/satisfied with service	4.0%
Find operational efficiencies (salaries, spending) and accountability	3.9%
Provide more information on the costs, breakdown of either the plan or bill	3.2%
Prioritize reliability (e.g. Plans for underground cables, reduce outages)	3.1%
Ways to reduce usage, save money on bill/rebates	2.9%
Support investment in green energy/nuclear/energy transition	2.2%
Improve customer service	2.2%
Improve website/online portal	2.0%
Did not like the options presented in the survey	1.8%
Satisfied with the information presented/opportunity to provide feedback	1.2%
Customers should not have to pay for these investments	1.2%
Priority should be to lower rates/keep costs low/maintain affordability	1.0%
None/Don't know	67.0%

Note: Only responses >0.1% shown

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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INNOVATIVE RESEARCH GROUP

APPENDIX 08

Needs and Preferences Survey

Key Account Customers

elexicon ENERGY

June 7, 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Report Navigation

- **Combined Report**
  - APPENDIX.00 – Customer Engagement Executive Summary
- **PHASE I: Needs & Preferences**
  - APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
  - APPENDIX.02 – C&I Customer Needs & Preference Interviews
  - APPENDIX.03 – Key Account Needs & Preference Interviews
  - APPENDIX.04 – Customer Sample Validation
  - APPENDIX.05 – Residential Needs & Preferences Survey
  - APPENDIX.06 – Small Business Needs & Preferences Survey
  - APPENDIX.07 – Seasonal Needs & Preferences Survey
  - APPENDIX.08 – Key Accounts Need & Preferences Survey
  - APPENDIX.09 – Needs & Preferences Planning Placemat
- **PHASE II: Trade-offs**
  - APPENDIX.10 – Residential Trade-off Survey
  - APPENDIX.11 – Small Business Trade-off Survey
  - APPENDIX.12 – Seasonal Trade-off Survey
  - APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

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Key Account Customers

Online Survey Results

Section 7.1

Online Survey

Survey Design & Methodology

Field Dates

The **Key Account Online Survey** was sent to all Elexicon Key Account customers who have provided the utility with an email address. Customers had an opportunity to complete the survey between **May 9th and May 31st, 2024**.

Each customer received a unique URL that could be linked back to their region and rate class.

In total, the Key Account survey was sent to **77** customers from *customerexperience@elexiconenergy.com*. Reminder emails were sent on May 13th and May 22nd, 2024 to those who had not yet completed the survey.

Key Account Online Survey Completes

A total of **13** (unweighted) Elexicon Key Account customers completed the online survey.

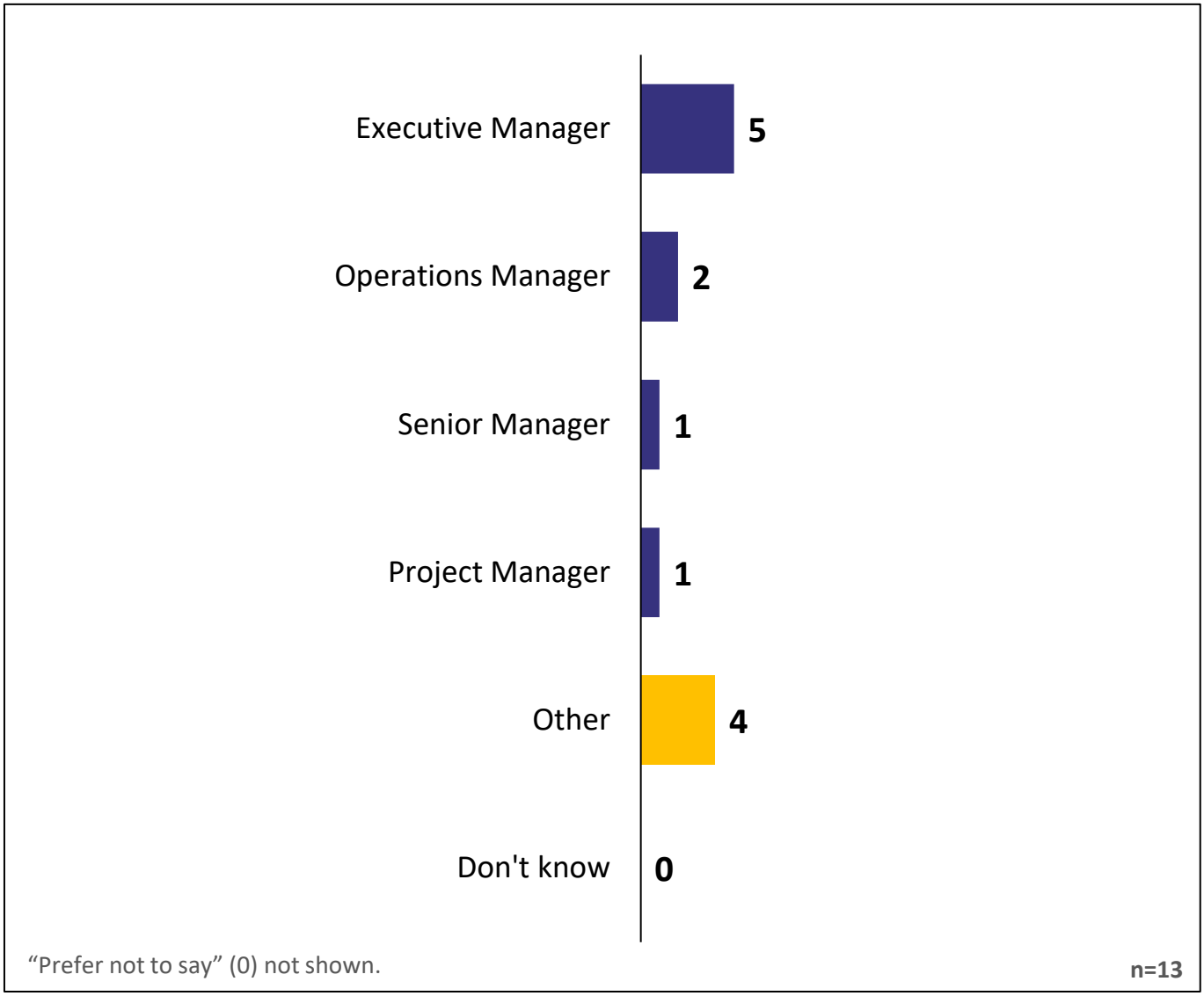
Given the limited sample size among Key Account customers, results are not weighted. Throughout the report, results are reported in frequencies rather than percentages. Results should be treated as directional only.

Note: *Graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Online Survey
Firmographic Breakdown

Key Accounts

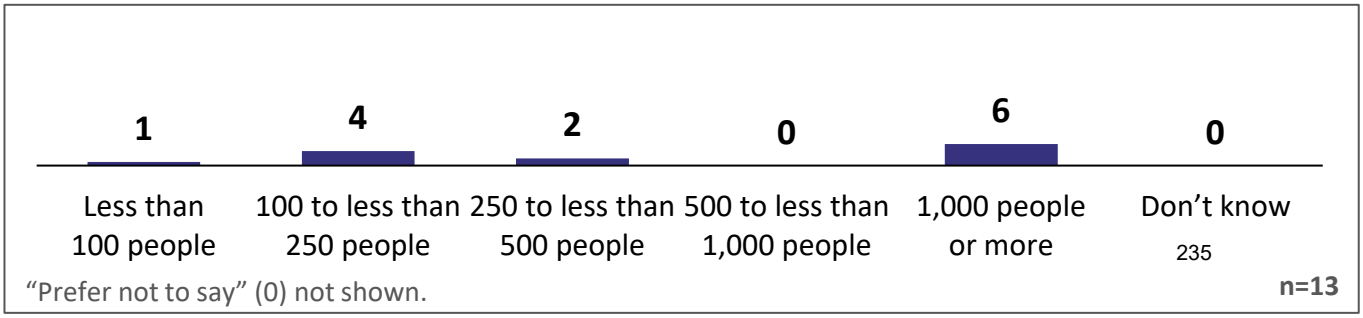
Q Role at Organization



"Prefer not to say" (0) not shown.

n=13

Q Organization Size



235

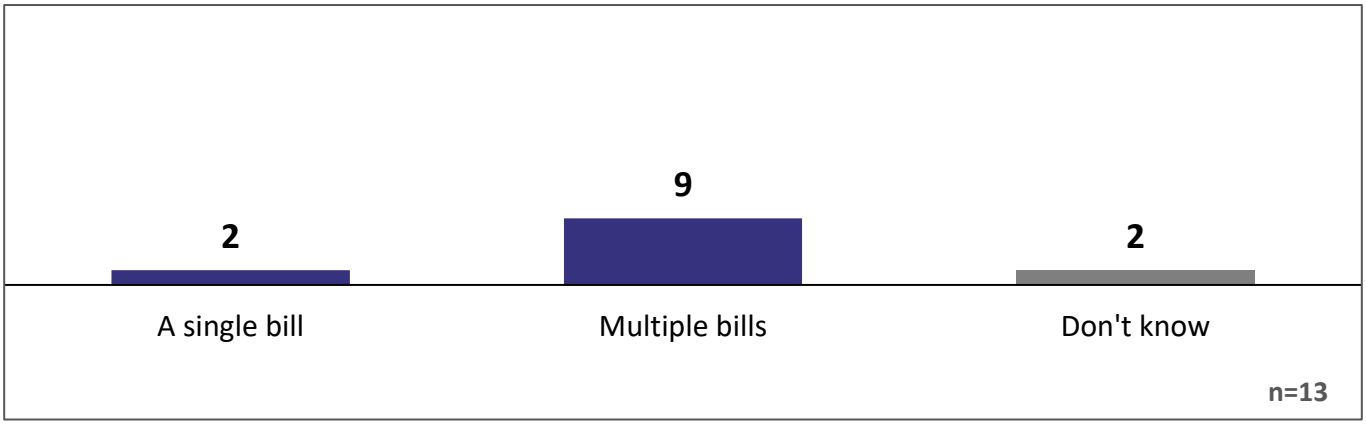
"Prefer not to say" (0) not shown.

n=13

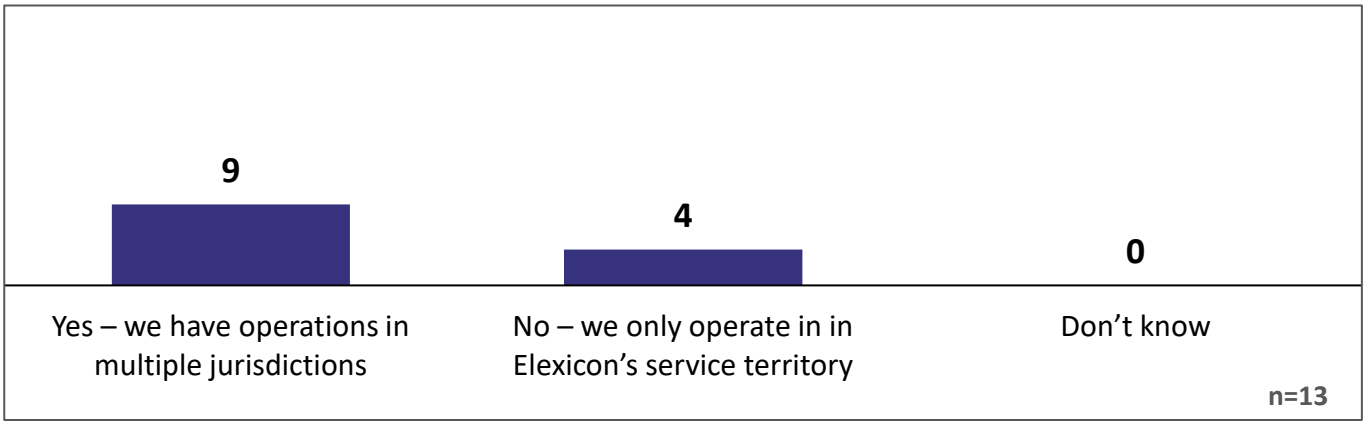
Online Survey
Firmographic Breakdown

Key Accounts

Q Does your organization receive a single bill or multiple bills from Elexicon?



Q Does your organization receive electrical bills from utilities other than Elexicon?

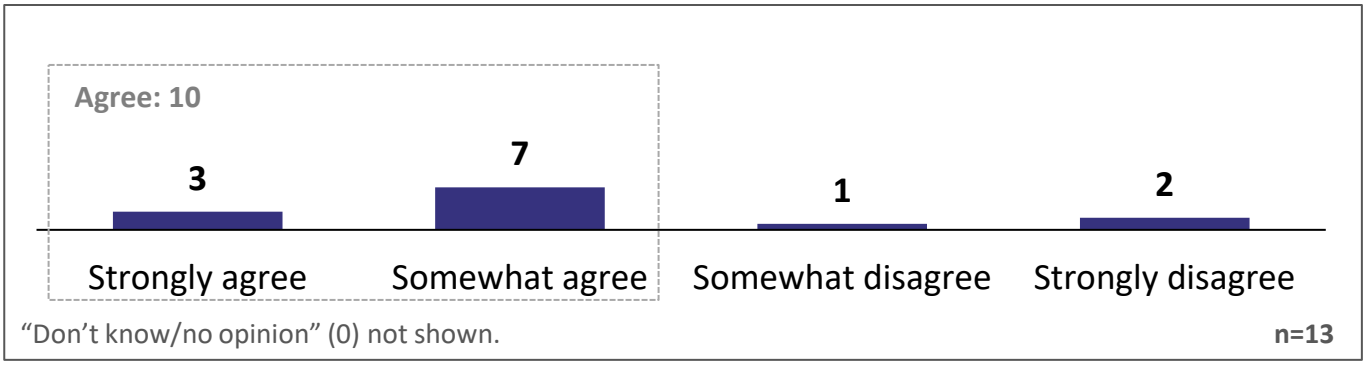


Online Survey
Environmental Controls

Key Accounts

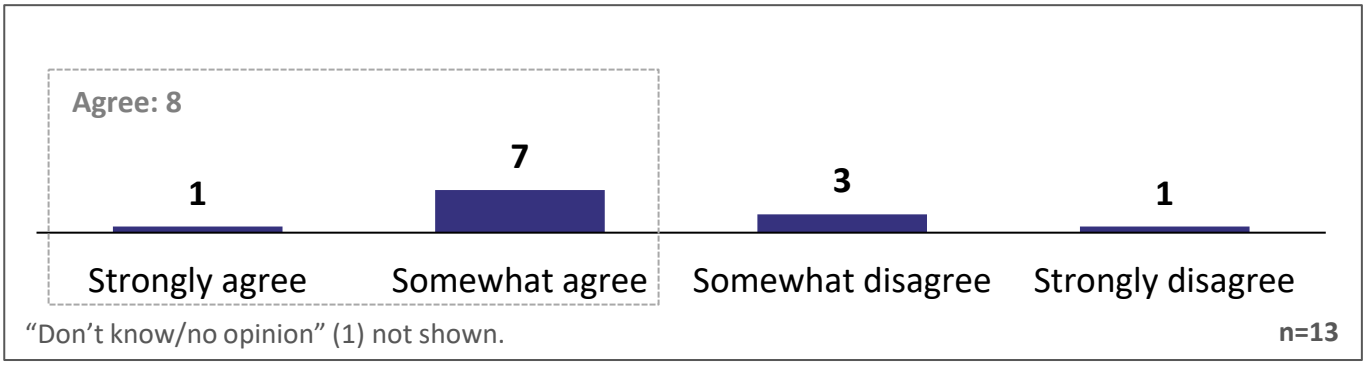
To what extent do you agree or disagree with the following statements?

Q The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.



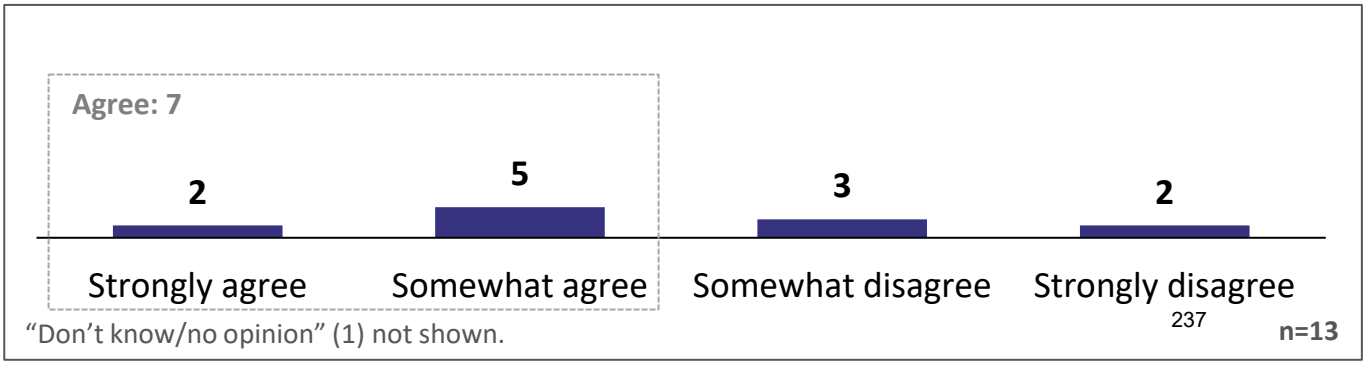
"Don't know/no opinion" (0) not shown. **n=13**

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (1) not shown. **n=13**

Q Fossil fuels should be phased out as quickly as possible to speed up the shift to a lower-carbon future.



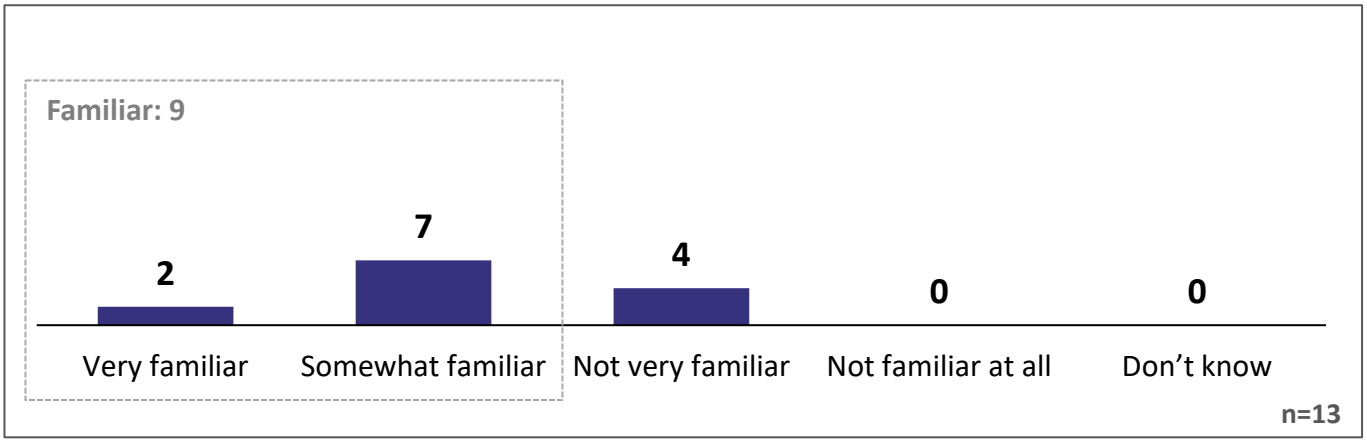
"Don't know/no opinion" (1) not shown. **n=13**

Online Survey

Familiarity with Elexicon

Elexicon owns, operates, and maintains all aspects of the local electricity distribution system across 10 municipalities in the Durham region, Belleville, and Gravenhurst. Its responsibilities include building and maintaining the local electricity system, reading meters, calculating your charges, answering your calls, responding during power outages, and clearing trees and brush from power lines. **Elexicon** does not set the commodity price of electricity or the Global Adjustment charge.

Q Before this survey, how familiar were you with **Elexicon**, and the role it plays in Ontario's electricity system?

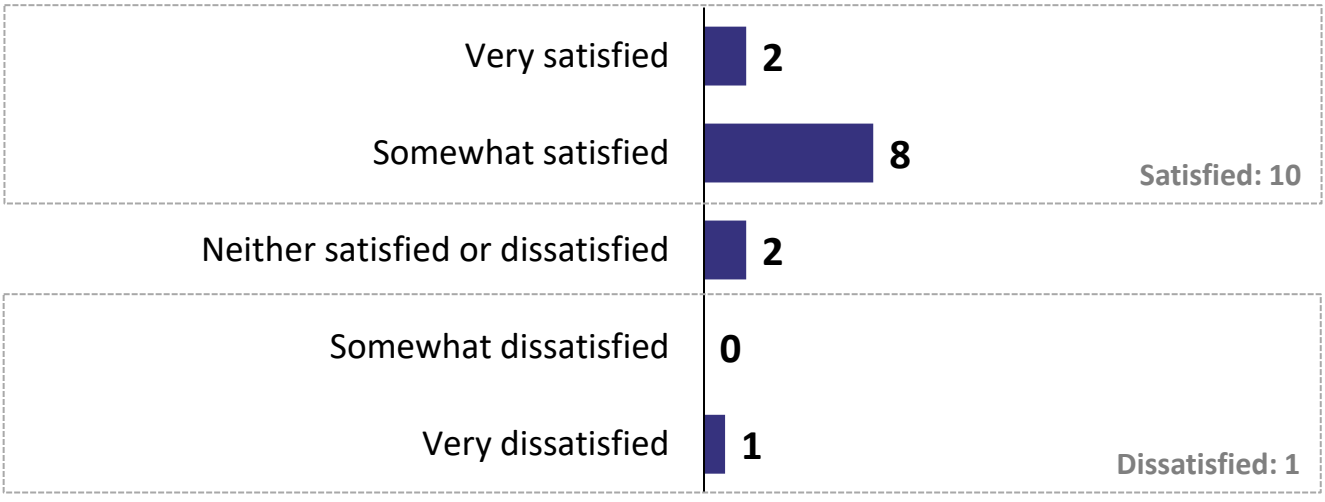


Online Survey

Overall Satisfaction with Elexicon

Key Accounts

Q Generally, how satisfied or dissatisfied are you with the services that your organization receives from **Elexicon**?



"Don't know" (0) not shown.

n=13

INNOVATIVE RESEARCH GROUP

Online Survey

How Elexicon can improve its services

Key Accounts

Q Is there anything **Elexicon** can do to improve its services to your organization?

Responses from those who provided a comment
Verbatim
"As a Large Commercial Customer I am uncertain exactly who to contact for specific matters such as Customer Service related matters, service or billing concerns, etc. I believe there needs to be more communication from a Key Account Representative."
"Consolidated electronic utility billing files to assist in streamlined accounts payable processes and collection of relevant energy consumption and cost information for benchmarking and reporting purposes (e.g ESPM reporting under O.Reg 25/23 under Electricity Act)."
"Continue to reduce power blips at the plant."
"Need to have proper customer service and billing - we have requested our billing several times over the years, which is odd to require as a business."
"Recently the communication between Elexicon and our organization has greatly improved, continue with this so both parties are aligned and understand each other's needs."
"We do not get our power from Elexicon for our main manufacturing facility in Belleville. Only our distribution centre in Bellville gets power from you. Therefore cannot comment- we purchase direct from Ontario Hydro for our main facility."
"We unfortunately had a situation recently where a crew was required to re-energize after a power upgrade. Despite communicating in advance and having assurances of the ability to support in extended hours, we were left without the ability to power up. This resulted in the loss of production for over half of our plant through the night. As a 24/7/365 operation, we do not have the ability to recover from lost time events."

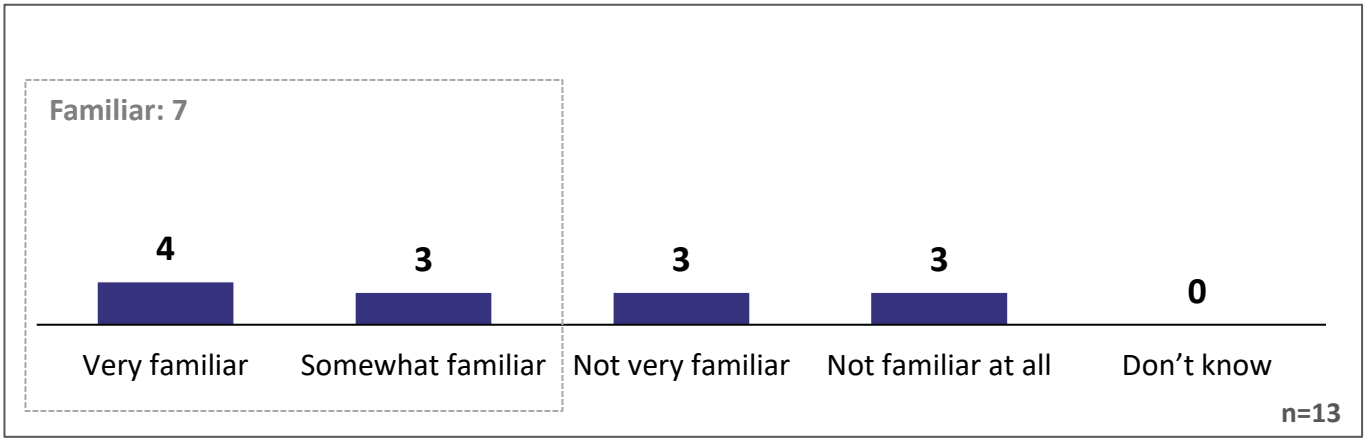
Note: Out of the 13 respondents, 7 provided a comment and 6 answered 'Don't know'.

Online Survey
Bill Remittance Familiarity

Key Accounts

While **Elexicon** is responsible for collecting payment for the entire electricity bill, it retains anywhere from **10% to 15%** of the average Key Account's bill – depending on customer load and type of customer account. The rest of the bill goes to power generation companies (e.g. Ontario Power Generation), transmission companies (mainly Hydro One), the provincial government and regulatory agencies.

Q Before this survey, how familiar were you with the percentage of your organization's electricity bill that went to **Elexicon**?



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Key Account Customers

Priorities & Preferences

Section 7.2

Online Survey

Importance of Customer Priorities

Key Accounts

Now, let's talk about our second topic – outcomes.

Elexicon regularly holds discussions with its customers to better understand how it should set spending priorities with ratepayer dollars.

In a recent series of Key Account interviews, **several areas were identified as priorities** for Elexicon.

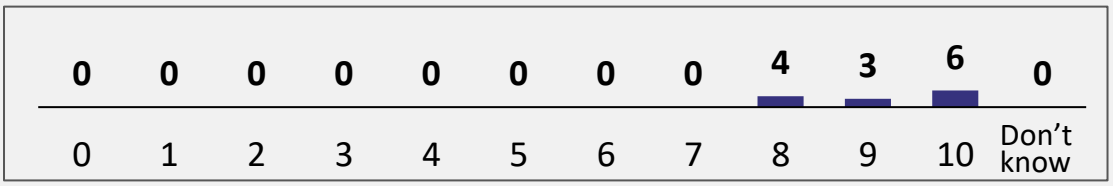
Shortened General Outcomes Priorities Response Labels	Full General Outcomes Priorities Response Labels
Reasonable electricity distribution rates	Providing reasonable electricity distribution rates
Reasonable timelines for capital projects	Providing reasonable *timelines* for capital projects (e.g. new connections/service upgrades/relocations)
Ensuring reasonable costs for capital projects	Ensuring reasonable *costs* for capital projects (e.g. new connections/service upgrades)
Delivering reliable electrical service	Delivering reliable electrical service, including power quality (e.g. minimizing voltage fluctuations and momentary interruptions)
Hardening the grid to withstand severe weather	Hardening the local grid to withstand increasingly severe weather events (e.g. windstorms, derechos, tornados, floods, and ice storms)
Providing enhanced advisory services	Providing enhanced advisory services (e.g. support for business planning and navigating future energy transition projects)
Ensuring electrical capacity meets future demand	Ensuring electrical capacity is available to meet future customer demand
Investing in technology to help manage usage	Investing in technology that permits customers to better manage and monitor their electricity usage and/or local generation
Ensuring the safe operations of its infrastructure	Ensuring the safe operations of its infrastructure

Online Survey
Importance of Customer Priorities

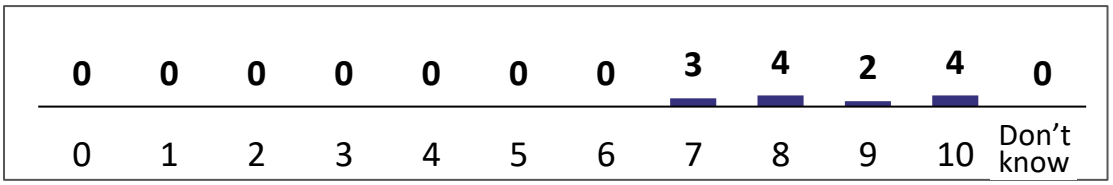
Key Accounts

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to your organization?

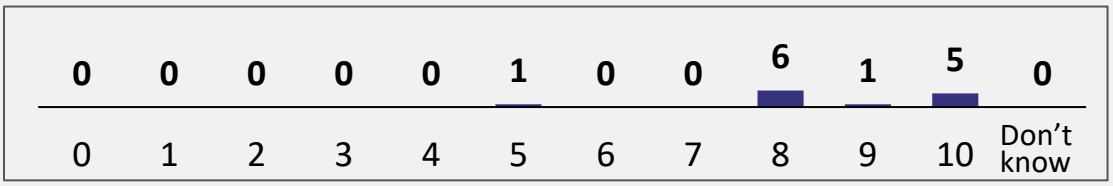
Reasonable electricity distribution rates



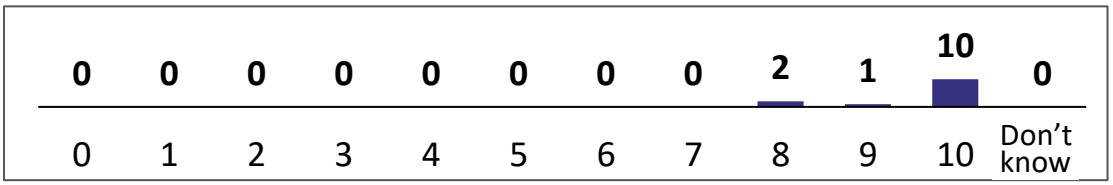
Reasonable timelines for capital projects



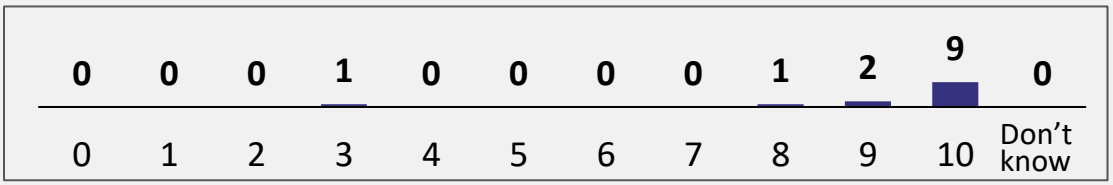
Ensuring reasonable costs for capital projects



Delivering reliable electrical service



Hardening the grid to withstand severe weather



Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
Mean is not shown due to small sample size.

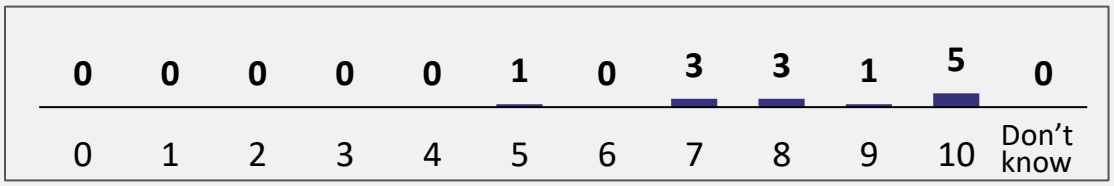
Online Survey

Importance of Customer Priorities (Cont'd)

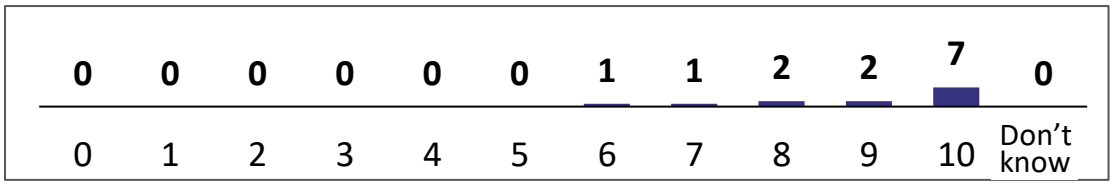
Key Accounts

Q Using a scale from 0 to 10, where *0 means not important at all* and *10 means extremely important*, how important are each of the following **Elexicon** priorities to your organization?

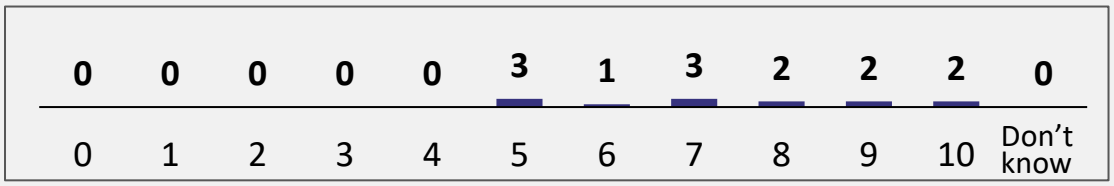
Providing enhanced advisory services



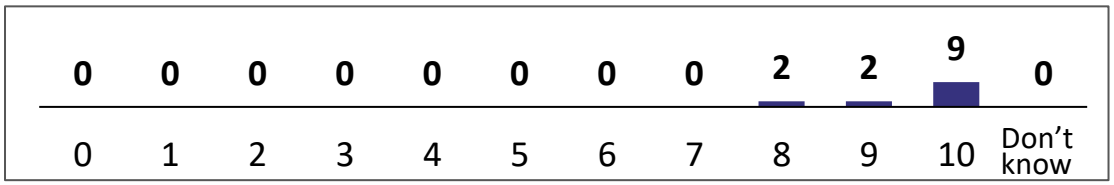
Ensuring electrical capacity meets future demand



Investing in technology to help manage usage



Ensuring the safe operations of its infrastructure

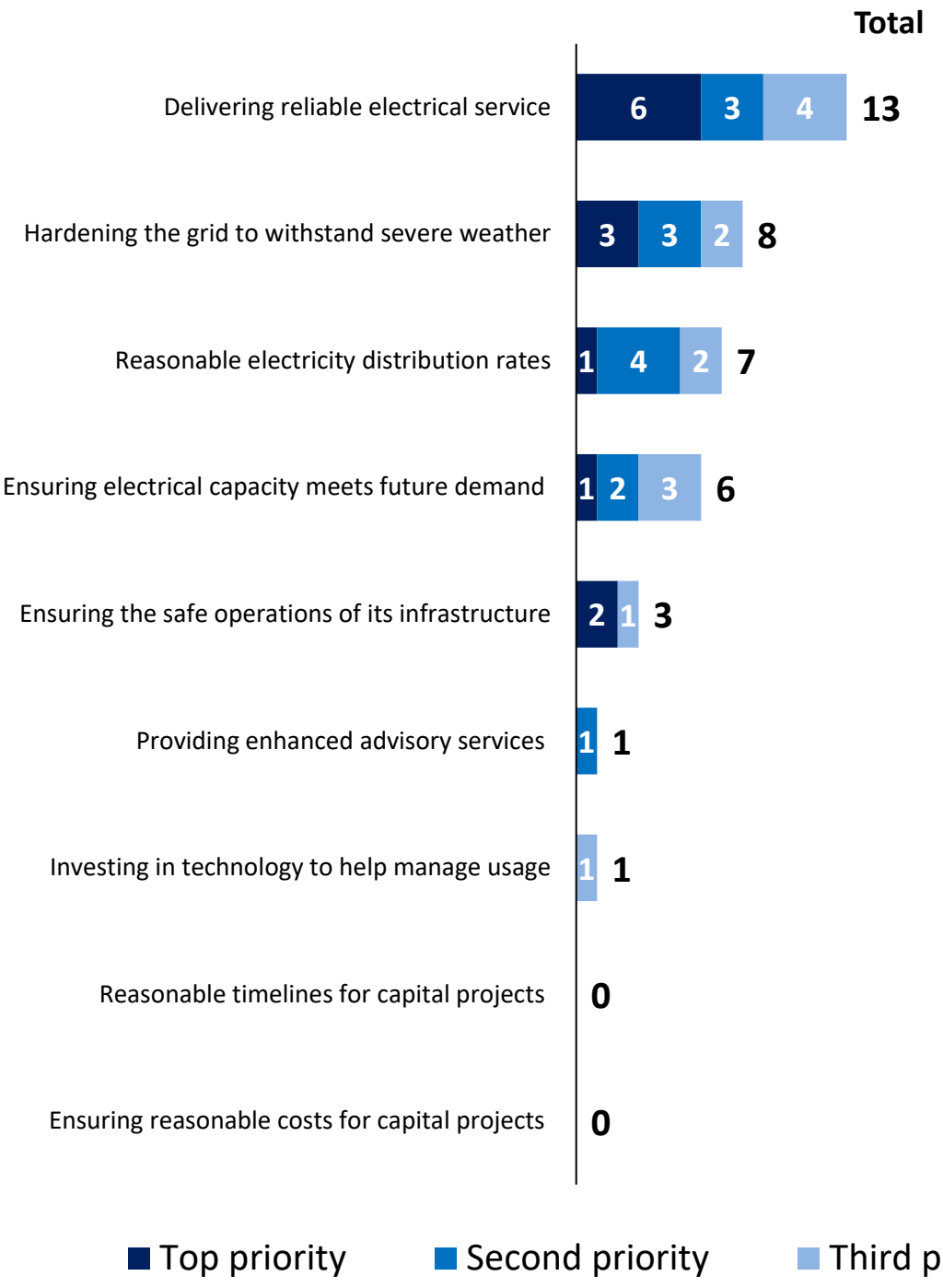


Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
Mean is not shown due to small sample size.

Online Survey
Ranking Customer Priorities

Key Accounts

Q Thinking of the priorities on the previous page, which would you say is the **most** important to your organization? What is the **next most important** priority you think **Elexicon** should focus on? And what do you consider the **third most important** priority?



n=13

Note: Priority labels have been shortened for brevity. See slide 12 for full label text.
"Don't know" not shown.

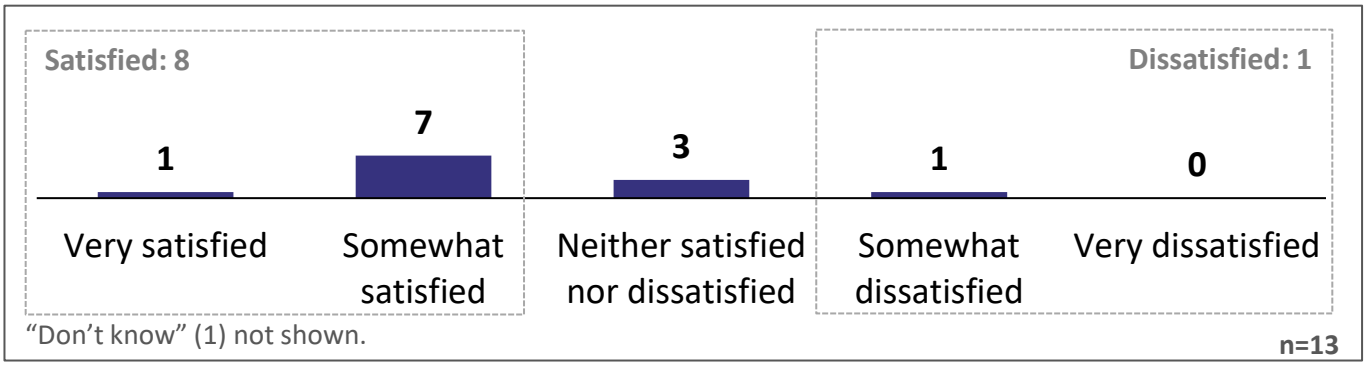
Online Survey

Power Quality and Reliability Outcomes

Key Accounts

The following statements are about the electrical service that your organization receives from **Elexicon**. For each statement, please indicate your level of satisfaction or dissatisfaction.

Q **Power quality**, as judged by the absence of voltage fluctuations that may affect your equipment or operations.



"Don't know" (1) not shown.

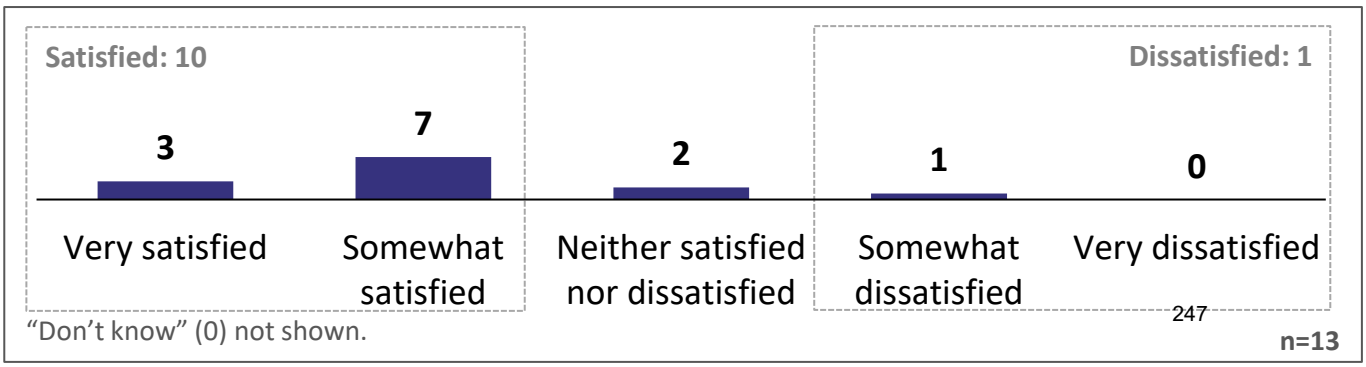
n=13

Q The **reliability of your electricity service**, as judged by the number of power outages you experience.

"Don't know" (0) not shown.

n=13

Q The amount of **time it takes to restore power** when unscheduled outages occur.



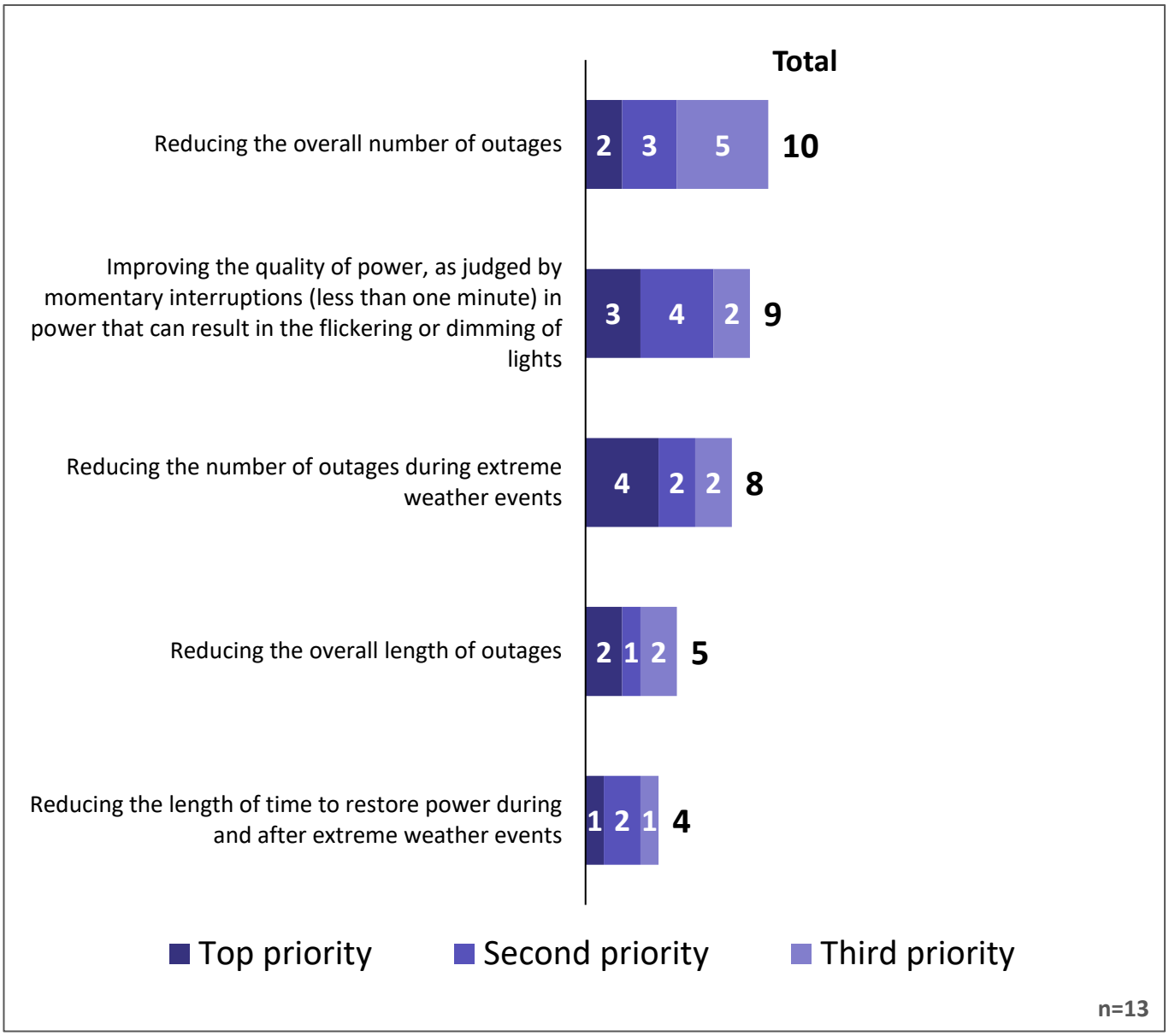
"Don't know" (0) not shown.

n=13

Online Survey
Ranking Reliability Preferences

Key Accounts

Q When it comes to reliability, there are a number of areas that **Elexicon** could focus on. Among the following reliability outcomes, which would you say is the **most** important? What is the next most important reliability outcome you think **Elexicon** should focus on? And what do you consider the **third most important** priority?



Note: "Don't know" not shown.

Online Survey
Additional Priority Areas

Key Accounts

Q Can you think of any other priorities that **Elexicon** should be focusing on, not listed on the previous pages?

Responses from those who provided a comment
Verbatim
"Further support and coordination with large end-use customers in system planning to understand distribution system limitations (e.g. long term planning of distribution system with consideration of large customer load growth including fleet electrification needs) and work together to find innovative solutions to meet objectives (e.g. examine opportunities for customer generation, storage and load management options as a non-wires solution for the distributor and ways to access."
"Not at this time."

Note: Out of the 13 respondents, 2 provided a comment and 11 answered 'Don't know'.

Key Account Customers

Investment Trade-Offs

Section 7.3

Online Survey

Investment Trade-Offs – System Renewal

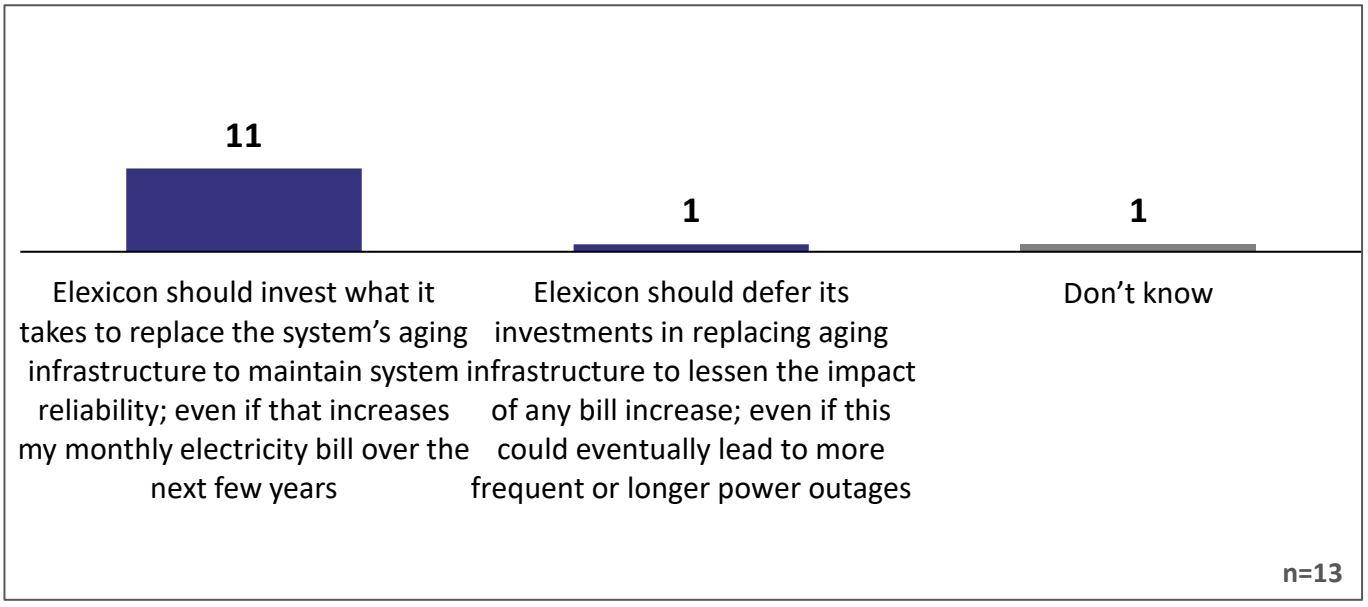
The final topic in this survey is on **investment trade-offs**.

Elexicon is in the early stages of developing its investment plan for the five years between 2027 and 2031. While conversations with customers will continue over the next 12-18 months, the utility wants to know your preferences when it comes to finding the right balance between the price of delivering electricity and the outcomes that customers value and expect from Elexicon.

There are four investment categories that we would like to discuss.

The first category focuses on projects that replace and restore aging electrical infrastructure, like overhead poles and underground cables.

Q Regarding investments in aging infrastructure, which of the following statements best represents your point of view?

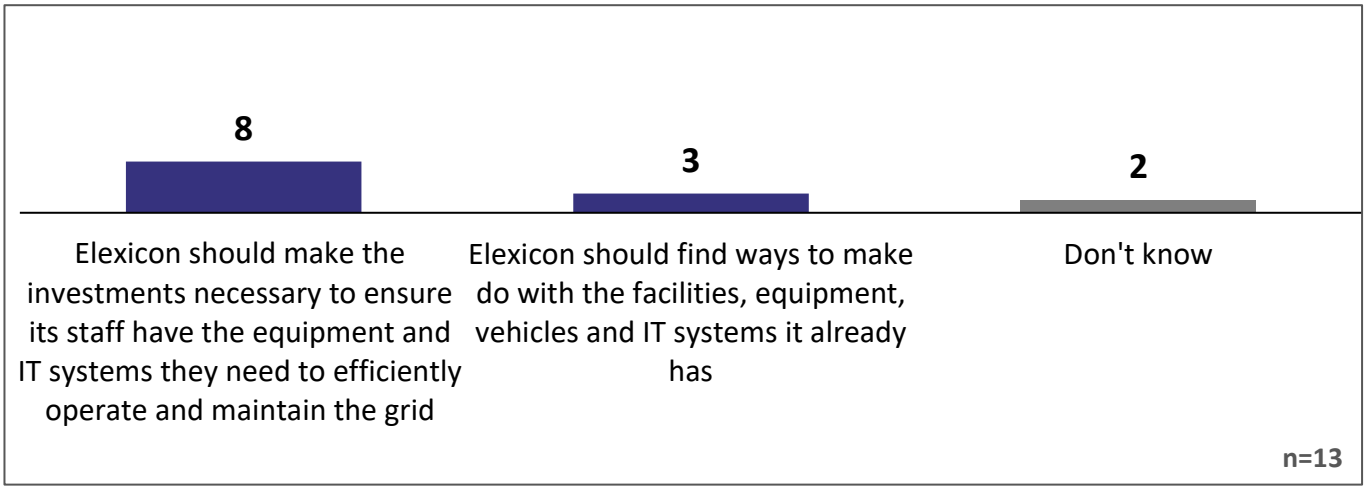


Online Survey

Investment Trade-Offs – General Plant

The second category focuses on keeping **Elexicon's** business running. This includes facilities to house staff and equipment, vehicles and tools to service equipment, and up-to-date IT systems to manage customer data and protect the electrical grid from cybersecurity threats.

Q Regarding these types of investments, which of the following statements best represents your point of view?



Online Survey

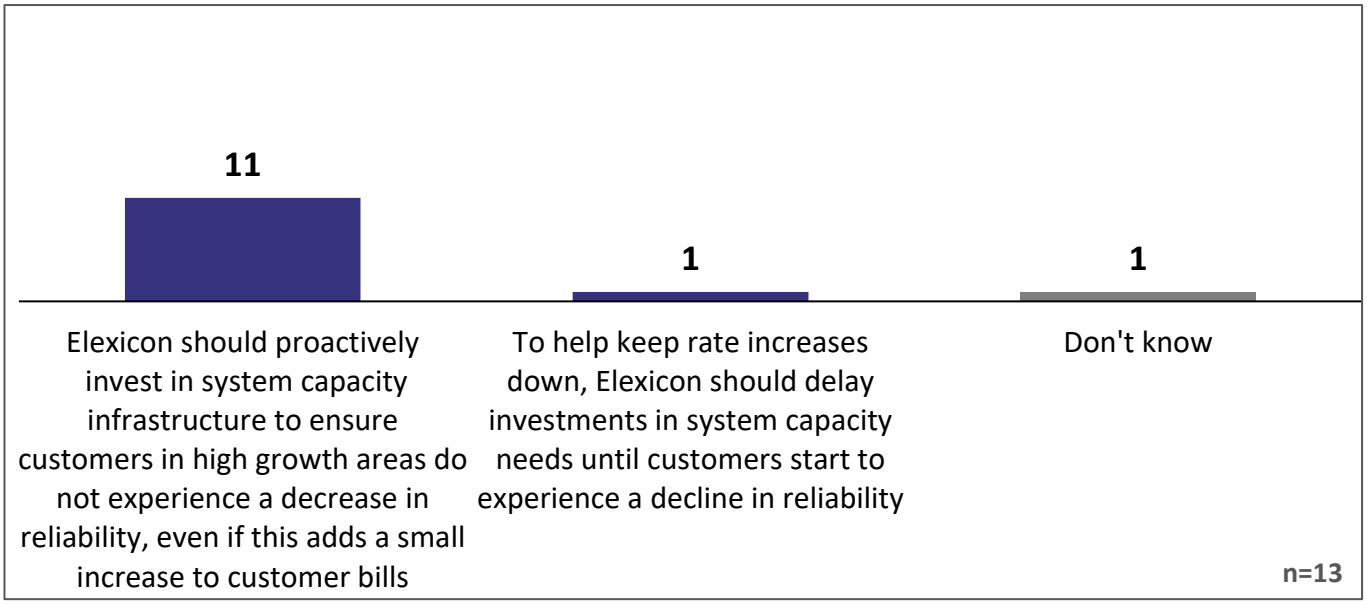
Investment Trade-Offs – System Service

Key Accounts

The third investment category focuses on growth and greater demand for electricity in various parts of **Elexicon's** service territory.

Increased demand for electricity puts pressure on existing electrical infrastructure. Eventually, further infrastructure investments are required to support increased demand for electricity.

Q With this in mind, which of the following statements best represents your point of view?



Online Survey

Investment Trade-Offs – Grid Modernization

Key Accounts

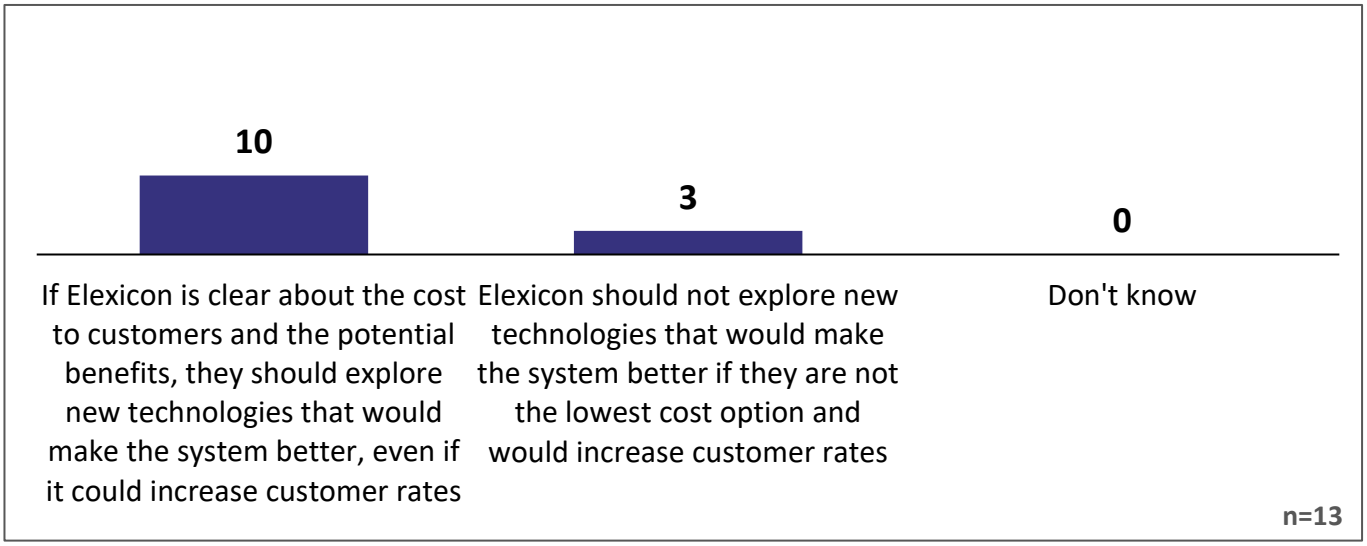
Elexicon can invest in technology that can lead to a wide range of benefits including reliability, efficiency, customer service, and reducing environmental impacts.

When deemed the lowest cost option that will provide equal or improved service, **Elexicon** will, in most cases, invest in technology.

However, there are two other scenarios where **Elexicon** needs your feedback.

First, there are times when **Elexicon** identifies new technology that can improve reliability or provide other benefits, but it will cost customers more. For instance, advanced monitoring technology can provide signals when there is an outage, allowing Elexicon to provide customers with better information on the areas impacted by outages and helping crews find affected areas more quickly.

Q Regarding these types of investments which of the following best represents your view?



Online Survey

Investment Trade-Offs – Grid Modernization (Cont'd)

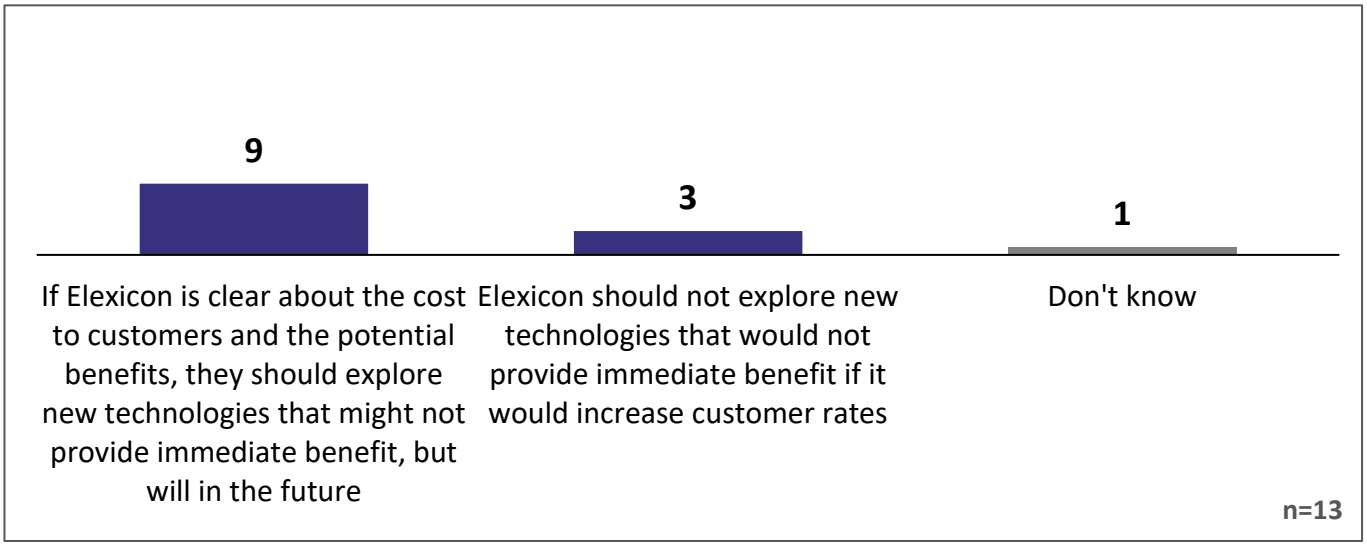
The second scenario is where **Elexicon** identifies new technology that is needed to improve the system in the future and would increase costs now, but the benefit might not be felt until later.

This includes accommodating emerging technologies like solar power, battery storage and electric vehicles.

Regardless of whether you are considering new energy choices like battery storage, distributed energy resources (e.g. solar power), or onsite EV charging stations today, **Elexicon** must be prepared as adoption becomes more widespread over the next 5-10 years.

While **Elexicon** cannot predict the exact rate of new technology adoption in east central Ontario, the utility must make certain investments today that will allow it to manage demand in the future.

Q Which of the following best represents your view?



Key Account Customers

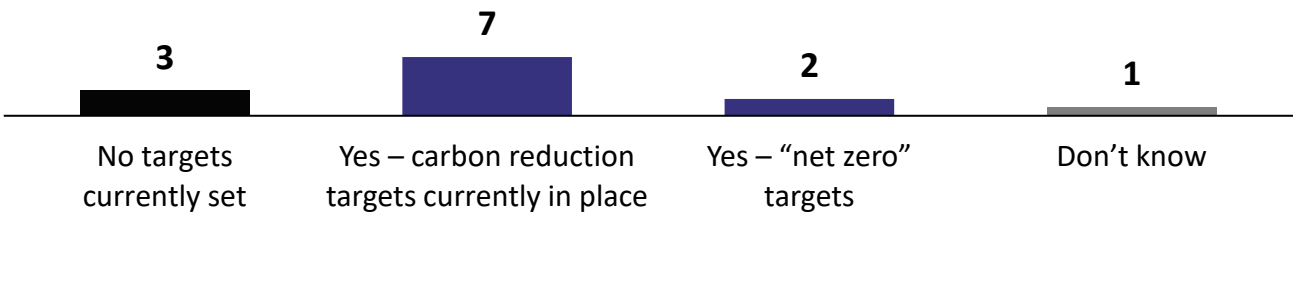
Energy Transition

Section 7.4

Online Survey
Carbon Reduction Initiatives

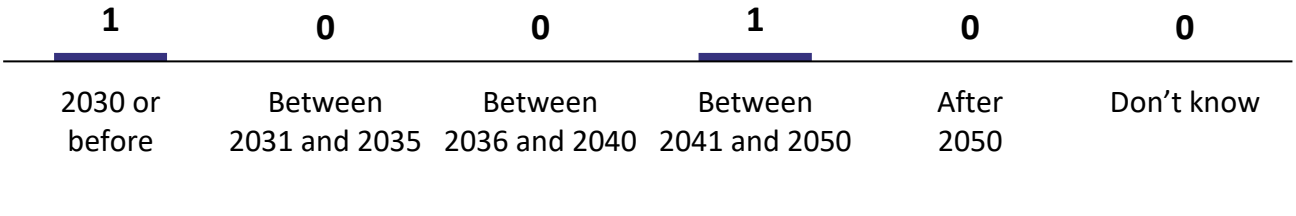
Key Accounts

Q Does your organization have a carbon reduction program in place?



n=13

Q What is your organization's "net zero" target date?

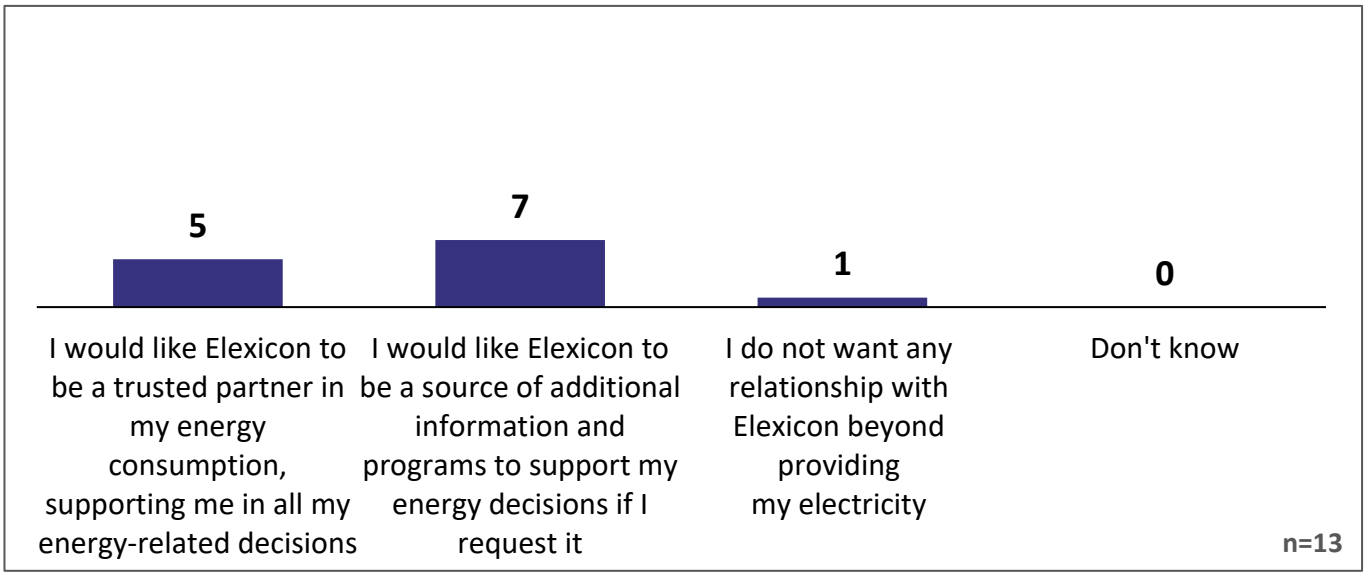


n=2*

Note: *Asked among those who have "net zero" targets in place.

Online Survey
Relationship with Elexicon

Q Beyond providing you with electricity, which of the following best describes your organization's desired relationship with **Elexicon**?



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Key Account Customers

Key Account Assessment

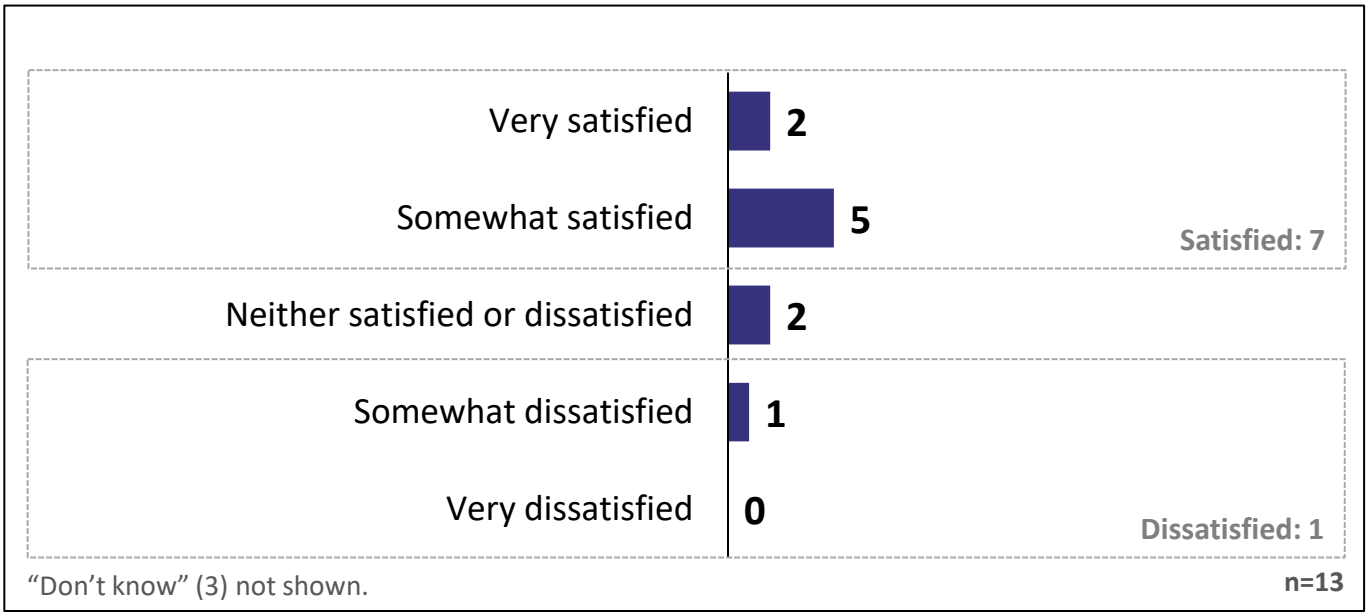
Section 7.5

Online Survey

Key Accounts

Overall Satisfaction with Key Account Management Services

Q Overall, how satisfied are you with **Elexicon's** Key Account management services?



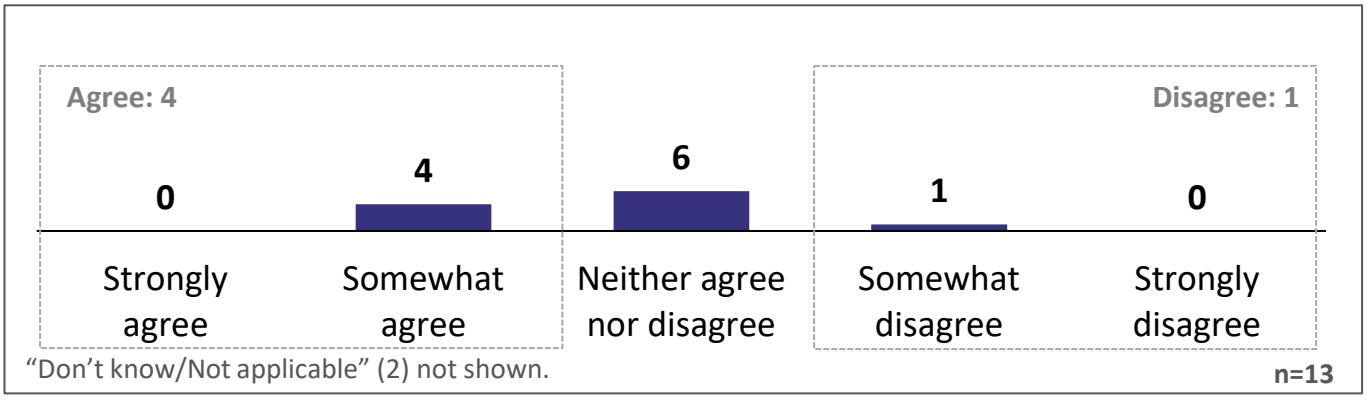
"Don't know" (3) not shown.

n=13

Online Survey
Key Account Assessment

Please indicate if you agree or disagree with the following statements.

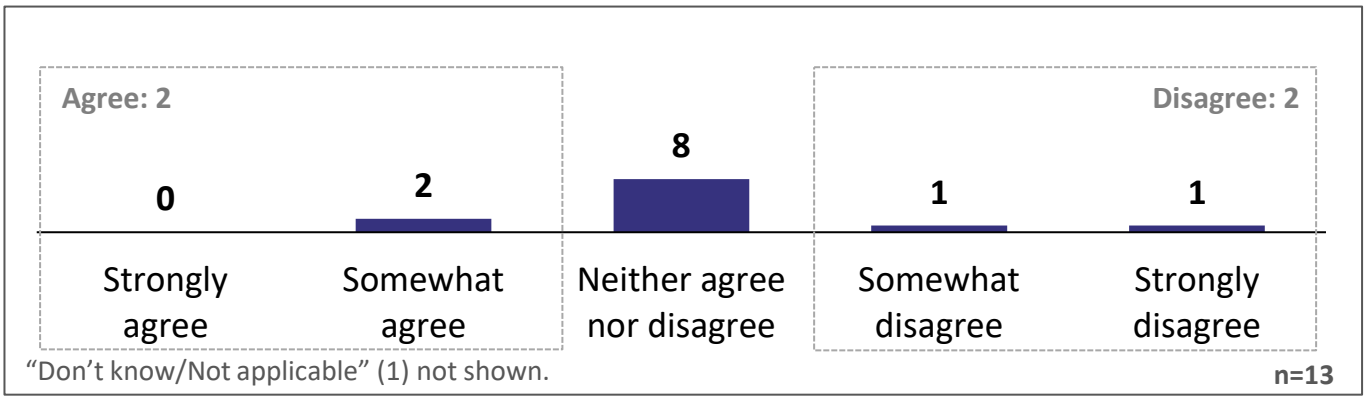
Q **Elexicon** understands my organization and its challenges.



"Don't know/Not applicable" (2) not shown.

n=13

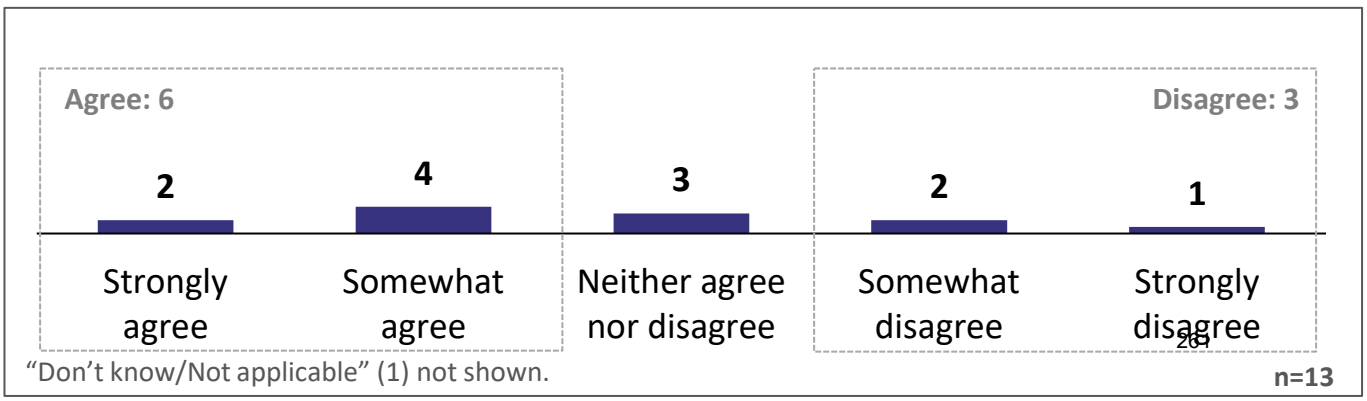
Q **Elexicon** proactively provides my organization with business solutions.



"Don't know/Not applicable" (1) not shown.

n=13

Q **Elexicon** is more than an electricity distributor, it is a trusted partner to my organization.



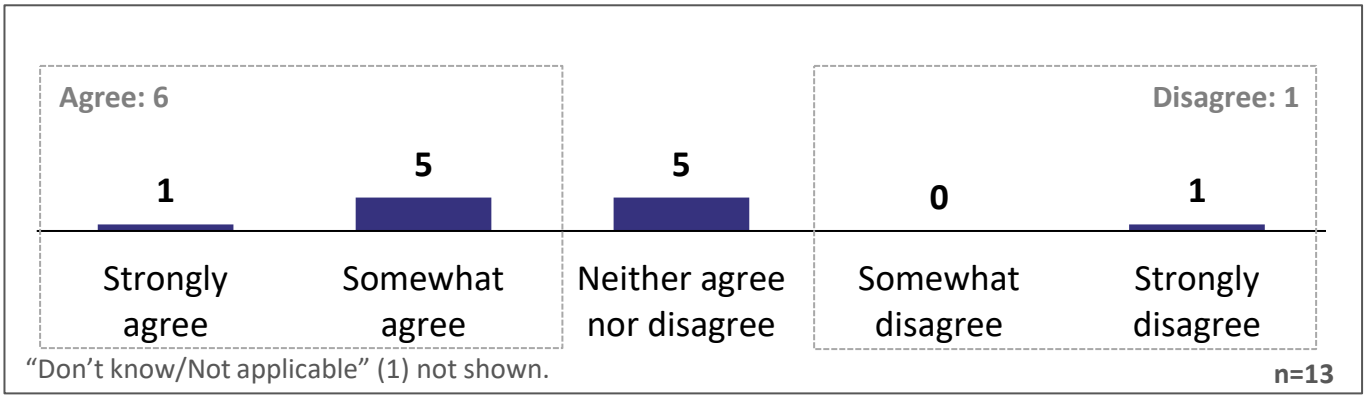
"Don't know/Not applicable" (1) not shown.

n=13

Online Survey
Key Account Assessment (Cont'd)

Please indicate if you agree or disagree with the following statements.

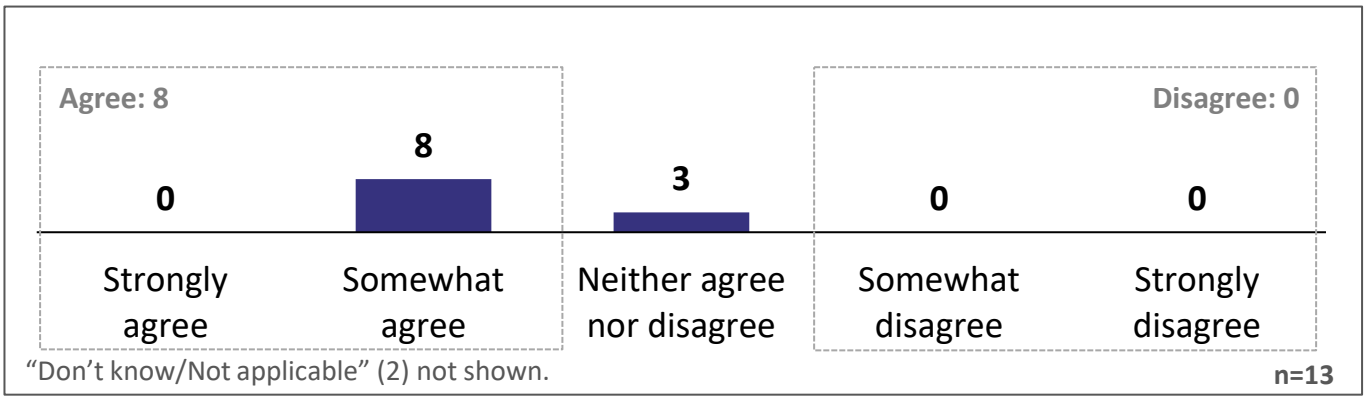
Q **Elexicon** staff are easily accessible to my organization.



"Don't know/Not applicable" (1) not shown.

n=13

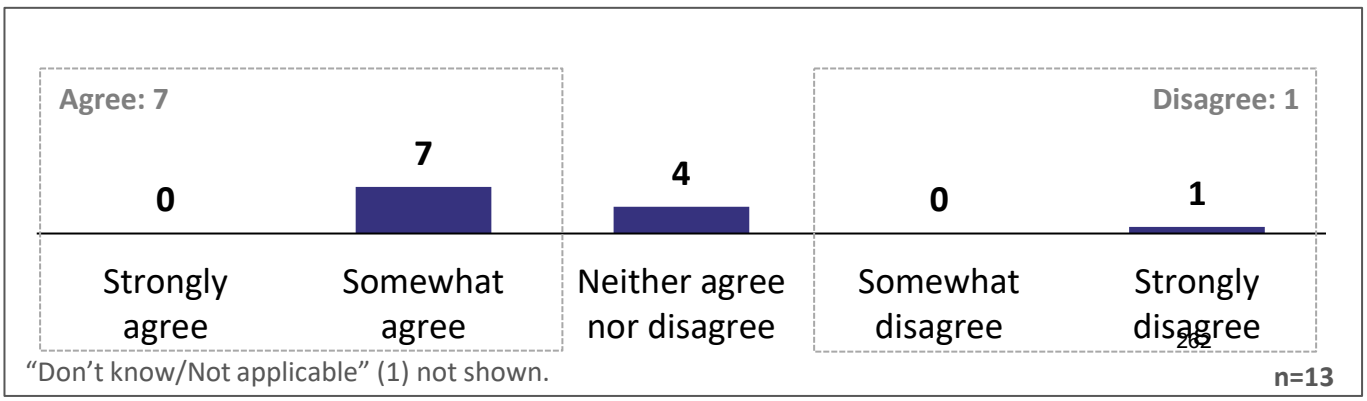
Q **Elexicon** staff provide my organization with quality advice and guidance when I have questions about my service.



"Don't know/Not applicable" (2) not shown.

n=13

Q **Elexicon** provides my organization with good value for money.



"Don't know/Not applicable" (1) not shown.

n=13

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Key Account Customers

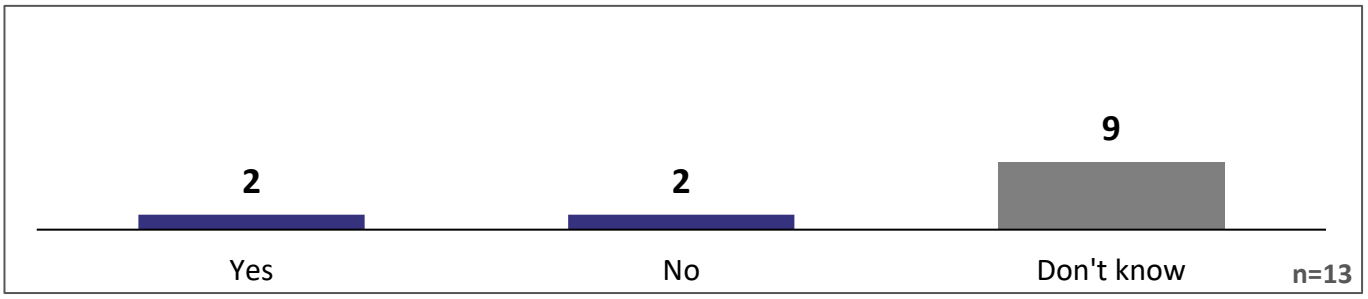
Additional Services

Section 7.6

Online Survey

Service Offered by Elexicon's Key Account Team

Q Are there services that are currently offered by **Elexicon's Key Account Team** that could be done differently to better fit your needs?



Responses from those who say "Yes"
Verbatim
"Key account rep for our local area."
"More communications with Key account Manger to discuss the future state of electricity consumption for my organization."

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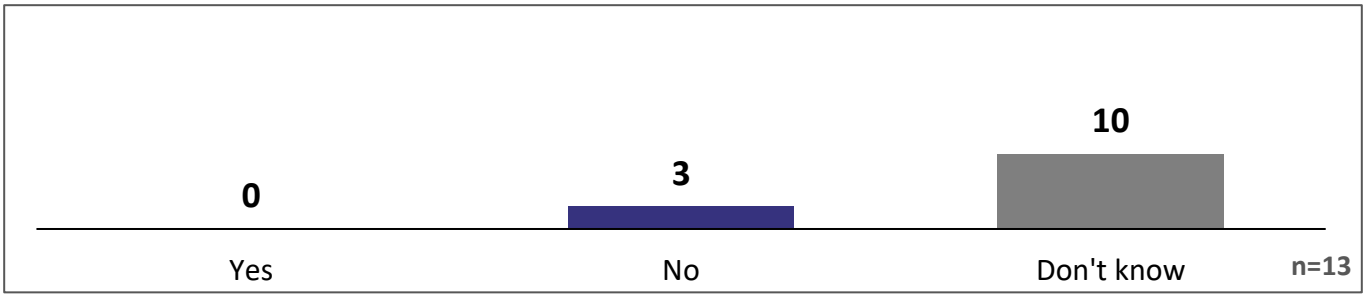
Online Survey

Additional Service by Elexicon's Key Account Team

Key Accounts

Q Are there any additional services that you would look to **Elexicon's Key Account Team** to provide and would be willing to pay for?



Key Account Customers

Final Comments

Online Survey

Additional Comments or Feedback

Key Accounts

Q Before this survey concludes, do you have any additional comments or feedback you'd like to share with **Elexicon**?

Responses from those who provided a comment
Verbatim
"Generally satisfied with Elexicon as power blips have reduced."
"n/a."
"Not sure why Elexicon exists vs purchasing all power from Ontario hydro direct. Seems like Elexicon are a middle man adding additional costs and duplication of management and services. System should be run by the the province of Ontario, streamlined, not for profit, and not be privately controlled. This is a fundemantal need for all people, and individuals and companies should not be profiting from it. The wages for executives in all areas of power generation are excessive and there is a lot of waste."

Note: Out of the 13 respondents, 3 provided a comment and 10 answered 'Don't know'.

Building Understanding.

Acknowledgement

This report has been prepared by Innovative Research Group Inc. (INNOVATIVE) for Elexicon Energy. The conclusions drawn and opinions expressed are those of the authors.

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APPENDIX 09

Needs and Preferences Survey

Planning Placemat

elexicon ENERGY

June 7, 2024

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

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- APPENDIX.10 – Residential Trade-off Survey
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Phase I Customer Engagement

Elexicon Energy's 2027 Cost of Service Rate Application

Needs and Preferences Planning Placemat (June 2024)

INNOVATIVE RESEARCH GROUP

Rate Class Unweighted n (Weighted in brackets)	Residential n=2,816 (1,600)	Seasonal n=101 (101)	Small Business n=98 (98)	Key Accounts n=13 Treat results as directional

Needs

Do customers have unmet needs? When asked if there is anything Elexicon can do to improve its services, most customers did not mention a specific unmet need. Of those who did, low-volume customers most frequently mentioned lowering rates and improving reliability. Key accounts make mentions of enhanced customer service and communications, billing improvements, and power quality.

Preferences

Prioritizing Outcomes Across rate classes, the top general priorities are delivering electricity at reasonable rates, providing reliable service, and ensuring the grid can withstand severe weather. For seasonal customers, reliability has slightly higher importance over reasonable rates.

General Priorities (%) indicates total percentage by rate class that place specific priority in their top 3 outcomes				
	Reasonable rates (69%)	Reliable service (74%)	Reasonable rates (74%)	Reliable service (13/13)
	Reliable service (59%)	Reasonable rates (60%)	Reliable service (58%)	Hardening grid to withstand severe weather (8/13)
	Ensure grid can withstand severe weather (33%)	Ensure grid can withstand severe weather (48%)	Ensure grid can withstand severe weather (30%)	Reasonable rates (7/13)

Prioritizing Reliability Investments Across low-volume rate classes, the top reliability priorities are reducing the time to restore power during extreme weather and reducing the overall length and number of outages. For key accounts, improving power quality is a top priority.

Reliability (%) indicates total percentage by rate class that place specific priority in their top 3 outcomes				
	Reducing time to restore power during extreme weather (62%)	Reducing time to restore power during extreme weather (76%)	Reducing overall number of outages (58%)	Reducing overall number of outages (10/13)
	Reducing overall number of outages (56%)	Reducing overall length of outages (75%)	Reducing time to restore power during extreme weather (58%)	Improving power quality (9/13)
	Reducing overall length of outages (56%)	Reducing overall number of outages (64%)	Reducing overall length of outages (56%)	Reducing number of outages during extreme weather (8/13)

INVESTMENT TRADE-OFFS - GENERAL		Support	Oppose	Don't know
System Renewal Necessary investments in aging infrastructure to maintain system reliability.	Residential	66%	22%	12%
	Seasonal	83%	5%	12%
	Small Business	54%	29%	17%
	Key Accounts	11	1	1
General Plant Necessary investments to ensure staff have reliable equipment and IT systems.	Residential	66%	25%	9%
	Seasonal	71%	19%	10%
	Small Business	60%	27%	13%
	Key Accounts	8	3	2
System Capacity Proactive investments to ensure customers in high growth areas do not experience a decreased reliability.	Residential	57%	30%	13%
	Seasonal	63%	23%	14%
	Small Business	42%	39%	19%
	Key Accounts	11	1	1

INVESTMENT TRADE-OFFS - GRID MODERNIZATION		Support	Oppose	Don't know
System Enhancements Explore new technologies that would make the system better even if they are not the lowest cost option.	Residential	59%	28%	13%
	Seasonal	72%	14%	14%
	Small Business	56%	26%	18%
	Key Accounts	10	3	0
Future Benefits Explore new technologies that provide future (rather than immediate) benefits if the costs and benefits are clearly articulated.	Residential	61%	26%	12%
	Seasonal	69%	22%	10%
	Small Business	57%	25%	18%
	Key Accounts	9	3	1

Role in Energy Transition Across rate classes, a majority respondents desire a relationship with Elexicon that extend beyond just providing electricity.

I would like Elexicon to be a trusted partner in my energy consumption	33%	26%	27%	5/13
I would like Elexicon to be a source of additional information and programs	36%	34%	35%	7/13
I do not want any relationship with Elexicon beyond providing my electricity	21%	32%	28%	1/13
Don't know	10%	8%	11%	0/13

Commercial & Industrial (C&I) Qualitative Feedback Most C&I customers are satisfied with the service they receive from Elexicon. When asked about needs, customers mentioned enhanced customer service, energy transition support, and better outage communication as top areas where Elexicon could improve or take on a greater role. When it comes to tradeoffs, some C&I customers said they were willing to pay more so Elexicon could pursue various areas of investment. Some C&I customers were particularly interested in new technology that could help them better manage their energy consumption, improve reliability, and reduce costs.

For more information about this document or the Phase I customer engagement results please contact the Regulatory Applications and Business Support team.

INNOVATIVE RESEARCH GROUP

APPENDIX 10

Residential Trade-off Survey

Phase II Customer Engagement
2027-2031 Cost of Service Rate Application

June 25, 2025

elexicon ENERGY

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Elexicon Energy 2027 Cost of Service Rate Application Engagement (Phase II)

Innovative Research Group Inc. (INNOVATIVE) was engaged by Elexicon Energy Inc. (Elexicon) to assist in meeting its customer engagement commitments under the Renewed Regulatory Framework for Electricity Distributors and Chapter 5 Filing Requirements. The information contained within this report is the result of an online workbook survey conducted as part of Phase II of Elexicon's customer engagement.

Setting the Context

Elexicon is in the process of finalizing its 2027-2031 Cost of Service Rate Application. To ensure that Elexicons' plans are responsive to the needs and preferences of customers, a two-phased customer engagement program has been developed. The results within this report reflect the second phase of this engagement.

In Phase I, Elexicon and INNOVATIVE sought to develop a current understanding of customer needs and preferences, as well as gain some preliminary insights on some more specific investments that could be further explored in Phase II.

Phase II of this engagement focused on ensuring that the plans developed by Elexicon, with inputs from Phase I, were aligned with current customer expectations – including specific investments.

As in Phase I, a key principle of this phase used random-sampling research methods to ensure a representative sample of customers were engaged, ensuring the generalizability of the findings.

For residential customers, responses were weighted by region and electricity usage to ensure the responses were representative of the broader customer base.

Note: *In this report graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Customer Segmentation

In addition to segmenting customers based on where they reside or operate in Elexicon's service territory, it is important to be able to identify factors that may influence customer preferences and distinguish between what is within, and what is outside of Elexicon's influence or control.

Segmentation has been used throughout the residential and small business sections of this report to look beyond the topline numbers to analyze the results for key segments:

1. **Region:** Using customer data provided by Elexicon, we split customers into five regions for analysis; Ajax/Pickering, Belleville, Brock/Clarington, Gravenhurst, Whitby.

2. **Bill Impact on Finances:** Segmentation that INNOVATIVE refers to as "Bill Impact on Finances" is provided. This segment is determined based on the extent to which customers agree with the following statement:

    a) **Residential:** The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.

    b) **Small Business:** The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.

3. **Vulnerable Consumers:** For residential customers, using a combination of household size and combined household income, the report identifies customers who would be eligible for financial assistance programs. The methodology used to calculate this segmentation is based on the OEB's Ontario Electricity Support Program (OESP) criteria.

4. **Consumption Quartiles:** For residential and small business customers, results are also shown by consumption quartiles, or otherwise, how much electricity the customer consumes in an average month (in KWh). This is used to ensure that no one customer consumption profile is over or underrepresented in the survey results.

Understanding Segmentation

Segmentation is an effective way of looking past the topline numbers and dig deeper into the needs and preferences of the customer segments above. For instance, while it is valuable to know that, overall, 84% of residential customers are satisfied with the service provided by Elexicon, it is also important to understand whether satisfaction differs based on region or based on perceptions that may be outside of the utility's influence or control. Segmentation allows readers of this report to quickly look past the topline numbers and understand how various segments of customers feel about various issues.

Sample Validation

To ensure that customers reached by email are representative of the broader population of Elexicon customers, we use Elexicon's complete customer lists to compare known sample variables between those with an email address and the full population of customers.

This allows us to identify any systematic differences between those with an email on file and the full population of customers on known variables that may impact outcomes. All samples that are weighted include quotas by region and (collapsed) consumption quartile to ensure representativeness. This analysis of customer email coverage and levels of known sample variables is complementary to the parallel telephone and online surveys conducted in phase 1 of this customer engagement.

Overall Email Coverage

The table below summarizes the email coverage of each of Elexicon's rate classes.

Rate Class	Total Records (Meters)	Unique customers*	Customers with an email	Email coverage (out of customers)
Residential	162,947 meters	154,746	63,254	**40.9%**
Seasonal	1,541 meters	1,400	558	**39.9%**
Small Business (GS<50)	11,767 meters	7,099	3,307	**46.6%**
GS>50	1,464 meters	848	626	**73.8%**

Note: **Unique customers from the complete list of Elexicon's records (individual meters) are identified by cross-referencing available contact information to identify customers with multiple meters. Customers are assigned to their highest-order rate class in the following order (GS>50, Small Business (GS<50kW), Residential, Seasonal). For customers with multiple records within the same rate class, the record with the highest average monthly consumption is used for the purpose of assigning sample variables.*

Phase II Online Survey
Email Coverage vs. Total Customer Accounts

Residential

Sample Validation

Legend: Difference*
More than -10%
-10% to -4%
-4% to +4%
+4% to +10%
More than +10%

The information below compares the sample of each rate class with email addresses to the total customer accounts of that rate class across two known variables – distributions of (1) region and (2) average monthly consumption.

(1) Regional Distribution by Rate Class

Using service zones, communities are grouped into five unique regions within Elexicon's service territory. Seasonal customers are not included in the table below as all seasonal customer accounts are within the same region (Gravenhurst).

Distributions of region are similar (+- 4%) across rate classes with the exception of residential and small business customers in Whitby, which is underrepresented in the email sample due to low email coverage. This difference is accounted for in the online sample by setting quotas based on region.

Rate Class	Region	Share of full population	Share of email sample	Difference
Residential	Ajax/Pickering	44%	48%	**+4%**
	Belleville	9%	11%	**+2%**
	Brock/Clarington	16%	18%	**+2%**
	Gravenhurst	2%	3%	**0%**
	Whitby	28%	20%	**-8%**
Small Business (GS<50)	Ajax/Pickering	39%	41%	**+2%**
	Belleville	14%	15%	**+1%**
	Brock/Clarington	19%	20%	**+1%**
	Gravenhurst	6%	6%	**0%**
	Whitby	22%	18%	**-4%**
GS>50	Ajax/Pickering	38%	38%	**0%**
	Belleville	16%	17%	**+1%**
	Brock/Clarington	15%	15%	**0%**
	Gravenhurst	4%	5%	**+1%**
	Whitby	27%	25%	**-2%**

Phase II Online Survey

Email Coverage vs. Total Customer Accounts (cont.)

Residential

(2) Distribution of Consumption Quartile by Rate Class

Across rate classes, the distributions of consumption quartile between the full population and email sample are similar (+- 4%). For seasonal and GS>50 customers, average monthly consumption measured in kWh is higher in the email sample than the full population.

These differences are accounted for in the online sample by setting quotas based on consumption quartile.

Legend: Difference*
More than -10%
-10% to -4%
-4% to +4%
+4% to +10%
More than +10%

Rate Class	Consumption Quartile	Share of full population	Share of email sample	Difference
Residential	First	25%	27%	**+3%**
	Second	25%	25%	**0%**
	Third	25%	24%	**-1%**
	Fourth	25%	24%	**-2%**
	Average Monthly Consumption (kWh)	794.82	783.69	**-1%**
Seasonal	First	25%	23%	**-2%**
	Second	25%	24%	**-1%**
	Third	25%	24%	**-1%**
	Fourth	25%	29%	**+4%**
	Average Monthly Consumption (kWh)	735.11	810.70	**+10%**
Small Business (GS<50)	First	25%	25%	**0%**
	Second	25%	24%	**-1%**
	Third	25%	25%	**0%**
	Fourth	25%	26%	**+1%**
	Average Monthly Consumption (kWh)	3,107.72	3,177.87	**+2%**
GS>50	First	25%	24%	**-1%**
	Second	25%	22%	**-3%**
	Third	25%	25%	**0%**
	Fourth	25%	29%	**+4%**
	Average Monthly Consumption (kWh)	118,284.18	146,084.96	**24%**

Phase II Online Survey
Sample Validation

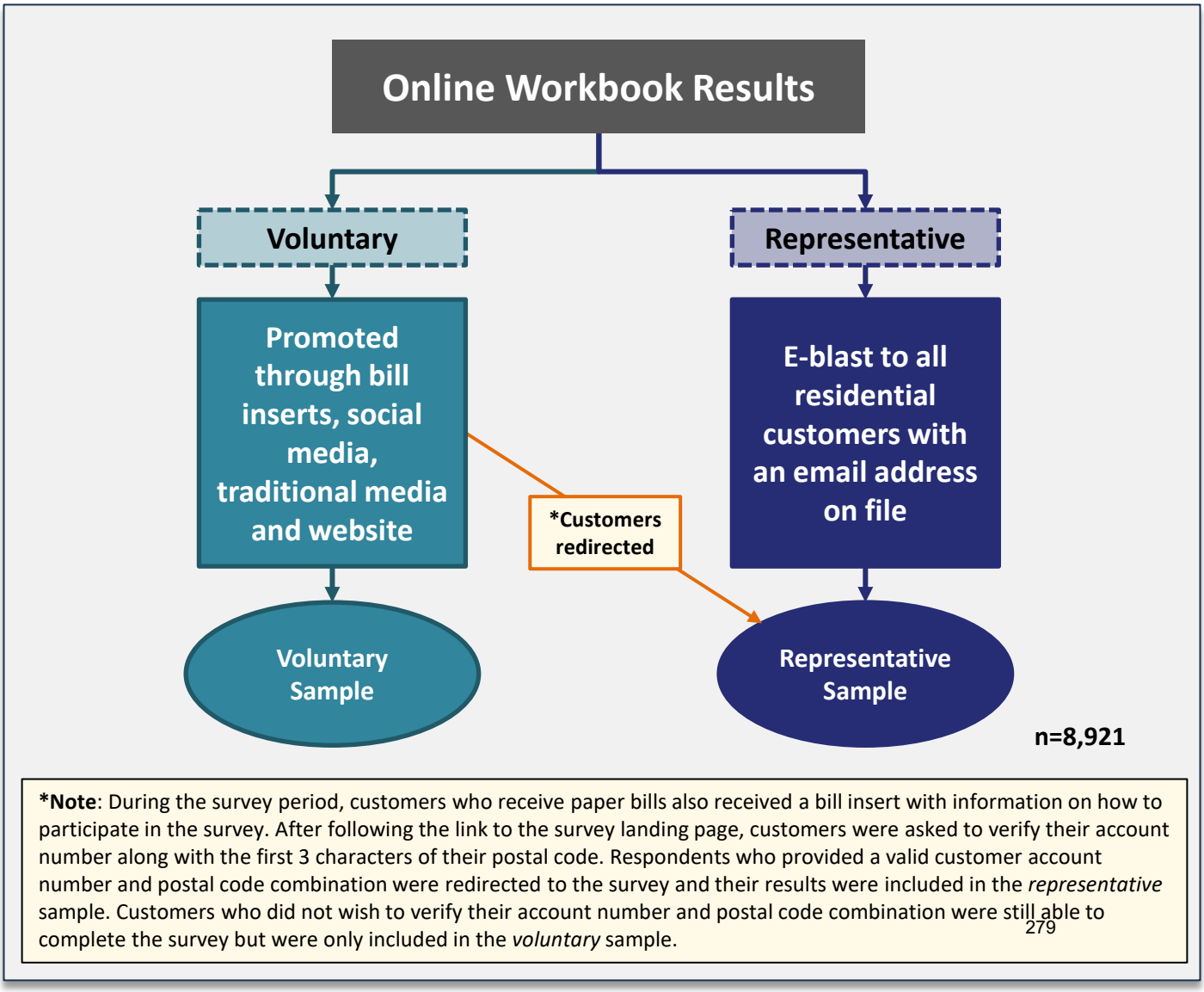
Residential

Elexicon's customer engagement workbook surveys featured two streams: *Representative* and *Voluntary*.

The voluntary stream created an open process that allowed anyone who wanted to be heard an opportunity to express themselves.

The representative stream ensures a representative sample of customers are engaged, allowing for the generalizability of findings. This is a report of those responses. Residential, small business, and seasonal customers who completed the survey in this stream were entered into a draw to win one of five prizes of $1,500 credited towards their electricity bill.

The chart below outlines how the online workbook results were collected.



***Note**: During the survey period, customers who receive paper bills also received a bill insert with information on how to participate in the survey. After following the link to the survey landing page, customers were asked to verify their account number along with the first 3 characters of their postal code. Respondents who provided a valid customer account number and postal code combination were redirected to the survey and their results were included in the *representative* sample. Customers who did not wish to verify their account number and postal code combination were still able to complete the survey but were only included in the *voluntary* sample.

Field Dates

An invitation to complete the **Residential Trade-off Survey** was sent to all Elexicon residential customers who provided the utility with an email address as well as customers who receive paper bills. Customers had an opportunity to complete the survey between **April 2nd and May 14th, 2025.**

Customers with an email address on file received a unique URL that could be linked back to their region and rate class. Customers who completed the survey through the bill insert URL were able to verify their region and rate class by providing their account number and the first 3 characters of their postal code.

In terms of online invitations, the residential survey was sent to **63,254** customers from customerexperience@elexiconenergy.com. Reminder emails were sent out periodically to those who had not yet completed the survey.

Residential Online Survey Completes

A total of **8,920** (unweighted) residential customers completed the survey.

Sample Weighting

The residential online survey sample was weighted down to n=7,500 proportionately by consumption quartiles and region in order to be representative of the broader Elexicon customer base.

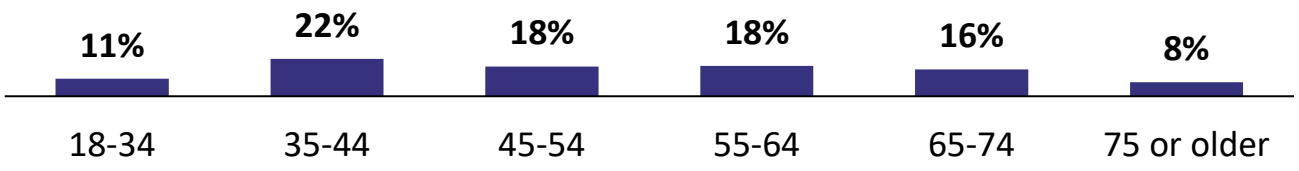
The table below summarizes the unweighted and weighted (in brackets) sample breakdown by consumption quartile and region.

Region	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Ajax/Pickering	1,146 (831)	1,130 (856)	989 (833)	899 (778)	4,164 (3,297)
Belleville	269 (193)	239 (157)	226 (162)	241 (180)	975 (692)
Brock/Clarington	418 (291)	427 (295)	445 (306)	444 (320)	1,734 (1,213)
Gravenhurst	65 (54)	49 (35)	68 (37)	98 (58)	280 (184)
Whitby	508 (507)	473 (532)	366 (537)	420 (538)	1,767 (2,113)
Total	**2,406 (1,875)**	**2,318 (1,875)**	**2,095 (1,875)**	**2,102 (1,875)**	**8,920 (7,500)**

Phase II Online Survey
Demographic Breakdown

Residential

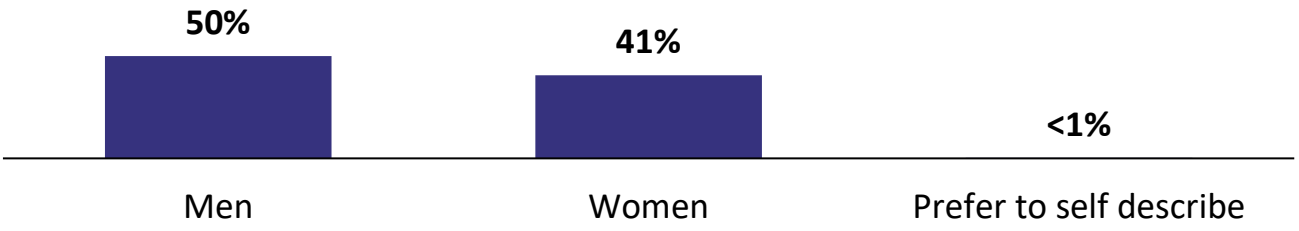
Q Age



"Prefer not to say" (6%) not shown.

n=7,496

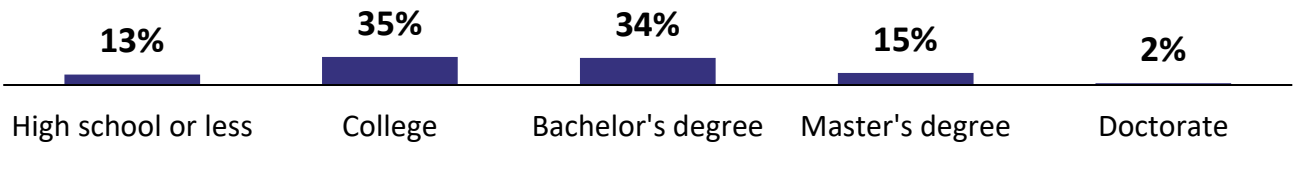
Q Gender



"Prefer not to say" (9%) not shown.

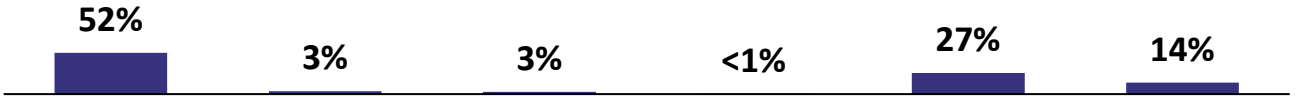
n=7,500

Q Education



n=6,892

Q Employment Status



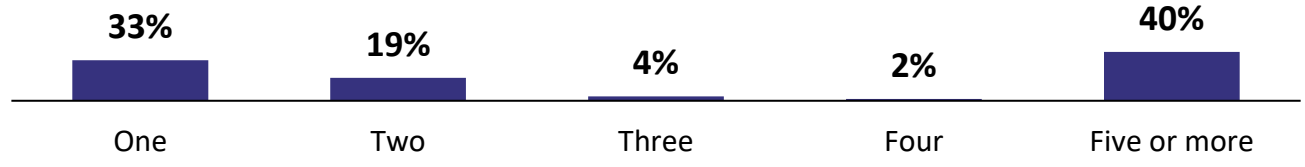
281

n=7,500

Phase II Online Survey
Demographic Breakdown

Residential

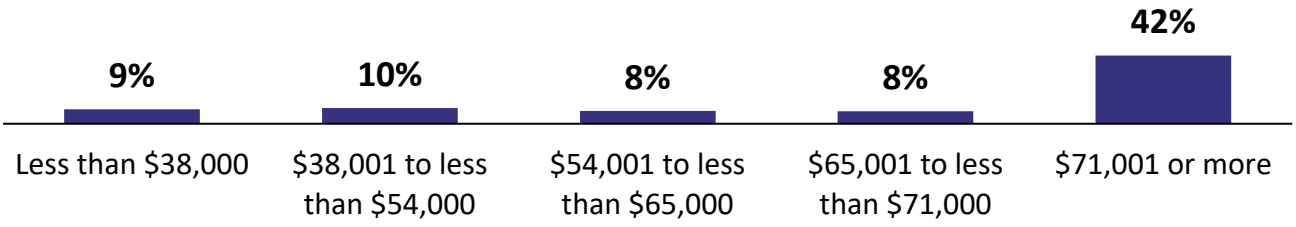
Q Household Size



"Prefer not to say" (2%) not shown.

n=7,500

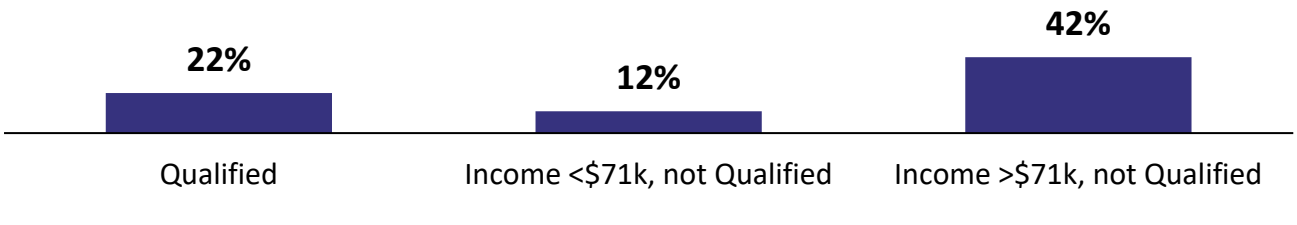
Q After Tax Household Income



"Prefer not to say" (24%) not shown.

n=7,500

Q LEAP/OESP Qualification (based on household size and income)



"Prefer not to say" (24%) not shown.

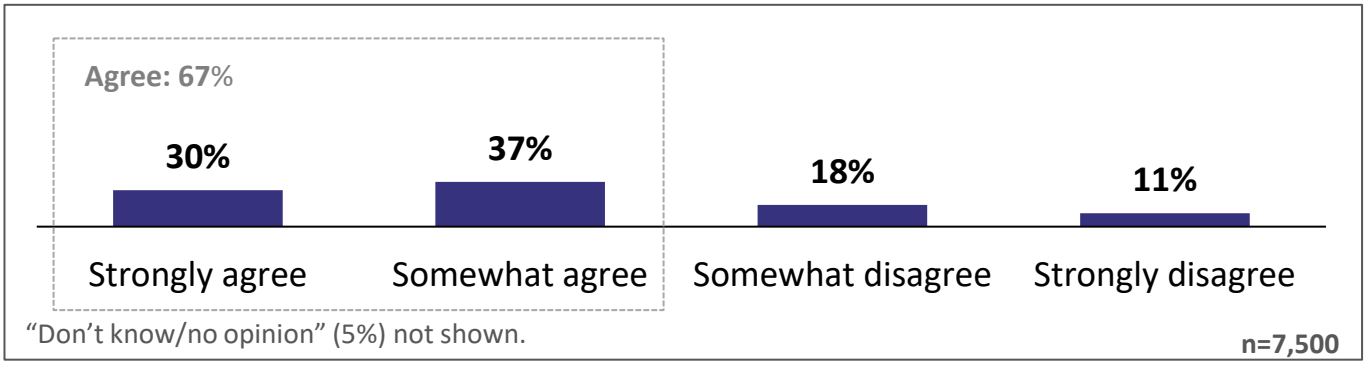
n=7,500

Phase II Online Survey
Demographic Breakdown

Residential

To what extent do you agree or disagree with the following statements?

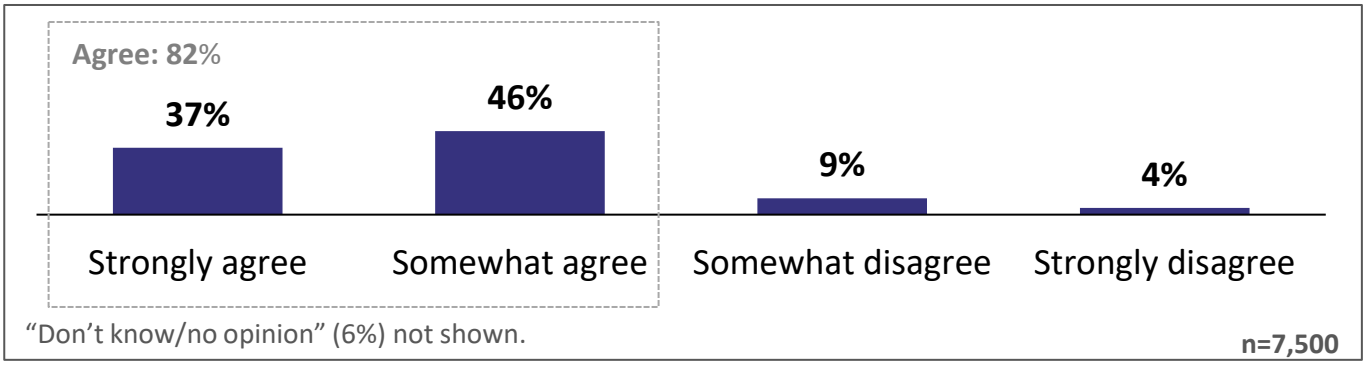
Q The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.



"Don't know/no opinion" (5%) not shown.

n=7,500

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (6%) not shown.

n=7,500

Phase II Online Survey

Workbook Page 1

Residential

Welcome to Elexicon's Customer Feedback Survey!

Elexicon Energy ("Elexicon") needs your input on choices that will impact the services you receive and the rates that you pay.

Land Acknowledgement: Elexicon Energy acknowledges the land on which we conduct our work, and where our staff and customers gather. For millennia, it has been the traditional territory of the Mississaugas of the Credit, as well as the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat Peoples. We are grateful for Indigenous Peoples who have cared for these lands and waters since time immemorial, as they guide us to operate in harmony with our natural environment for generations to come.

The purpose of this survey is to get your feedback on the draft 2027-2031 investment plan. Your feedback will help Elexicon align this plan with customer needs and preferences.

elexicon ENERGY

- Your views are important because this investment plan is paid for by your electricity rates.
- **You don't need to be an electricity expert to participate.** This survey is focused on basic choices and provides the background information you need to answer the questions.
- Depending on how much feedback you wish to provide, the survey will take approximately **20-30 minutes to complete.** If you need to pause and return later to finish the survey, your progress will be saved.
- If you are reading this on a mobile device, you may want to consider switching to a tablet or laptop so that it is easier for you to read.

Those who complete the survey will be invited to enter a draw to win 1 of 5 prizes of free electricity for a year!

All individual responses will be kept confidential.
Innovative Research Group (www.innovativeresearch.ca), an independent research company, has been hired by Elexicon to gather your feedback, while protecting your confidentiality. Your individual answers will not be shared with Elexicon in any identifiable way.

INNOVATIVE RESEARCH GROUP

WORKBOOK

What is this Survey About?

The goal of this survey is to share **Elexicon's draft five-year investment plan** for the future of its electrical grid with customers like you and collect your feedback.

Your feedback will help Elexicon confirm the level of spending and investments in equipment and infrastructure, the services provided, and the rates that you pay.

Every five years, Elexicon is required to submit a plan for its proposed rates and spending to the Ontario Energy Board (OEB) for approval.

In early 2024, thousands of Elexicon customers responded to an initial engagement to support the preparation of Elexicon's draft investment plan.

Elexicon is now looking for your input on this draft plan to ensure they understood what customer priorities are when deciding on future investments.

At the end of 2025, **Elexicon will present its proposed plan and the input provided by customers to the independent regulator, the OEB.**

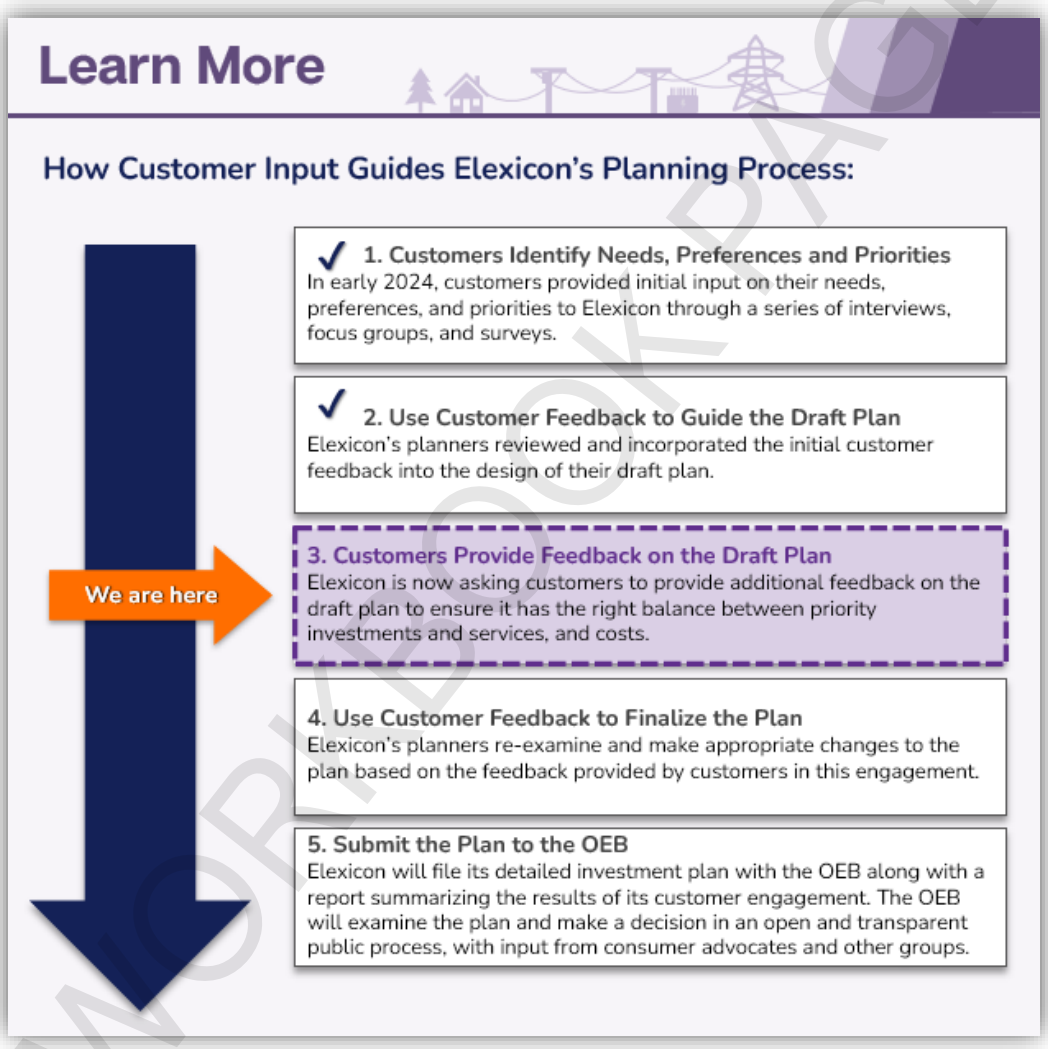
How Does this Survey Work?

- The survey explains how much of your electricity bill goes to Elexicon, how that money is spent and the impact of the draft plan on your 2027– 2031 rates.
- The survey asks for your input on five key choices that will affect the services you receive and the rates that you pay from 2027-2031.

Once you have finished giving feedback on the key choices, **you will have an opportunity to review and change your responses** until you feel you have found the right balance.

Want to know more about Elexicon's customer engagement process? Click here to learn more.

WORKBOOK PAGE

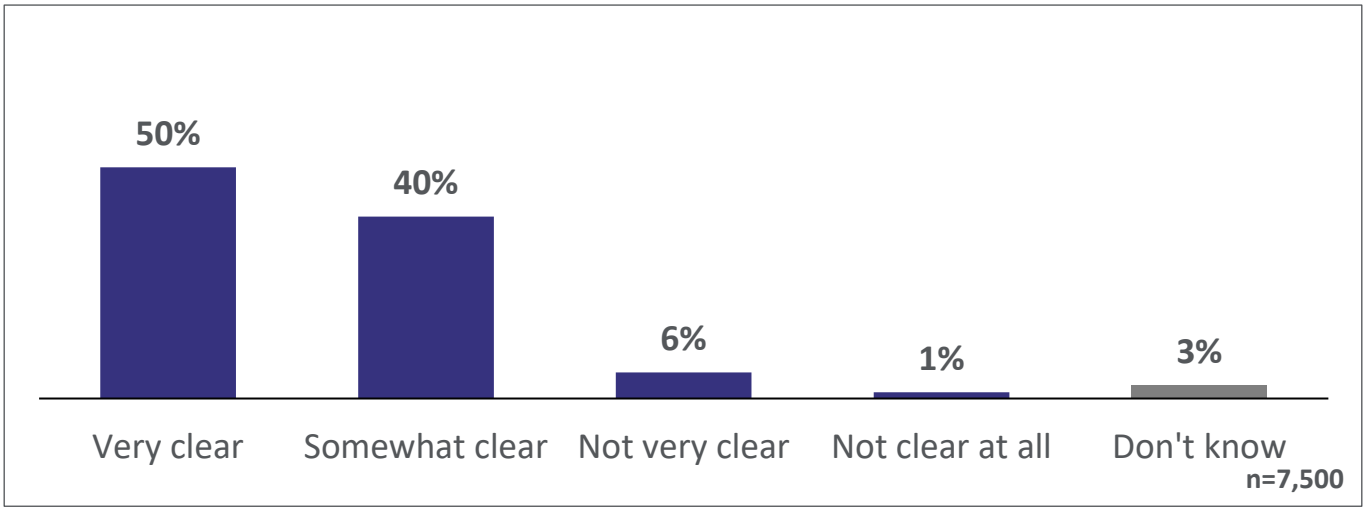


WORKBOOK PAGE

Phase II Online Survey
Familiarity with the Electricity System

Residential

Q Do you feel the purpose of Elexicon's customer engagement is…



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very clear	51%	48%	52%	53%	49%	49%	54%	53%	53%	53%
Somewhat clear	39%	42%	39%	34%	41%	41%	36%	37%	39%	38%
Not very clear	6%	6%	4%	8%	6%	6%	5%	6%	5%	5%
Not clear at all	1%	1%	1%	2%	1%	1%	1%	1%	<1%	1%
Don't know	3%	3%	3%	3%	3%	2%	4%	3%	3%	2%

Elexicon Customer Feedback Survey
Ontario's Electricity System

elexicon ENERGY

Elexicon's Role in Ontario's Electricity System

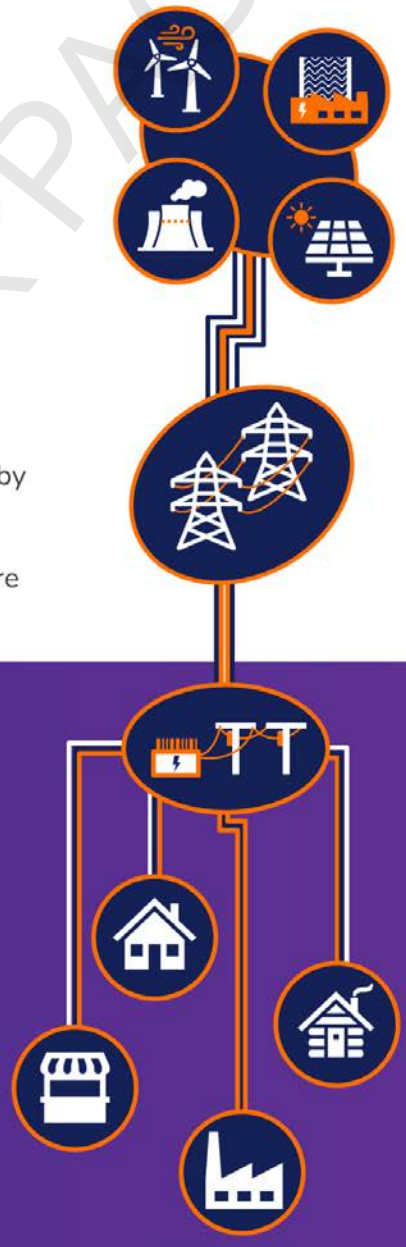
Ontario's electricity system is owned and operated by public, private and municipal corporations across the province. It is made up of three key components: **generation**, **transmission** and **distribution**.

Generation
Where electricity comes from

Ontario gets its electricity from a mix of energy sources. About a third comes from nuclear power. The remainder comes from a mix of hydroelectric, natural gas, wind and solar.

Transmission
How electricity travels across Ontario

Once electricity is generated, it must be transported to urban and rural areas across the province. This happens by way of high voltage transmission lines that serve as highways for electricity. The province has more than 30,000 kilometres of transmission lines, most of which are owned and operated by Hydro One.



Local Distribution
How electricity is delivered to you

Elexicon is responsible for the last step of the journey: distributing electricity to customers' homes and businesses.

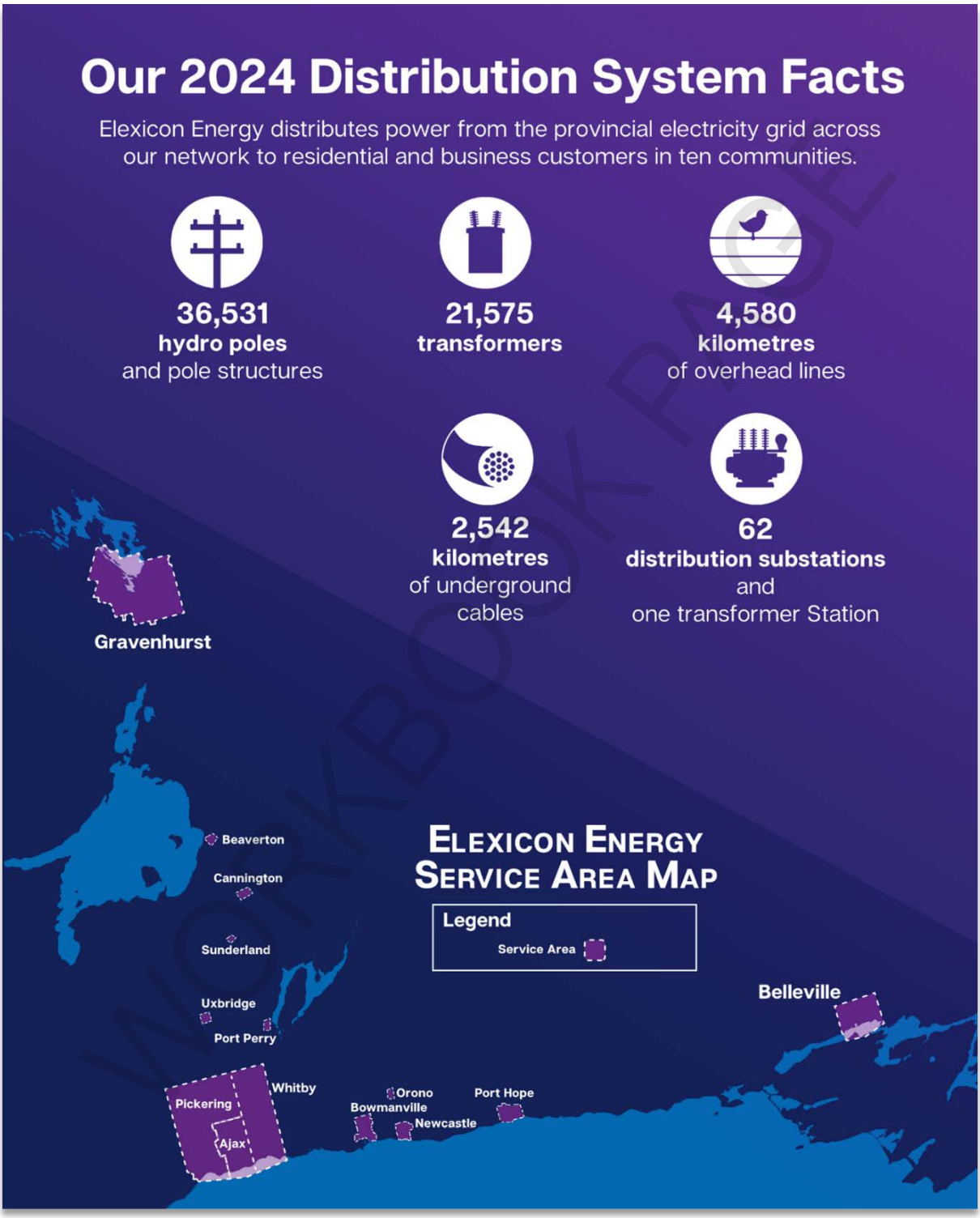
- Elexicon does not transmit or generate electricity.
- It operates the local distribution system, which is connected to the transmission grid through distribution stations. These stations and transformers decrease the voltage so electricity can be safely delivered to homes and businesses across Elexicon's service territory.

WORKBOOK PAGE

Phase II Online Survey

Workbook Page 2 (cont.)

Residential



Background on Elexicon

- Elexicon delivers electricity to more than 180,000 homes and businesses across ten municipalities in Ontario.
- Formed in early 2019 through a merger between Veridian Connections and Whitby Hydro.
- Fourth largest municipally owned electricity distributor in Ontario.
- Elexicon is owned 100% by its five municipal shareholders: 1. Town of Whitby, 2. City of Pickering, 3. Town of Ajax, 4. Municipality of Clarington, and the 5. City of Belleville.
- It does **not** receive taxpayer money to fund its operations or its investments in the distribution system.
- Elexicon is a for-profit company. Any profit that is not reinvested in the business is issued as a dividend to its municipal shareholders.

Elexicon is entirely funded by the distribution electricity rates its customers pay.

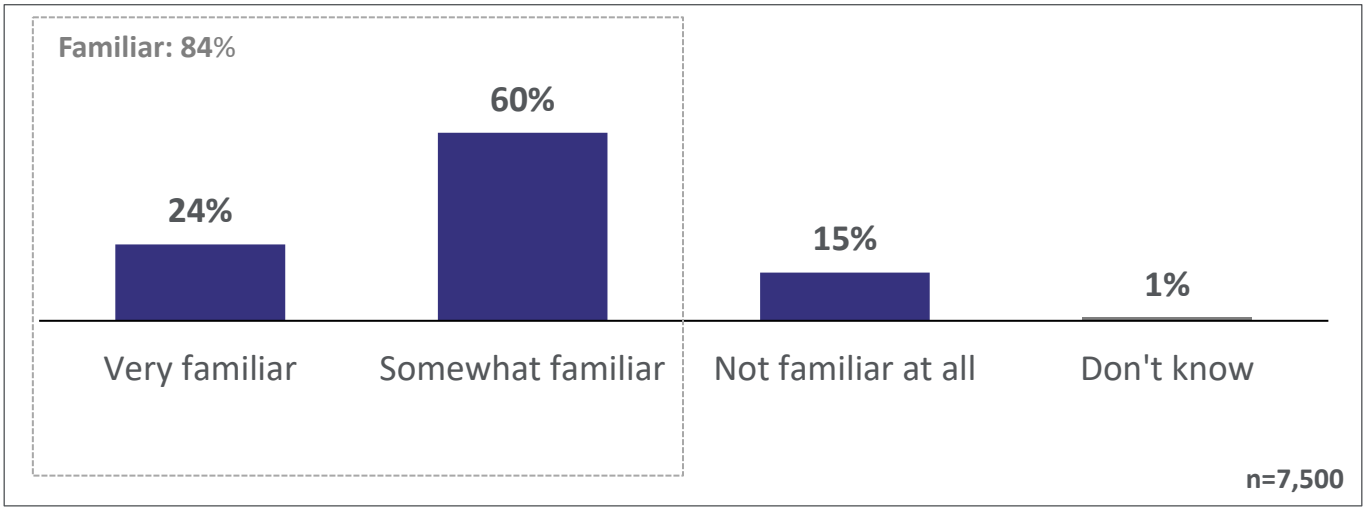
*Click on the video below to learn about **Elexicon's role in the electricity system***

WORKBOOK PAGE

Phase II Online Survey
Satisfaction with Elexicon

Residential

Q How familiar are you with Elexicon, which operates the electricity distribution system in your community?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very familiar	27%	19%	20%	22%	24%	25%	22%	27%	20%	26%
Somewhat familiar	57%	62%	64%	59%	60%	58%	62%	56%	62%	61%
Not familiar at all	15%	18%	16%	18%	15%	16%	15%	16%	16%	13%
Don't know	1%	1%	1%	<1%	1%	1%	1%	2%	1%	1%
Familiar (Very + Somewhat)	**84%**	**81%**	**83%**	**81%**	**84%**	**83%**	**84%**	**83%**	**83%**	**87%**

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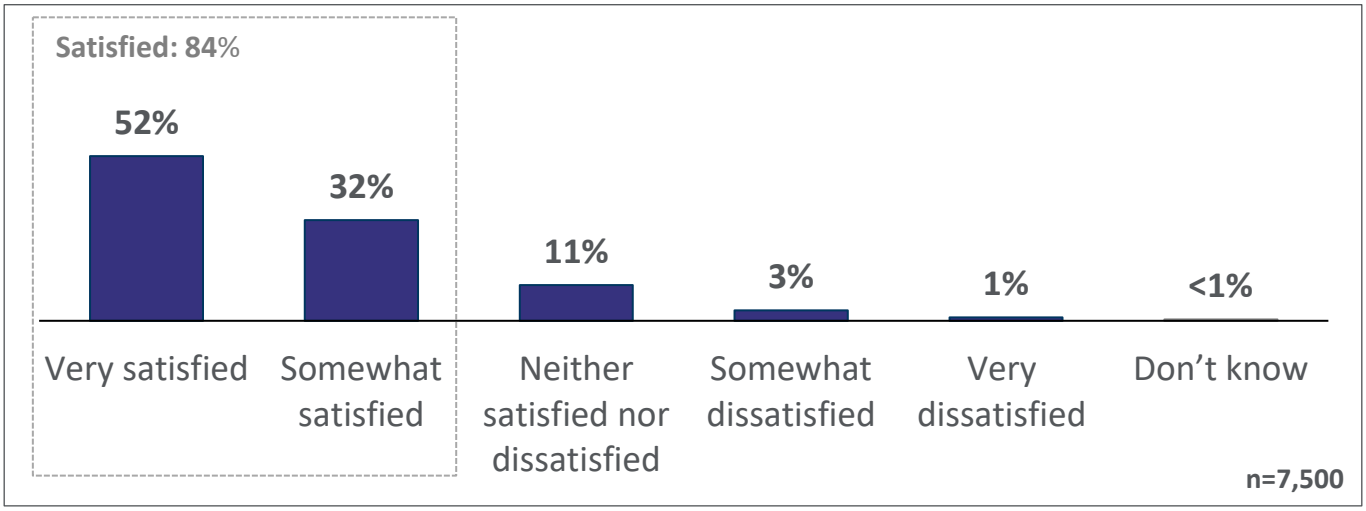
Phase II Online Survey
Satisfaction with Elexicon

Residential

Q Generally, how satisfied or dissatisfied are you with the services you receive from Elexicon?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very satisfied	53%	56%	54%	44%	50%	49%	58%	58%	57%	51%
Somewhat satisfied	32%	27%	33%	33%	33%	33%	29%	27%	30%	34%
Neither satisfied nor dissatisfied	11%	12%	10%	11%	13%	12%	9%	10%	10%	11%
Somewhat dissatisfied	3%	3%	3%	8%	3%	4%	3%	3%	2%	3%
Very dissatisfied	1%	2%	1%	3%	1%	1%	1%	1%	1%	1%
Don't know	<1%	<1%	1%	<1%	<1%	<1%	1%	1%	<1%	<1%
Satisfied (Very + Somewhat)	**85%**	**83%**	**86%**	**78%**	**82%**	**82%**	**87%**	**85%**	**87%**	**85%**
									292	

Elexicon Customer Feedback Survey
Rates 101

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How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 26% ($34.13) of a typical residential electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

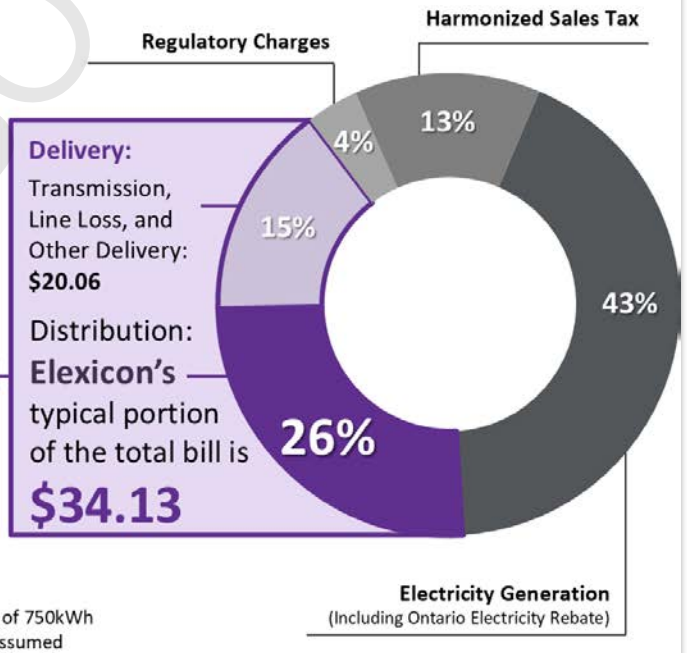
Typical Residential Bill

Sample Elexicon Monthly Bill
(based on consumption of 750kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges	
Electricity	
TOU – Off Peak @ 7.6 ¢/kWh	36.48
TOU – Mid Peak @ 12.2 ¢/kWh	16.47
TOU – On Peak @ 15.8 ¢/kWh	21.33
Delivery	54.19
Regulatory Charges	4.89
Total Electricity Charges	**$133.36**
HST	17.34
Ontario Electricity Rebate	($17.47)
Total Amount	**$133.23**



Note: The sample bill above uses an average consumption level of 750kWh per month, however your usage may vary above or below this assumed level. These types of variations would mostly impact your electricity (On, Mid and Off-Peak) charges. Chart may exceed 100% due to rounding.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Rates 101

elexicon ENERGY

How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 27% ($37.97) of a typical residential electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

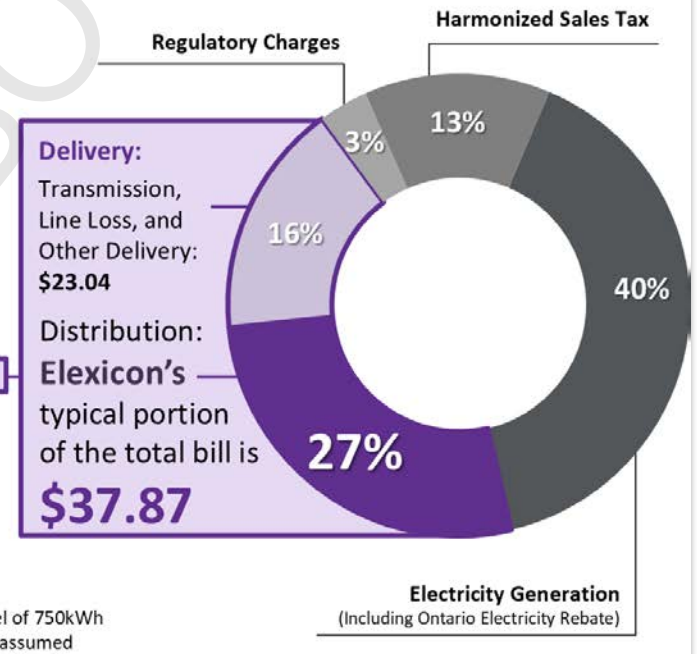
Typical Residential Bill

Sample Elexicon Monthly Bill
(based on consumption of 750kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges	
Electricity	
TOU – Off Peak @ 7.6 ¢/kWh	36.48
TOU – Mid Peak @ 12.2 ¢/kWh	16.47
TOU – On Peak @ 15.8 ¢/kWh	21.33
Delivery	60.91
Regulatory Charges	4.88
Total Electricity Charges	**$140.47**
HST	18.21
Ontario Electricity Rebate	($18.35)
Total Amount	**$139.93**



Note: The sample bill above uses an average consumption level of 750kWh per month, however your usage may vary above or below this assumed level. These types of variations would mostly impact your electricity (On, Mid and Off-Peak) charges. Chart may exceed 100% due to rounding.

WORKBOOK PAGE

Who Holds Elexicon Accountable?

ONTARIO ENERGY BOARD

The **Ontario Energy Board (OEB)** is the public interest regulator responsible for setting electricity distribution rates and charges and for protecting customers in Ontario.

When a distributor, like Elexicon, applies to change its rates, the OEB holds an open hearing. An open hearing is a quasi-judicial process where experts and representatives of different customer and interest groups evaluate the detailed assumptions in a distributor's plan to ensure they are valid and that rates are just and reasonable.

The OEB invites advocates representing a variety of consumer groups, such as:

As a regulator, the OEB holds Elexicon accountable when it comes to:

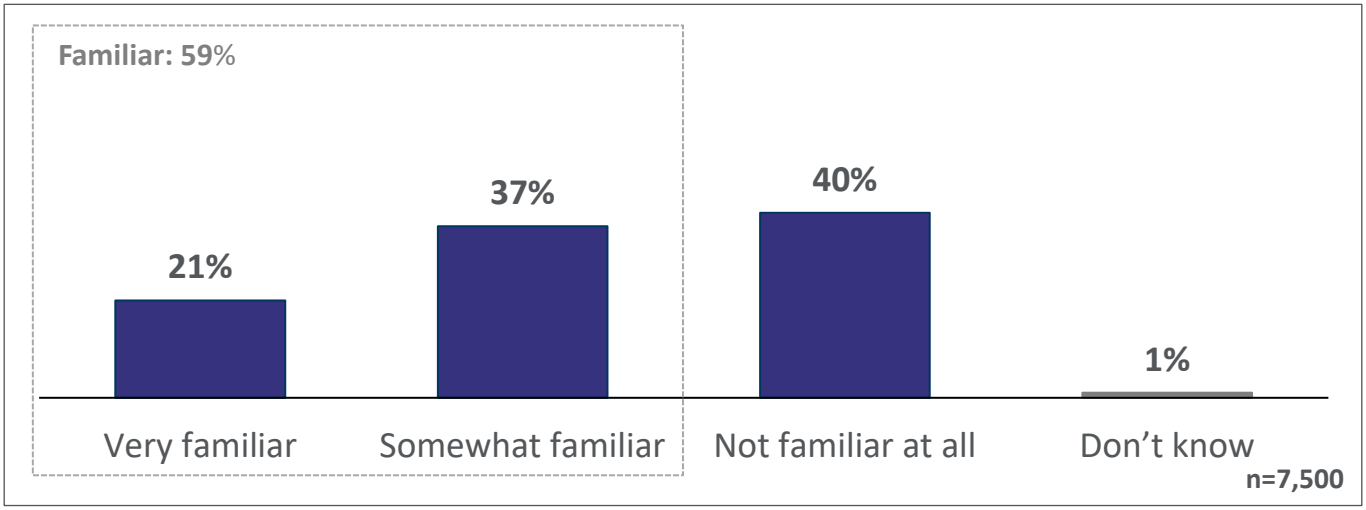
- How it spends your money on current and future infrastructure and services.
- Reporting on key outcomes (e.g. reliability, safety, finances) through an annual scorecard.
- Finding savings and efficiencies to help offset rising costs.

WORKBOOK PAGE

Phase II Online Survey
Familiarity with Electricity Bill

Residential

Q Before this survey, how familiar were you with the amount of your electricity bill that went to Elexicon?



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Very familiar	23%	20%	17%	22%	21%	23%	18%	27%	17%	21%
Somewhat familiar	37%	37%	38%	32%	38%	39%	35%	38%	39%	36%
Not familiar at all	39%	42%	44%	45%	39%	38%	46%	33%	42%	42%
Don't know	1%	1%	1%	<1%	1%	1%	2%	2%	1%	1%
Familiar (Very + Somewhat)	**60%**	**57%**	**55%**	**54%**	**60%**	**61%**	**53%**	**65%**	**57%**	**57%**

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Elexicon Customer Feedback Survey
The Future of the Grid

elexicon ENERGY

Challenges Facing the Grid

Elexicon is facing a number of challenges that will impact the service customers receive. These challenges are putting pressure on the system, requiring more resources, new solutions and growing costs to manage. These challenges include:

- building electrical capacity to enable communities to grow;
- replacing deteriorating infrastructure;
- building a more resilient grid to withstand extreme weather events;
- responding to evolving customer electricity needs; and
- managing rising costs.

Elexicon has prepared its 2027-2031 draft plan to address these existing and emerging challenges head on and continue to deliver safe and reliable electricity at a reasonable cost.

Key Challenges Facing Our System:

To learn more about what Elexicon must consider in preparing its draft plan, click on the key challenges listed below:

- Providing capacity for growing communities
- Fixing and replacing deteriorating infrastructure
- Responding to extreme weather events
- Enhancing cyber security to mitigate threats
- Preparing for changing customer needs
- Responding to rising costs

WORKBOOK PAGE

Learn More

Key Challenges Facing our System:

Providing capacity for growing communities

- Elexicon serves a diverse mix of urban, suburban, and rural areas, each with their own challenges and growth patterns.
- Durham Region is one of the fastest growing regions in Canada. The population is expected to double to 1.3 million over the next 25 years.
- Belleville is also expanding quickly – not only due to new residential growth, but a thriving industrial and manufacturing sector that will require additional electrical capacity for continued growth.
- As Elexicon's service territory continues to grow, there is an increasing need to expand and enhance the capacity of its distribution system to power new residential and commercial buildings, manufacturing facilities and other major projects.

Fixing and replacing deteriorating infrastructure

- Effective management of equipment is critical to the safe, reliable and efficient delivery of electricity to our customers.
- Much of Elexicon's grid was built out in the 1970s and 1980s and needs to be replaced or upgraded.
- For example, nearly 19% of assets have surpassed their expected service life, raising safety, environmental, and reliability concerns. Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- If aging infrastructure is left unaddressed, there will be a higher risk of more frequent and longer unplanned outages caused by equipment failure.

Responding to extreme weather events

- Extreme weather events, such as derechos, extreme winds, high heat, flooding, record-setting snowfalls, and ice storms, are increasingly straining and damaging Elexicon's electricity distribution system.
- Elexicon will need to increasingly invest in resilience through a broad suite of measures, such as hardening assets to withstand extreme weather; reconfiguring networks to add greater redundancy; and enhancing vegetation management in areas with heavy tree coverage.

Enhancing cyber security to mitigate threats

- Cybercrime is on the rise across Canada and around the world. Utilities are high-value targets for malicious actors. Elexicon must enhance the security of its IT systems to mitigate this risk.
- Elexicon continues to invest in cybersecurity to prevent cyberattacks that could compromise operations and put customer data at risk.

WORKBOOK PAGE

Phase II Online Survey

Workbook Page 4 (pop-out)

Residential

Preparing for changing customer needs

- Customers are adopting new technologies such as heat pumps, electric vehicles, solar panels, battery storage, and energy efficiency tools.
- Elexicon is upgrading and modernizing the grid so customers – when they are ready – can connect these new technologies, safely and reliably.

Responding to rising costs

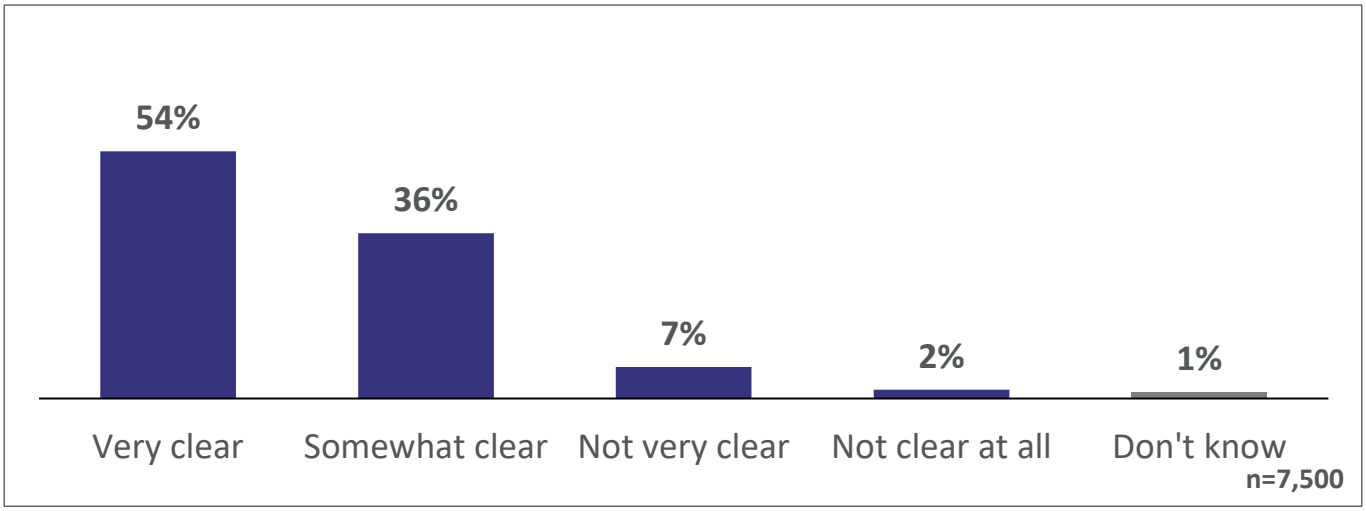
- Customers are concerned about the rising cost of living. Elexicon must find the right balance between the investment needs of the local grid and the financial needs of its customers.
- Elexicon provides information and resources to help customers conserve energy, be more efficient and find incentives that work for them.
- Like many businesses, Elexicon also faces rising costs of purchasing essential equipment for the grid and supporting new construction in the communities it serves.

WORKBOOK PAGE

Phase II Online Survey
Key Challenges Facing the Grid

Residential

Q Is it clear what the key challenges facing Elexicon's grid are?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very clear	53%	58%	58%	59%	52%	49%	63%	50%	56%	58%
Somewhat clear	36%	34%	35%	34%	38%	40%	29%	36%	36%	34%
Not very clear	8%	6%	4%	4%	7%	8%	5%	9%	5%	6%
Not clear at all	2%	2%	1%	3%	2%	2%	1%	3%	1%	1%
Don't know	2%	1%	1%	0%	2%	1%	2%	2%	1%	1%

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

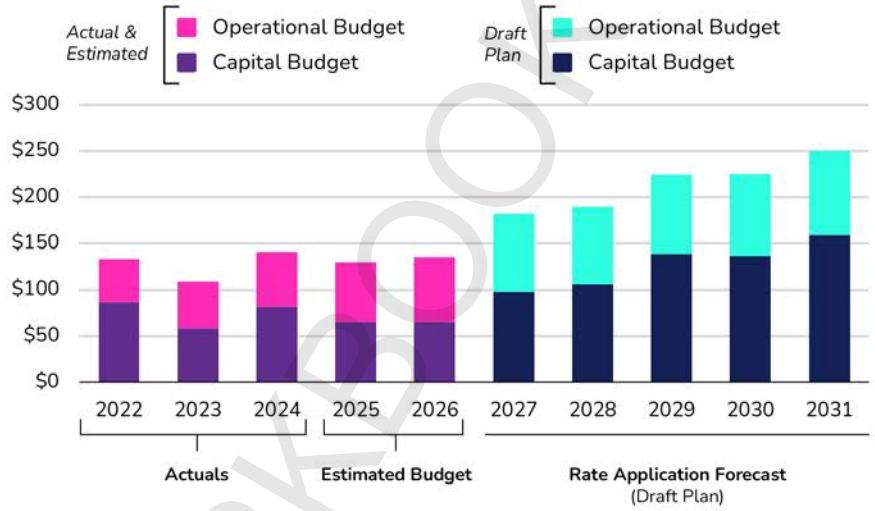
elexicon ENERGY

Costs of Running the Local Grid

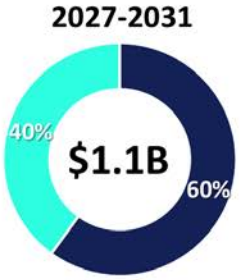
Like most businesses, Elexicon manages both an operating budget and a capital budget.

- The **operating budget** covers recurring expenses, such as the maintenance of assets and tools, customer services, running all business systems and processes, as well as the cost of employees who ensure these activities are completed.
- The **capital budget** includes the costs to build the system, such as the overhead and underground infrastructure, computers and information systems, vehicles and facilities. These items, once purchased, will provide long-term benefits for many years to come.

Actual and Forecasted Budgets per year ($ millions)



The above investments will result in a funding requirement of **$1.1 billion** from 2027-2031. The final budget for 2027-2031 will be adjusted to reflect customer feedback collected through this survey and any necessary adjustments prior to filing with the OEB. The OEB and other stakeholders will complete an extensive review before rates are set for 2027-2031.



WORKBOOK PAGE

Why has Elexicon's Forecasted Budget Increased so Much?

Elexicon is requesting a significant rate increase in 2027 to fund system investments that are needed to maintain the safe and reliable delivery of electricity to its customers.

The municipalities served by Elexicon are growing in both population and electricity usage, and have been for over the past decade. These changes increase the costs of maintaining the grid, requiring changes to current funding levels.

...these challenges include:

Increasing costs of key materials (e.g. poles, transformers) that have exceeded overall levels of inflation.

Increasing investment needed to address deteriorating assets.

Increasing demand from individual customers using more electricity than ever before.

Increasing requests to build new assets to facilitate housing and economic growth.

Every four to five years, most electricity distributors apply to increase their delivery rates by more than inflation to help pay for major capital projects, and operating expenditures. However, Elexicon's rates have been held at inflationary levels for more than decade, although the utility's costs have been increasing to address these challenges previously noted.

Elexicon is operating and maintaining its system with rates based on costs set over a decade ago.

Elexicon's predecessor utilities (*Veridian Connections* and *Whitby Hydro*) had not "rebased" (updated rates) in many years when Elexicon was formed. Veridian last rebased its rates in 2014, while Whitby Hydro last rebased in 2011. Since then, Elexicon's customers have benefited from stable delivery rates that have changed primarily to keep up with inflation.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical residential customer would see the distribution portion of their monthly electricity bill increase by **$22.71** from an estimated rate (price) of **$41.30 in 2026** to a proposed rate (price) of **$64.00 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$133.23	$99.10	$34.13	n/a	n/a
BUDGETED	2026	$141.30	$100.00	$41.30	21.0%	$7.17
RATE PERIOD	**2027**	$147.05	$101.58	$45.47	10.1%	$4.17
	2028	$151.29	$102.70	$48.59	6.9%	$3.12
	2029	$156.87	$103.74	$53.13	9.4%	$4.54
	2030	$163.17	$104.69	$58.48	10.1%	$5.35
	2031	$169.81	$105.81	$64.00	9.4%	$5.53
	5 Year Impact			**$22.71**	**55.0%**	**$22.71**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical residential customer is assumed to use 750 kWh per month and enrolled under Time-of-Use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

elexicon ENERGY

How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical residential customer would see the distribution portion of their monthly electricity bill increase by **$21.60** from an estimated rate (price) of **$42.40 in 2026** to a proposed rate (price) of **$64.00 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$139.93	$102.06	$37.87	n/a	n/a
BUDGETED	2026	$145.54	$103.14	$42.40	12.0%	$4.53
RATE PERIOD	**2027**	$154.65	$101.30	$53.35	25.8%	$10.95
	2028	$157.25	$102.42	$54.83	2.8%	$1.48
	2029	$161.08	$103.46	$57.62	5.1%	$2.80
	2030	$165.32	$104.41	$60.91	5.7%	$3.29
	2031	$169.54	$105.53	$64.00	5.1%	$3.09
	5 Year Impact			**$21.60**	**50.9%**	**$21.60**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical residential customer is assumed to use 750 kWh per month and enrolled under Time-of-Use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Learn More

2026 Rate Increase

In 2025, Elexicon will be filing a request to the OEB for additional **capital funding** and collection of **tracked costs**.

The **additional capital funding** requested will be used to **pay for urgent projects** including the construction of an additional transformer station to address capacity constraints and the replacement of another critical sub-station.

The **tracked costs** are associated with operational and compliance requirements, or changes to government and OEB policy that impact Elexicon. As utilities set rates for several years, the OEB gives them permission to track certain unexpected costs and recover these costs in future years. Elexicon has accumulated large balances since 2014 due to a variety of operational changes and will be seeking to collect these costs in 2026. **Recovering these costs in 2026 will prevent a larger rate increase in 2027 when Elexicon rebases.**

As with any of the utility's costs, Elexicon must justify they are reasonable before they collect these amounts from customers.

Elexicon's 2026 application is different from the 2027-31 Rate Application (the current *Draft Plan* to which we're asking you to provide feedback) and will be evaluated by the OEB separately in the summer of 2025.

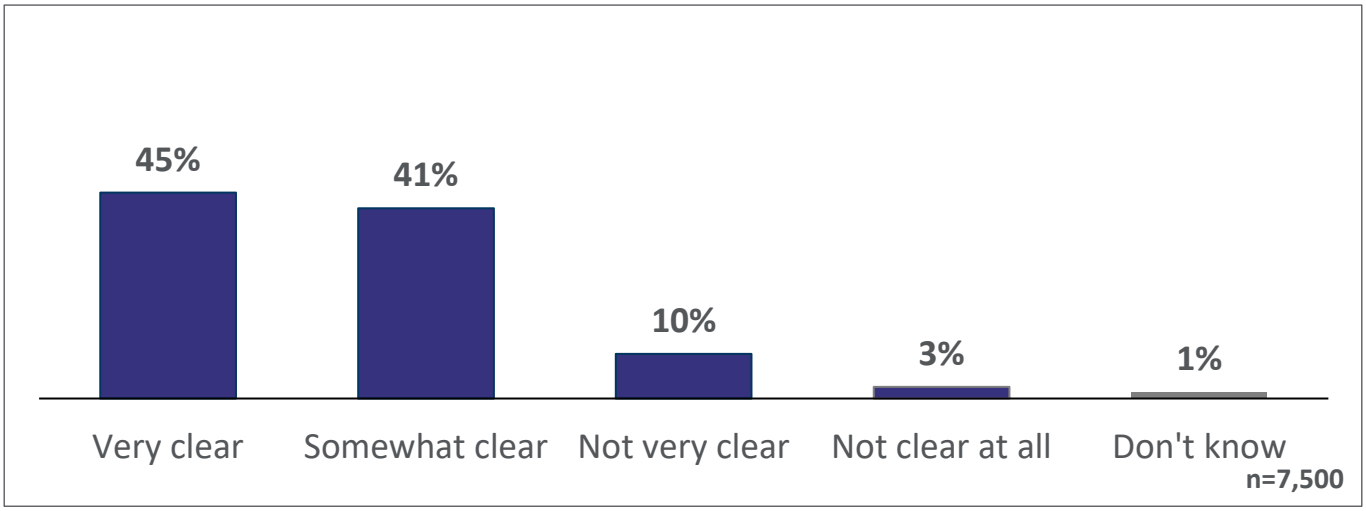
Later in this survey, **we explain the forecasted growth that will impact the local distribution system** in greater detail.

WORKBOOK PAGE

Phase II Online Survey
Cost of the Draft Plan

Residential

Q Is it clear how much the draft plan could cost you?



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Somewhat clear	42%	40%	39%	36%	43%	43%	37%	40%	43%	40%
Not very clear	11%	9%	9%	7%	9%	11%	8%	11%	9%	8%
Not clear at all	3%	3%	2%	3%	3%	3%	2%	3%	2%	2%
Don't know	1%	1%	1%	1%	2%	1%	2%	2%	1%	1%

Elexicon Customer Feedback Survey
Finding Efficiencies

elexicon ENERGY

Finding Operating Efficiencies

Elexicon continues to focus on productivity and continuous improvement initiatives to offset rising costs and deliver better performance.

Elexicon's costs are reported every year to the OEB and benchmarked against other distribution companies in Ontario. Based on publicly available data from the OEB, **Elexicon's total cost per customer averaged $266** over the last three years of available data. This was, and historically has been, lower than the **average cost of $362 per customer** across utilities in Ontario.

Six Largest Provincial Electricity Distributors: Operating Cost per Customer
Source: 2021 – 2023 OEB Yearbook of Electricity Distributors (3-year average)

*Want to know more about how Elexicon is finding ways to use customer dollars efficiently? Click **here** to learn more.*

WORKBOOK PAGE

Learn More

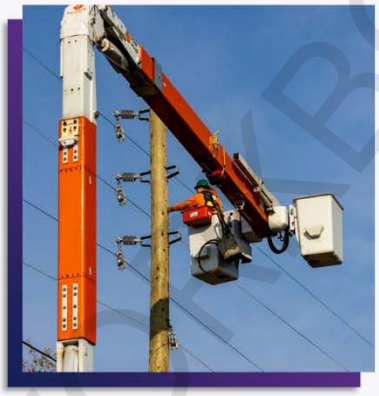
What has Elexicon Done to Become More Efficient?

Elexicon has been working hard to find efficiencies to offset rising costs and continues to do so.

Finding Efficiencies through the Merger

By merging Veridian Connections and Whitby Hydro in 2019, Elexicon has realized millions of cost savings through consolidation synergies, which have helped keep rates in line with inflation despite the challenges noted previously.

As a larger utility, Elexicon can make investments that would have been more expensive per customer for the previous utilities. For example, the merger of Veridian Connections and Whitby Hydro enabled the Smart Grid project in which Elexicon implemented tools to allow for better data acquisition, system monitoring, and grid control. Better system control means Elexicon can respond to outages and restore power faster when equipment is damaged or knocked offline.



As a merged utility, Elexicon has generated approximately $6M in savings related to operational expenses between 2019 and 2024. Elexicon eliminated duplicative service contracts, licensing fees, and memberships. Elexicon also leveraged the internal resources of one entity to serve the needs of the larger entity (e.g. fleet maintenance resources). Furthermore, as a merged utility, Elexicon avoided costs that would have been incurred by both utilities related to new compliance requirements, the adoption of new programs, and the implementation of new tools (e.g. software, websites).

Finding Efficiencies Today

Elexicon is investing in its IT systems not only to protect against cyber security risks, but to also enable ongoing efficiencies that help run the local grid, such as:

- Automating manual processes.
- Improving data availability to better identify opportunities to reduce costs and be more efficient.
- Intelligent planning and better scheduling of work resources.
- Offering additional online self-service tools and better interactions for customers.

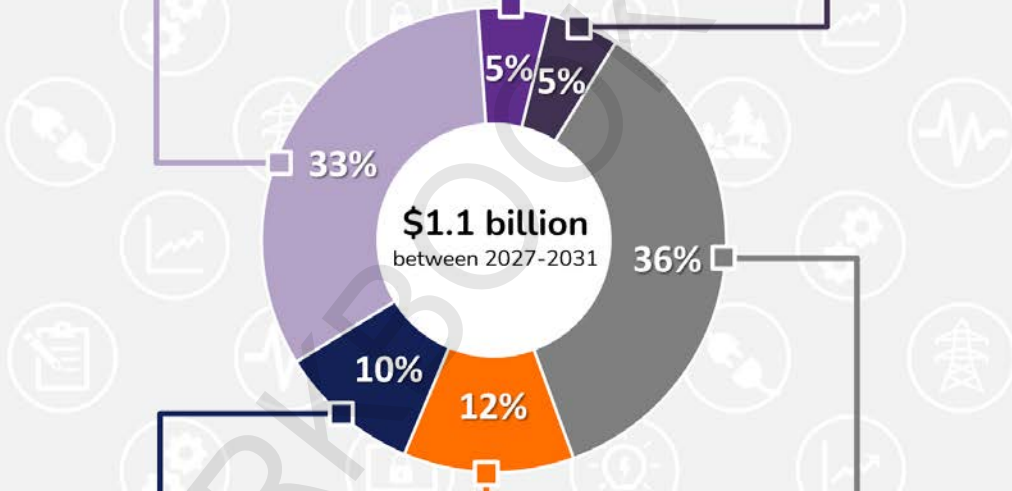
WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

elexicon ENERGY

Elexicon's Draft Plan

Elexicon's five-year 2027-2031 draft plan consists of five key investment categories, totaling an estimated $1.1 billion between 2027 and 2031.



Renewing the System

Infrastructure Renewal [33%]

Mitigating safety and reliability risks posed by deteriorated equipment.

Building a Better Grid for the Future

Metering [5%]

Upgrading meter equipment to move towards greater functionality.

Modernization [5%]

Enhancing the grid to increase efficiency and reliability.

Strengthening Grid Resilience

Grid Resilience [10%]

Hardening the grid to better withstand extreme weather events.

Running the Business

General Plant [12%]

Maintaining equipment that enables our crews and employees to work safely and efficiently.

Enabling Growth

Growth [36%]

Ensuring the system has enough electrical capacity to meet future demand.

Note: Chart equals to 101% due to rounding.

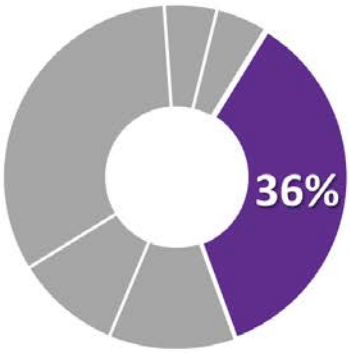
WORKBOOK PAGE

Non-Discretionary Investments

All proposed spending and investments in Elexicon's draft plan are regarded as necessary to provide customers with the services they require today and in the future. However, federal, provincial and municipal governments as well as regulators set requirements and standards that Elexicon is required by law to satisfy.

Ensuring the system has enough electrical capacity to meet future demand is an example of non-discretionary investments.

The Growth investment category represents 36% of Elexicon's 2027-2031 draft plan



Elexicon has a legal obligation to serve customers who want to connect to the grid and to comply with this obligation it must ensure there is sufficient system capacity to support **economic development, transit projects, and new construction**. At the end of the day, Elexicon needs to be ready for when its customers require additional power.

Since the **Growth** investment category consists largely of non-discretionary investments, Elexicon's does not have options to offer customers. The costs are estimated based on what it will be required to build.

The Growth investment category is driven by the following challenges:

Population Growth: The population of some communities in Elexicon's service territory, such as Durham and Belleville, are expected to double to 1.3 million people over the next 25 years.

Economic Growth: New industries, plazas, and small businesses all require additional electrical capacity for their continued success and to enable economic growth in our communities.

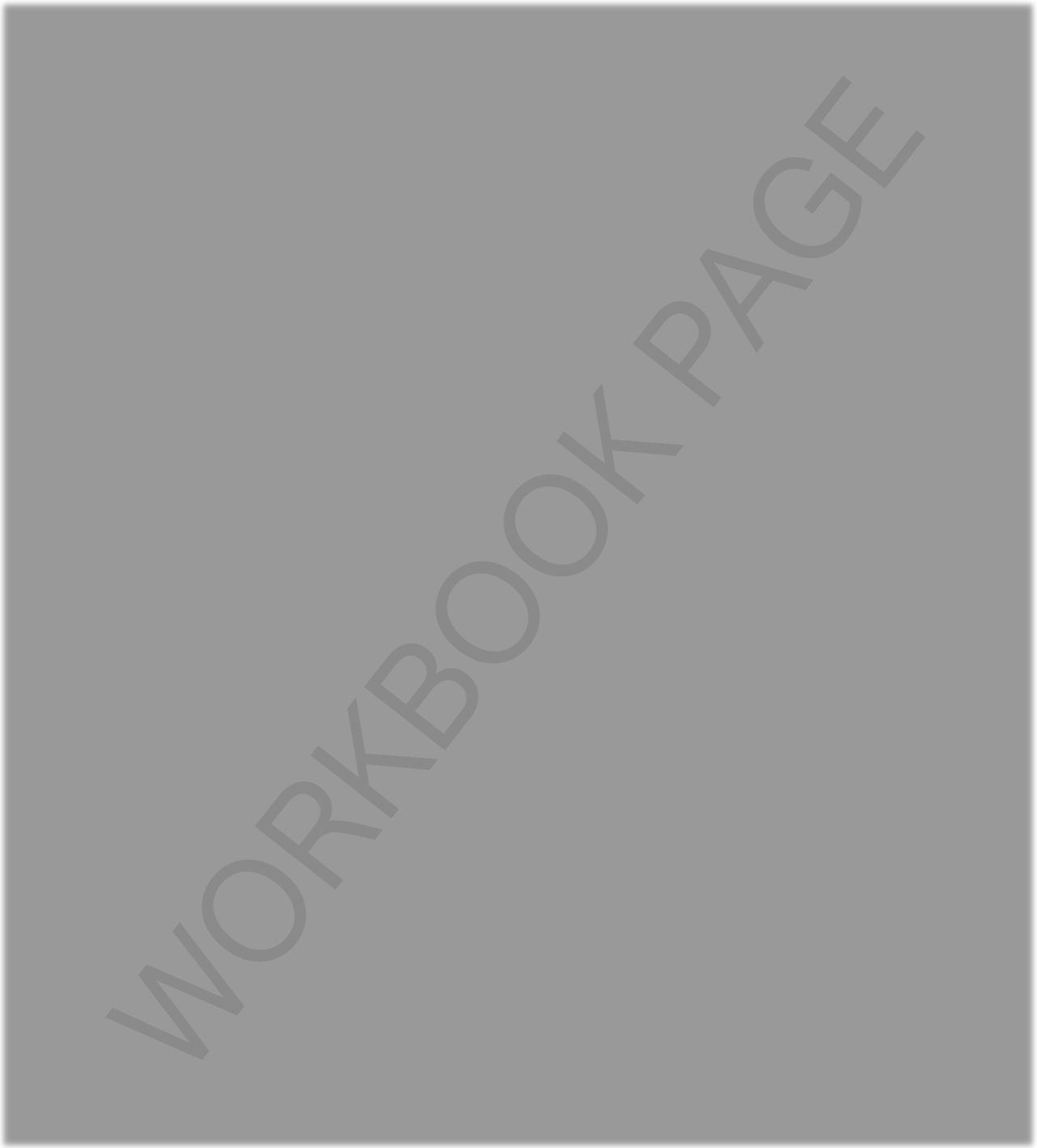
Electrification: The adoption of electric devices has increased demand from existing customers, which is expected to rise by 17% between 2025-2031, double the increase of the previous 7 year period.

*Want to know more about Elexicon's Growth investment category? Click **here** to learn more.*

WORKBOOK PAGE

Phase II Online Survey

Workbook Page 8 (pop-out)



Phase II Online Survey

Workbook Page 8 (pop-out)

Residential

Building a Bigger Grid Takes Time

It's easy to say our communities need more electricity, but meeting this need requires Elexicon to look to the future and make major investments in the grid, including:

- **Expanding Infrastructure:** New transformer stations, substations, and new lines will be added to ensure there is sufficient capacity in the system to meet customer demand.
- **Connecting Customers**: Elexicon is required by law to connect new customers to the grid when they request new connections or service upgrades, while ensuring the grid can meet future demand. While connecting customers contribute to their cost to connect to the system, regulatory requirements require that some costs are covered by Elexicon.
- **Relocating Infrastructure**: Elexicon is also required by law to relocate its overhead power lines, underground cables, and transformers to accommodate major infrastructure projects such as expanded transit systems, road widening, and water and sewage projects.

This work cannot happen overnight. **Building new power lines and stations takes years of planning and construction**.

There are also **equipment** and **resource constraints** that limit how quickly Elexicon can build out a bigger grid.

WORKBOOK PAGE

Impact on Customers

Failure to invest in necessary energy infrastructure will have a cascading effect, hindering Elexicon's ability to meet the growing electricity demand of its customers.

- **Reliability and Outages:** An overloaded and outdated system will buckle under the pressure of increased demand, leading to frequent and widespread power outages, disrupting daily life, businesses, and essential services.
- **Economic Impacts:** Constraints on new connections and unreliable power will stifle economic growth and development, discouraging businesses and industries from investing in the region, ultimately affecting job creation and prosperity.
- **Environmental Consequences:** An inability to support electrification efforts will hinder the transition away from fossil fuels, resulting in increased greenhouse gas emissions and missed opportunities to embrace renewable energy sources.

Elexicon's *Growth* budget is based on a technical analysis of known system requirements.

Part of the role of the OEB is to assess if Elexicon has accurately and fairly estimated the costs of its non-discretionary work. The review process is open and transparent, and both interest groups and individuals can participate.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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Providing Feedback on Elexicon's Draft Plan

In the next several pages, you will have a chance to provide your input on five key choices that will impact Elexicon's draft plan.

Your time is valuable. While many people find this information interesting, if you would prefer to skip over the background information, you can jump right to the key choices.

How Do I Make Choices?

Each investment choice has up to three options that Elexicon would like you to consider:

Spend More: A higher spending option that makes additional progress towards better outcomes while recognizing practical limits due to resources and construction issues.

Draft Plan: The option currently in the draft plan. This reflects the planning team's assessment of the right balance between competing priorities and is not necessarily the spending mid-point.

Spend Less: A minimum spending option that keeps prices lower and meets the basic requirements but may entail some trade-offs on key performance outcomes, such as reliability.

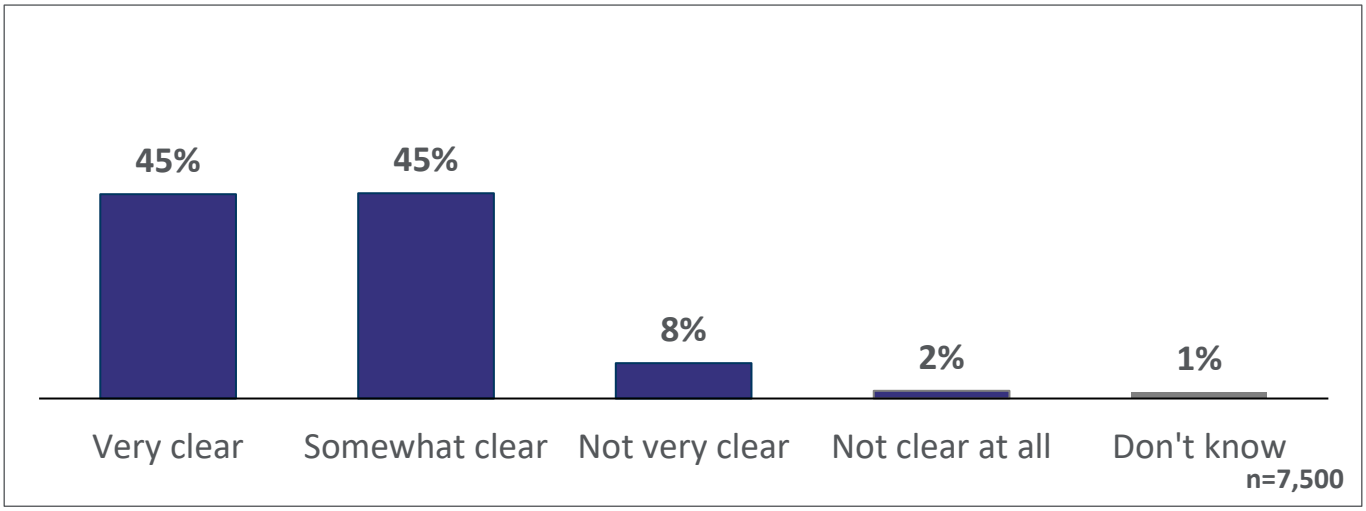
In addition to these options, you are welcome to add additional feedback in the comment boxes below each choice.

WORKBOOK PAGE

Phase II Online Survey
Clarity on Costs and Outcomes

Residential

Q Is it clear that you can select the option that best reflects your personal view of the best balance between costs and outcomes?



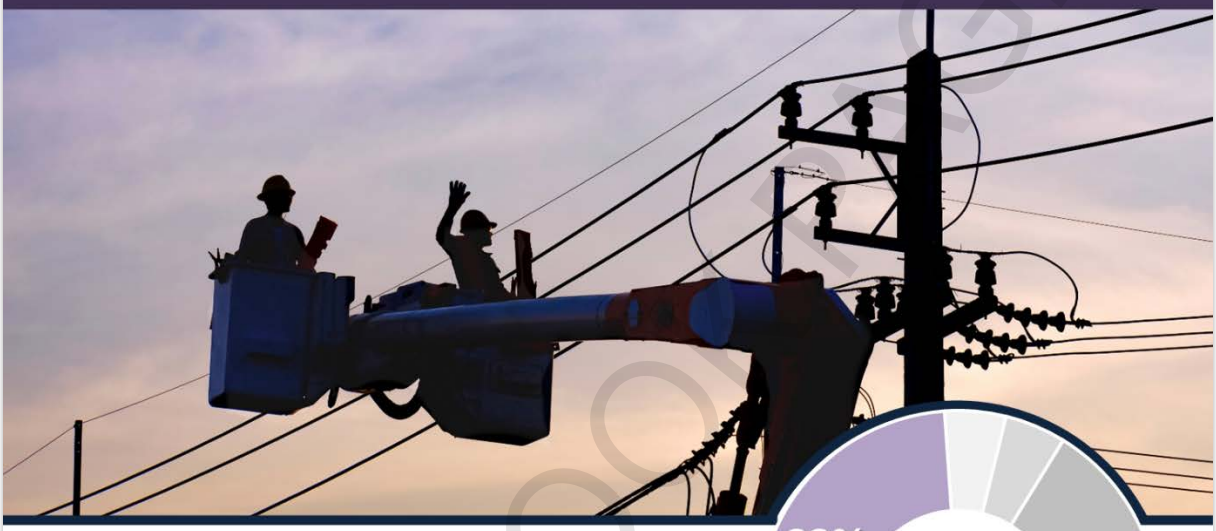
	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very clear	44%	47%	46%	50%	43%	41%	52%	43%	44%	49%
Somewhat clear	44%	42%	45%	40%	46%	48%	38%	44%	45%	43%
Not very clear	9%	8%	7%	7%	7%	9%	6%	9%	8%	6%
Not clear at all	2%	2%	1%	2%	2%	2%	1%	2%	2%	1%
Don't know	1%	1%	2%	1%	2%	1%	2%	2%	1%	1%

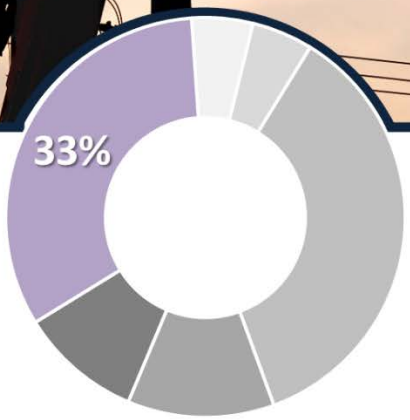
Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

elexicon ENERGY

Renewing the System

Replacing and upgrading key assets and infrastructure





What is this Section About?

Mitigating the safety, environmental and reliability risks posed by deteriorating assets and infrastructure at their end of life.

There is **one choice** in this section where Elexicon needs your input:

1 Infrastructure Renewal

Renewing the System makes up 33% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $8.39 of the proposed $22.71 increase in distribution rates by 2031.

VRZ: $22.71
WRZ: $21.60

VRZ: $8.39
WRZ: $7.98

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

elexicon ENERGY

1 Infrastructure Renewal

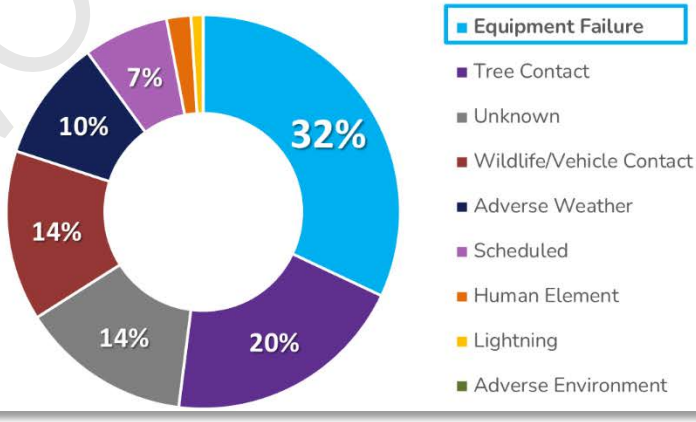
Overview

Elexicon owns many types of wires, conductors, and poles that get power from the transmission system to customers' homes and businesses. Infrastructure renewal addresses the risk posed by these assets when they age, deteriorate and break down. This is an important part of the plan when it comes to maintaining reliability and efficiency in the electrical grid.

- **Nearly 19% of Elexicon's assets have surpassed their expected service life, raising safety, environmental, and reliability concerns.**
- Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- As infrastructures ages and deteriorates, equipment failure is more likely to occur, leading to safety and environmental risks, as well as more frequent and longer power outages.

Roughly **32%** of customer outages are caused by equipment failure. This is the largest single cause of power outages across Elexicon's service territory.

Customer Outage Duration (Hours) 2022-2024

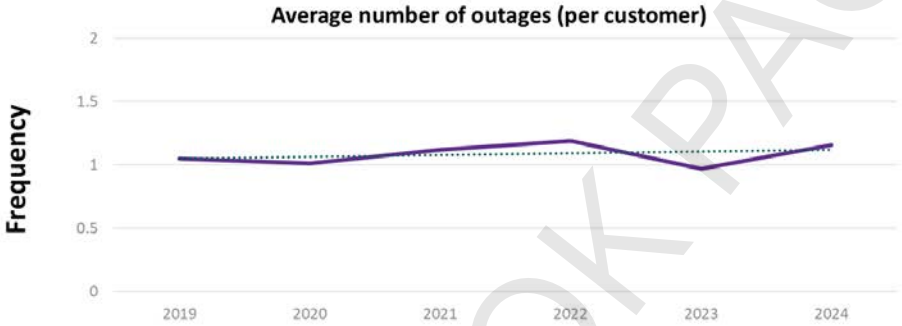


WORKBOOK PAGE

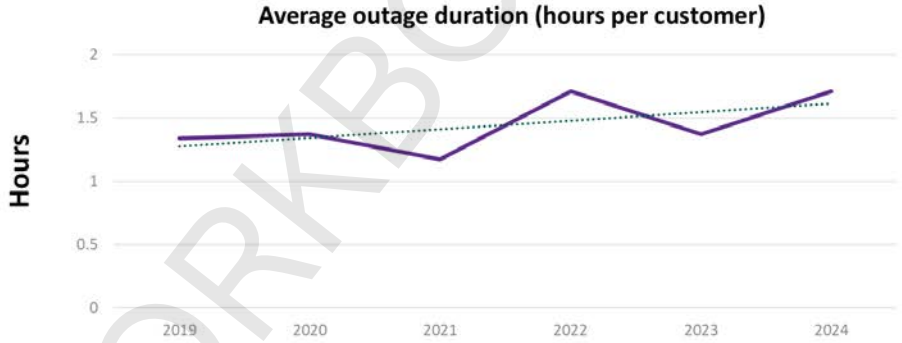
Customer Impact

Elexicon recognizes that power interruptions are inconvenient for residential customers and can be costly for commercial and industrial customers. **As such, a core objective of Elexicon's plan is to restore current levels of reliability to past performance over the 2027-2031 plan period.**

Between 2019 and 2024, the typical Elexicon customer experienced about **one** outage per year.



However, over the same period, the average **length** of time customers are without power has been increasing. In 2024, the typical Elexicon customer was without power for 103 minutes.



Note: It's important to keep in mind that these are system averages, and that your actual experience may be different. Some customers connected to newer lines may not experience any outages, while others are experiencing more than the average number of outages each year.

Delaying the replacement of deteriorating infrastructure and equipment, will likely result in more frequent and longer power outages.

Furthermore, reactive equipment replacement (where equipment has failed and must be replaced immediately) is significantly more expensive than proactive, planned equipment replacement.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 11 (cont.)

Residential

VRZ: $8.39
WRZ: $7.98

Choice 1 of 5:

By 2031, Elexicon's draft plan on **infrastructure renewal** would cost the typical residential customer **$8.39** more per month on their monthly electricity bill. Elexicon could spend more to reduce the risk of outages and improve reliability, or they could spend less and risk the potential for an increase in power outages over time.

How much do you think Elexicon should invest in infrastructure renewal?

	Spend Less	Draft Plan	Spend More
	Partially address deteriorating assets	*Targeted replacement of deteriorating assets*	*Replace a significant portion of deteriorating assets*
Grid Health	Decline in overall health of the system by 2031	Maintain the overall health of the system by 2031	Improve the overall health of the system by 2031
Reliability	Overall system reliability would likely worsen by 2031	Prevent further decline in reliability and restore performance by 2031	Reduce risk of outages and improve performance by 2031
Future Costs	Higher reactive costs in the future since more assets will be left unaddressed and will need to be replaced reactively when they fail	Lower reactive costs since there will be fewer failures and one-off replacements	Significantly lower reactive costs in the future
Rate Impact *per month by 2031*	$7.91	$8.39	$10.75

VRZ: $7.91
WRZ: $7.53

VRZ: $8.39
WRZ: $7.98

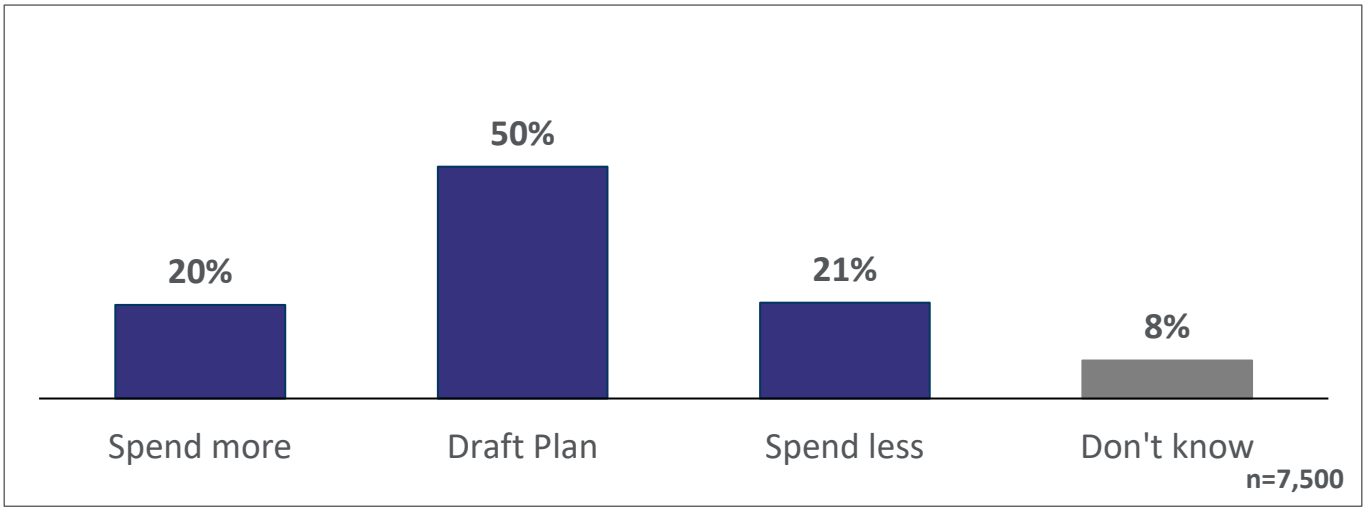
VRZ: $10.75
WRZ: $10.22

WORKBOOK PAGE

Phase II Online Survey
Choice 1: Infrastructure Renewal

Residential

Q How much do you think Elexicon should invest in infrastructure renewal?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Spend more	19%	22%	24%	36%	18%	14%	32%	15%	21%	26%
Draft Plan	49%	52%	52%	42%	52%	51%	50%	44%	54%	54%
Spend less	23%	18%	16%	14%	22%	26%	10%	30%	18%	17%
Don't know	8%	9%	8%	8%	8%	8%	8%	12%	8%	4%

Phase II Online Survey

Choice 1: Infrastructure Renewal – Feedback

Residential

Q Do you have additionall feedback on Elexicon's draft plan for infrastructure renewal? [OPEN]

Response	%
Willing to pay more for improved reliability	2.0%
Against increases/costs are too expensive	1.0%
General support for the draft plan	0.7%
Need more information/have questions	0.6%
Cost of living pressure/financial strain	0.6%
Infrastructure needs to be upgraded	0.6%
Invest now to save money later	0.6%
Distrust in the engagement/rate increases are inevitable	0.6%
Find efficiencies instead of customers paying more	0.5%
Bury lines to improve reliability	0.5%
Upgrades are necessary but minimize cost increases/take a balanced approach	0.5%
Not interested in paying for improvements/only customers affected should pay	0.5%
Support for more proactive maintenance	0.4%
More renewable/innovative sources of energy	0.4%
Unsure if benefits of plan will be realized	0.4%
Poor planning from Elexicon	0.4%
Financial strain on seniors/fixed-income individuals	0.4%
Focus investments on areas with the most outages first	0.3%
Government/taxes should cover the cost of investments	0.3%
Dissatisfied with current reliability	0.3%
Reduce overhead costs/salaries	0.3%
Survey is complicated/too much information	0.2%
Concerns with severe weather events	0.2%
Current level of service is acceptable	0.2%
Improve customer/outage communication	0.2%

Note: Only responses >0.1% shown

Phase II Online Survey

Choice 1: Infrastructure Renewal – Feedback (cont.)

Residential

Q Do you have additionall feedback on Elexicon's draft plan for infrastructure renewal? [OPEN]

Response cont.	%
Increase is reasonable	0.2%
Elexicon is profit-driven/profits should be reinvested	0.2%
Investments should be region specific/don't like the idea of paying for other regions	0.2%
Increase tree trimming to prevent outages	0.2%
Consider the impact of a growing customer base	0.1%
Other	0.5%
None/Don't know	85.7%

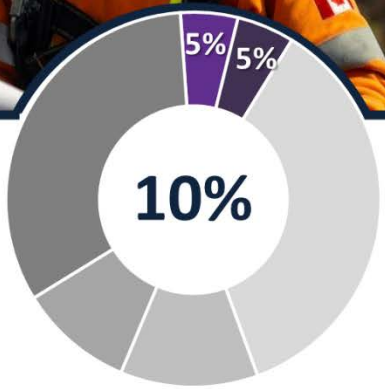
Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Building a Better Grid

elexicon ENERGY

Building a Better Grid for the Future

Replacing Meters and Modernizing the Grid



What is this Section About?

Using new technology to increase efficiency, reliability, and provide greater functionality for customers.

There are **two separate choices** in this section where Elexicon needs your input:

2 Metering

3 Modernization

Building a Better Grid for the Future makes up **10%** of the **draft plan**. In terms of bill impact, this theme represents an estimated **$2.41** of the proposed **$22.71** increase in distribution rates by 2031.

VRZ: $22.71
WRZ: $21.60

VRZ: $2.41
WRZ: $2.30

WORKBOOK PAGE

Understanding Metering & Modernization: Changing Technology, Changing Needs

For the last 100 years, things have changed relatively slowly in terms of grid technology. Electricity was generated in large power stations and transmitted from around the province to Elexicon's grid, and ultimately to our homes and businesses. Thanks to grid advancement, how we monitor and control the flow of electricity has dramatically improved. With the right investments our customers can benefit from improved reliability, and better service.

Elexicon's 2027-2031 draft plan includes technologies that change how Elexicon operates the grid.

Smart grid technology like sensors, advanced metering, and automation enable Elexicon to monitor key equipment to prevent outages and get better use out of existing equipment.

When outages do occur, this technology can re-route the grid to restore power much more **quickly** and at a **lower cost** than today.

Greater **visibility** means Elexicon can do things like remotely detect variances in voltage, preventing outages and damage to customer equipment.

When these devices signal that a customer has lost power, modern switches allow Elexicon to restore power from the control room without needing to send a truck out to find the fault.

Eventually, customers will have access to a 'two-way system' that allows customers to sell the electricity they generate back to the grid. Grid automation and visibility modernization upgrades are necessary to enable this technology in the future.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Metering

elexicon ENERGY

Overview

Elexicon owns approximately 180,320 customer meters, with 83% operating beyond their service life. As meters break, Elexicon has the option of replacing them with the same meter, or installing an upgraded meter that can enable better reliability and customer features.

Both types of meters rely on communication systems for automatic meter reading and detecting outages. Since the merger, Elexicon has been managing with two legacy communication systems that must soon be replaced. Elexicon's draft plan will replace the meters themselves, as well as upgrade to a centralized metering communication system, which will allow Elexicon to better detect problems and respond to outages.

Metering is a critical component of Elexicon's modernization plan, and our goal to reduce outage times. Elexicon needs to understand the preferences of customers when it comes to the pace of these upgrades.

Why Replace Meters Now?

- The current meters are at risk of failing at increasing rates.
- Elexicon has prepared a plan to address large groups of meters, saving costs on labour and unlocking new benefits for customers like enhanced outage detection.

WORKBOOK PAGE

Customer Impact

Meter Replacement will impact customers in the following ways:

- **Restoration impacts**: Upgraded meters and metering system provides Elexicon with better visibility into where outages are occurring, so that Elexicon can respond faster to resolve the outage.
- **Capacity impacts**: With upgraded technology and new meters, Elexicon can better understand usage patterns and peak times, allowing for smarter planning and ensuring sufficient capacity for the future.
- **Cost considerations:** If Elexicon defers investments in metering, the short-term costs for customers are lower. However, pushing replacements into the future also means less cost certainty and more costly upgrades later.

Elexicon's draft plan spreads out the upgrades over approximately eight-years and prioritizes upgrading those meters at highest risk of failure.

For this choice, Elexicon needs to decide whether to:

a) spend more and complete upgrades by 2031;

b) follow the draft plan and complete upgrades by 2034, or

c) spend less and defer all upgrades until after 2031.

If all upgrades are deferred until after 2031, Elexicon will continue to replace failed meters but will be unable to modernize its grid and reduce outage times for customers.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 13 (cont.)

Residential

VRZ: $1.30
WRZ: $1.23

Choice 2 of 5:

By 2031, Elexicon's draft plan on **metering** would cost the typical residential customer **$1.30** more per month on their monthly electricity bill. Elexicon could spend more to replace almost all meters and fully implement the smart grid by the end of 2031, or Elexicon could spend less and only replace meters as they fail, deferring all technological upgrades until after 2031.

How much do you think Elexicon should invest in metering?

	Spend Less	Draft Plan	Spend More
	Replace meters with the same technology, and only when they fail	*Replace most meters with newer technology by 2034*	*Replace all meters with upgraded technology by 2031*
Future Costs	Lower upfront costs, but upgrading meters in the future will come at a higher cost	Balance upfront costs of large meter replacements by pacing technology upgrades	Invest in upgraded technology at scale, saving labour and material costs
Reliability	No upgrades to customer devices that enable outage detection	Upgrade most meters, and the communication system, allowing for outage detection on most customer devices by 2034	Upgrade all meters, and the communication system, to allow for outage detection on all customer devices by 2031
Rate Impact *per month by 2031*	$0.99	$1.30	$2.40

VRZ: $0.99
WRZ: $0.94

VRZ: $1.30
WRZ: $1.23

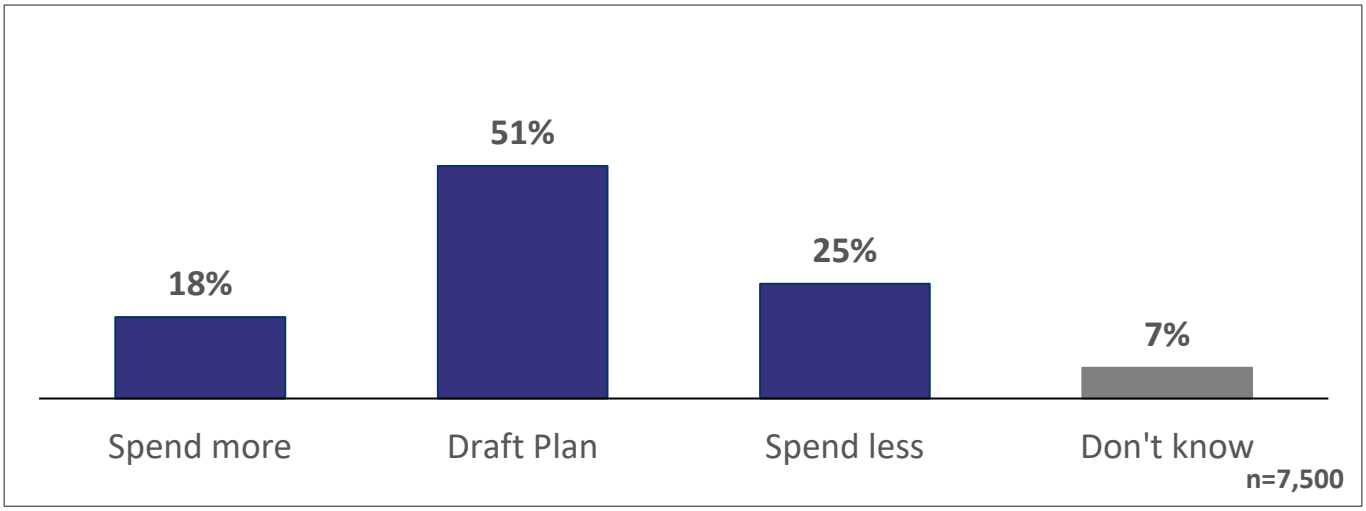
VRZ: $2.40
WRZ: $2.28

WORKBOOK PAGE

Phase II Online Survey
Choice 2: Metering

Residential

Q How much do you think Elexicon should invest in metering?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Spend more	17%	21%	20%	25%	17%	13%	26%	14%	19%	21%
Draft Plan	50%	51%	54%	52%	49%	49%	53%	44%	56%	54%
Spend less	26%	21%	20%	16%	27%	31%	14%	34%	19%	21%
Don't know	7%	7%	7%	7%	7%	6%	7%	9%	6%	3%

Phase II Online Survey
Choice 2: Metering – Feedback

Residential

Q Do you have additionall feedback on Elexicon's draft plan for metering? [OPEN]

Response	%
Meters need to be upgraded	0.8%
Do not replace meters/unnecessary/recently replaced	0.8%
Skeptical of smart meters	0.7%
Need more information/have questions	0.5%
Replace meters only when they fail	0.5%
Distrust in the engagement/rate increases are inevitable	0.4%
Prefer replacing meters quickly	0.4%
Phased/balanced approach/proceed with upgrades with minimal cost increases	0.4%
Cost of living pressure/financial strain/tariff concerns	0.4%
Against increases/costs are too expensive	0.4%
General support for the draft plan	0.4%
Customers shouldn't pay for investments	0.4%
Willing to pay more for improved reliability	0.3%
Offer alternative/more innovative energy solutions	0.3%
Invest now to save money later	0.3%
Unsure if benefits of upgraded meters will be realized	0.3%
Find efficiencies instead of customers paying more	0.2%
Poor planning from Elexicon	0.2%
Technology may improve/cost less in future/delay upgrades	0.2%
Not interested in subsidizing/only customers affected should pay	0.2%
Increase is reasonable	0.1%
Financial strain on seniors/fixed-income individuals	0.1%
Other	0.7%
None/Don't know	91.5%

330

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Modernization

elexicon ENERGY

Overview

Elexicon is proposing to invest in field technology and back-end systems to improve how the grid functions and develop a smarter grid of the future that will benefit all customers.

Elexicon's Grid would:

1. **Reduce duration of outages by quickly identifying the cause and minimizing the number of customers impacted during restoration;**
2. **Ensure customers can connect more local generation;**
3. **Improve visibility into grid operations to ensure crews can operate safely and efficiently.**

Elexicon recognizes that not all technologies and grid upgrades can be deployed immediately, and we need to choose the order and pace of our investments to align with what will bring value to our customers.

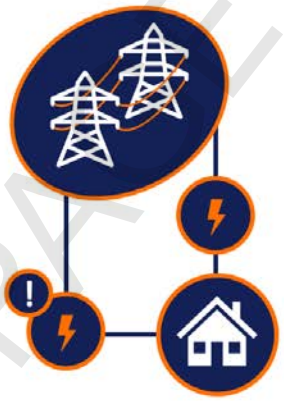
Speed Up Power Restoration with Fault Location Isolation and Service Restoration (FLISR)

A "fault" or problem with the flow of electricity can "trip" or "turn off" a large section of Elexicon's grid.

By installing an FLISR system, Elexicon can remotely restore power to areas that may be affected by the outage. This reduces the amount of time customers are without power.

WORKBOOK PA

Detecting Faults with Communicating Faulted Circuit Indicators (CFCIs)



CFCIs are intelligent sensors installed along power lines that detect faults and send data to Elexicon's System Control Center.

Elexicon can significantly reduce response times to outages. Advanced warning features also enable crews to perform proactive maintenance, preventing outages before they occur.

By enhancing fault detection and predictive capabilities, CFCIs improve service reliability, reduce outage durations, and strengthen overall grid resilience for customers.

Customer Impact

Elexicon has identified a range of technologies that can optimize our existing assets and infrastructure in the near term and provide customers greater choice to participate in the energy system in the future. Elexicon's draft plan uses a targeted approach, building the foundation for a network that can enable the **Grid of the Future** beyond 2031.

These investments will allow Elexicon to:

- Shorten the length of outages by detecting the source of the problem sooner and often turn the power back on remotely,
- Redirect crews to targeted areas that require manual repairs, rather than sending them out to search for the problem and thereby extending the length of the outage,
- Improve power quality, preventing damage to equipment and ensuring safe operations,
- Eventually, these investments will lay the groundwork to enable greater participation in the grid, connecting residential devices like solar panels, batteries, and electric vehicles to the system.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 14 (cont.)

Residential

Choice 3 of 5:

VRZ: $1.12
WRZ: $1.06

By 2031, Elexicon's draft plan on **modernization** would cost the typical residential customer **$1.12** more per month on their monthly electricity bill. Elexicon could spend more to improve reliability and efficiency outcomes faster, or could spend less, deferring investments and improvements to these outcomes into the future.

How much do you think Elexicon should invest in modernization?

	Spend Less	Draft Plan	Spend More
	Defer investments to remote smart-grid technology	*Targeted investments in specific grid enhancing technology projects*	*Significant investment in smart-grid projects and non-wire solutions*
Reliability	No material improvements to reliability	Improve reliability and slightly reduce outage time	Significantly improve reliability and reduce outage time
Efficiency	Minimal material improvements to grid efficiency	Targeted investments and minor upgrades in grid infrastructure to test new technologies to improve efficiency	Significant upgrades to infrastructure lead to a more efficient grid
Rate Impact *per month by 2031*	$1.00	$1.12	$1.46

VRZ: $1.00
WRZ: $0.95

VRZ: $1.12
WRZ: $1.06

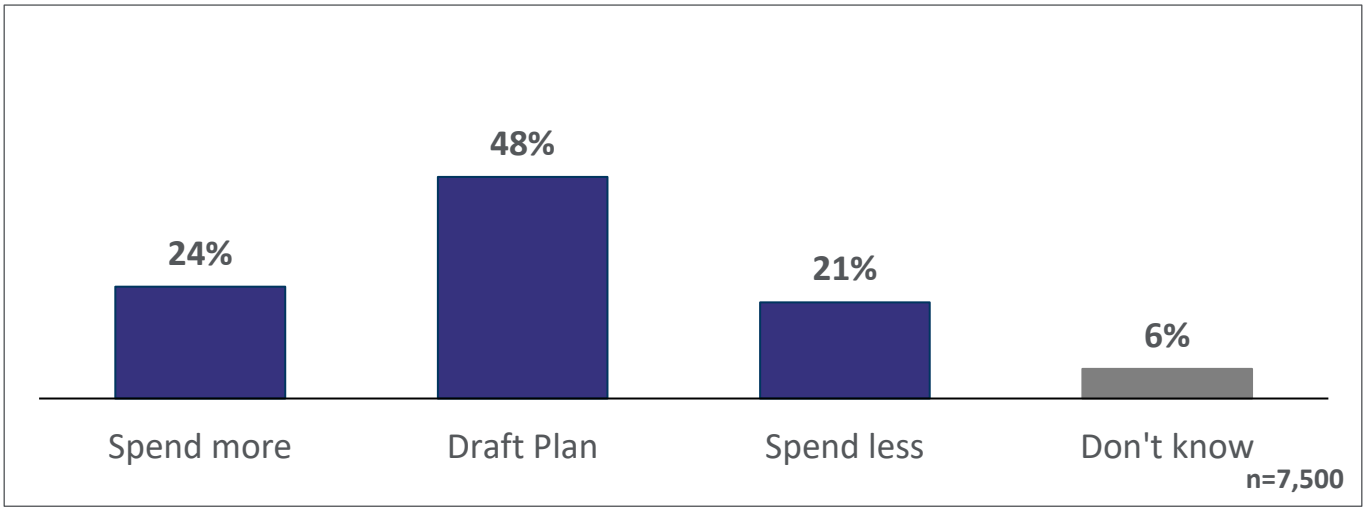
VRZ: $1.46
WRZ: $1.39

WORKBOOK PAGE

Phase II Online Survey
Choice 3: Modernization

Residential

Q How much do you think Elexicon should invest in modernization?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Spend more	23%	26%	28%	39%	22%	18%	36%	18%	26%	30%
Draft Plan	48%	51%	49%	42%	48%	49%	46%	44%	52%	50%
Spend less	23%	17%	16%	12%	23%	26%	11%	30%	17%	17%
Don't know	6%	6%	6%	7%	7%	6%	7%	9%	6%	3%

Phase II Online Survey
Choice 3: Modernization – Feedback

Residential

Q Do you have additionall feedback on Elexicon's draft plan for modernization? [OPEN]

Response	%
General support for the draft plan/modernization	0.8%
Willing to pay more for improved reliability	0.6%
Against increases/costs are too expensive	0.5%
Modernization improvements should be an ongoing process	0.4%
Need more information/have questions	0.4%
Find efficiencies instead of customers paying more	0.3%
Distrust in the engagement/rate increases are inevitable	0.3%
Increase is reasonable	0.3%
Invest now to prepare for the future	0.3%
Cost of living pressure/financial strain	0.2%
Dissatisfied with current reliability	0.2%
Current level of service is acceptable	0.2%
Bury lines to improve reliability	0.2%
Invest now to save money later	0.2%
Skeptical of smart technologies and their benefits	0.2%
Reduce overhead costs/salaries	0.2%
Customers should pay for new technology integration when they adopt it	0.1%
Prefer a slower implementation to avoid issues	0.1%
Financial strain on seniors/fixed income individuals	0.1%
Improve outage communication	0.1%
Other	0.7%
None/Don't know	93.7%

335

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

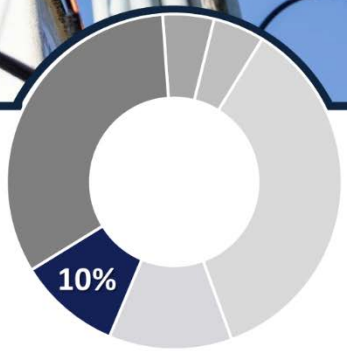
elexicon ENERGY

Strengthening Grid Resilience

Hardening the grid to better withstand extreme weather

What is this Section About?

Building a more resilient grid to better withstand adverse weather events



There is **one choice** in this section where Elexicon needs your input:

4 Grid Resilience

Strengthening Grid Resilience makes up 10% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $4.60 of the proposed $22.71 increase in distribution rates by 2031.

VRZ: $22.71
WRZ: $21.60

VRZ: $4.60
WRZ: $4.38

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

elexicon ENERGY

Overview

This section focuses on investments Elexicon will make to improve the resiliency of its system. Resiliency refers to the ability to withstand, adapt to, and recover from disruptions, such as an extreme weather event.

Elexicon aims to improve grid resilience by identifying high risk areas, ensuring critical functions remain intact during a major event, and recovering quickly.

The Impact of Adverse Weather on the Grid

Elexicon has experienced a series of severe weather events that affected a significant portion of its service territory over the years:

- **In May 2022**, 64,000 Elexicon customers lost power due to a severe weather event (a 'derecho' and subsequent tornado). This event resulted in an outage of over 24 hours (in some cases much longer), and required a full rebuild of one of Elexicon's main transformer stations.
- **In December 2022**, a lengthy outage due to wind and ice from a December blizzard affected one-third of our customers.
- **In late November 2024**, Gravenhurst received 140 centimeters of snowfall over two days. The heavy accumulation downed hydro poles and wires, causing widespread outages, affecting all 6,500 customers in the area. In some cases, customers were out of power for as long as a week.

WORKBOOK PAGE

Customer Impact

In anticipation of future extreme weather events, Elexicon can harden the grid in the following ways:

Remove hard to access rear lot connections that pose a higher risk of failure during major weather events, while also taking longer to repair.

Increase tree trimming to reduce likelihood that branches take out lines.

Install the latest standard equipment when replacing end-of-life assets.

Invest in grid monitoring devices and software that allow Elexicon to identify and isolate faults more quickly.

Enhance customer facing tools to improve communication during weather events.

Maintain software and replace of grid control equipment at its end-of-life.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 16 (cont.)

Residential

VRZ: $4.60
WRZ: $4.38

Choice 4 of 5:

By 2031, Elexicon's draft plan on **resilience** would cost the typical residential customer **$4.60** more per month on their monthly electricity bill. Elexicon could spend more to materially reduce the duration and frequency of outages, or Elexicon could spend less, which risks increasing restoration times following a major outage.

How much do you think Elexicon should invest in grid resilience?

	Spend Less	Draft Plan	Spend More
	Minimal investment in grid resiliency initiatives	*Targeted investment in grid resiliency initiatives in highest risk areas*	*Increased investment in grid resiliency initiatives*
Reliability	Minimal improvement in outage duration after extreme weather events	Moderate improvement in reliability, with some improved restoration time after extreme weather events	Significantly reduce outages and improve outage restoration time after extreme weather events across the grid
Future Costs	Higher reactive costs when a major storm or weather event occurs, increasing spending on crew time and materials to restore power	Some reactive costs to cover crew time and materials when an extreme weather event occurs	Reduced reactive costs, as crews will have to respond to fewer restoration calls after extreme weather events
Rate Impact *per month by 2031*	$4.20	$4.60	$5.72

VRZ: $4.20
WRZ: $4.00

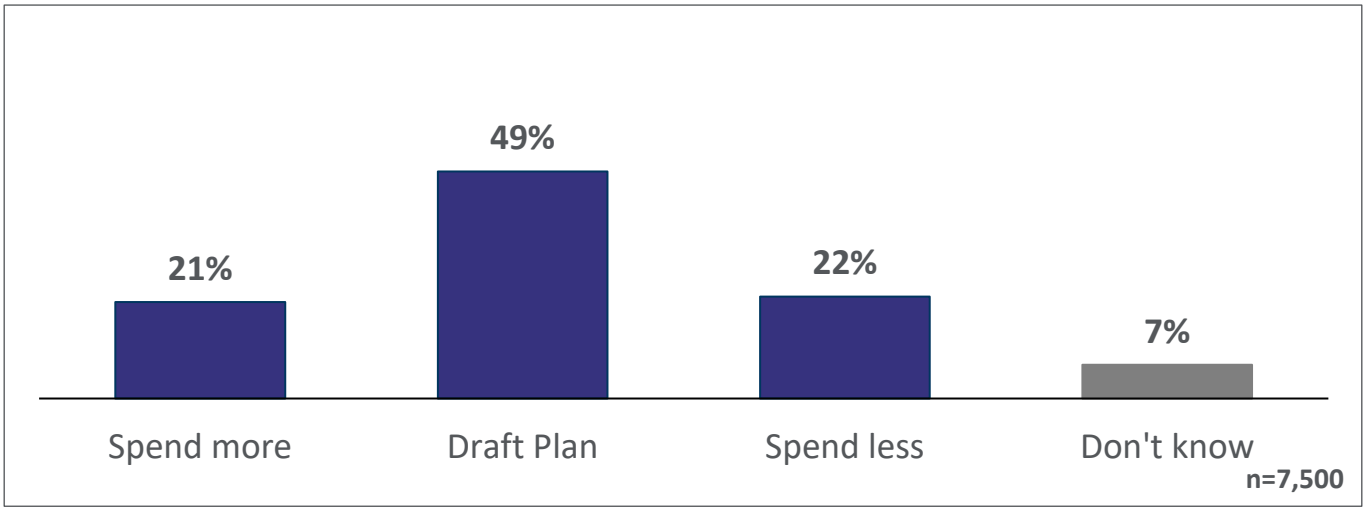
VRZ: $4.60
WRZ: $4.38

VRZ: $5.72
WRZ: $5.44

Phase II Online Survey
Choice 4: Grid Resilience

Residential

Q How much do you think Elexicon should invest in grid resilience?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Spend more	19%	23%	24%	43%	20%	16%	31%	17%	22%	25%
Draft Plan	50%	53%	52%	40%	48%	50%	49%	44%	52%	52%
Spend less	24%	17%	18%	10%	25%	27%	12%	29%	20%	19%
Don't know	8%	7%	6%	8%	7%	7%	8%	10%	6%	4%

Phase II Online Survey
Choice 4: Grid Resilience – Feedback

Residential

Q Do you have additionall feedback on Elexicon's draft plan for grid resilience? [OPEN]

Response	%
Adverse weather is becoming more common	0.7%
Bury lines to improve reliability	0.6%
Invest now to prepare for the future	0.5%
Willing to pay more for improved reliability	0.5%
General support for the draft plan/grid resilience	0.5%
Find efficiencies instead of customers paying more	0.4%
Against increases/costs are too expensive	0.4%
Distrust in the engagement/rate increases are inevitable	0.4%
Current level of service is acceptable	0.3%
Need more information/have questions	0.3%
Increase tree trimming to prevent outages	0.3%
Some weather events are unavoidable/unpredictable	0.3%
Invest now to save money later	0.2%
Prefer a quicker/proactive implementation	0.2%
Support the spend more option	0.2%
Cost of living pressure/financial strain	0.1%
Reduce overhead costs/salaries	0.1%
Prefer a slower implementation to avoid issues	0.1%
Dissatisfied with current reliability	0.1%
Customers shouldn't pay for investments	0.1%
Increase is reasonable	0.1%
Other	0.7%
None/Don't know	93.0%

INNOVATIVE RESEARCH GROUP

Note: Only responses >0.1% shown

Phase II Online Survey
Workbook Page 17

Residential

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

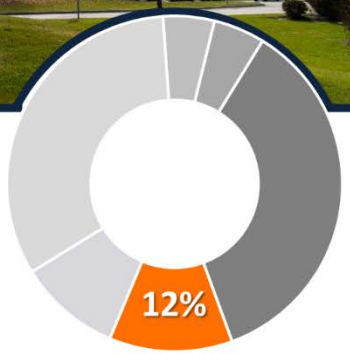
Running the Business

Investments in backbone systems that keep the grid running

What is this Section About?

Investments that maintain and upgrade essential systems like billing, outage management, asset planning, health and safety, and cyber security.

This section also includes investments in operational technology that allow us to better plan and execute projects, understand our customers, and better serve our communities.



There is **one choice** in this section where Elexicon needs your input:

5 General Plant

Running the Business makes up 12% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $1.80 of the proposed $22.71 increase in distribution rates by 2031.

VRZ: $22.71
WRZ: $21.60

VRZ: $1.80
WRZ: $1.72

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

Overview

Elexicon's daily operations require IT systems for all aspects of its business, including billing, operating the grid, responding to outages, planning projects and communicating with customers.

Since the merger in 2019, Elexicon has operated its business with legacy software and systems, which now require necessary IT infrastructure replacements. **Elexicon has prioritized cyber security investments in the draft plan, and because these systems are essential, there is no *spend less* option for this choice.**

However, Elexicon planners have identified additional infrastructure upgrades that are required in order to improve processes and modernize the grid. These investments are included in the *spend more* option.

Customer Impact

By upgrading Elexicon's operational technology, in addition to its IT systems, Elexicon can deliver a better customer experience:

- Improve the grid's ability to connect customer-owned solar panels, EVs and power walls.
- Improve visibility into the grid to enable operators to detect faults, prevent outages, and restore power remotely.
- Provide customers data and tools to access new programs to save on electricity or sell energy back to the grid.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 18 (cont.)

Residential

VRZ: $1.80
WRZ: $1.72

Choice 5 of 5:

By 2031, Elexicon's draft plan on **general plant** would cost the typical residential customer **$1.80** more per month on their monthly electricity bill. Elexicon could spend more to deploy new technologies and modernize its operations.

How much do you think Elexicon should invest in general plant?

	Draft Plan	Spend More
	Targeted investment in operational technology with additional pilot projects	*Investment in operational technology to enhance the grid*
IT Security	Upgrade IT systems to reduce the risk of a cyber attack	Same as Draft Plan
Technology	Maintain existing operational technology, with limited upgrades for the grid	Deploy new technology at a greater scale to prepare for a modernized grid
Efficiency	Invest in small pilot projects to explore new operational technology	Significantly modernize grid operations to enable better planning and outage management
Rate Impact *per month by 2031*	$1.80	$2.19

VRZ: $1.80
WRZ: $1.72

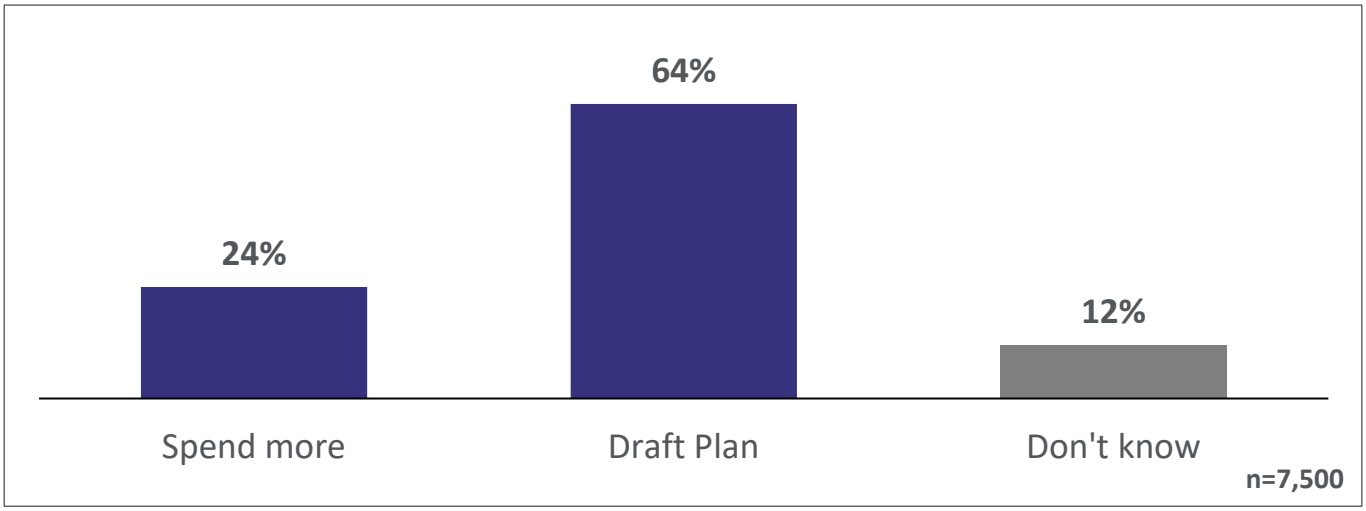
VRZ: $2.19
WRZ: $2.08

WORKBOOK PAGE

Phase II Online Survey
Choice 5: General Plant

Residential

Q How much do you think Elexicon should invest in general plant?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Spend more	23%	27%	25%	29%	24%	20%	33%	21%	26%	29%
Draft Plan	65%	63%	64%	62%	64%	68%	56%	64%	63%	65%
Don't know	12%	11%	11%	10%	12%	12%	11%	16%	11%	7%

Phase II Online Survey
Choice 5: General Plant – Feedback

Q Do you have additionall feedback on Elexicon's draft plan for general plant? [OPEN]

Response	%
Missing a spend less option	0.7%
Cybersecurity is essential	0.6%
Find efficiencies instead of customers paying more	0.6%
Support investing in new technologies	0.4%
Invest now to prepare for the future	0.3%
General support for the draft plan	0.3%
Distrust in the engagement/rate increases are inevitable	0.3%
Reduce overhead costs/salaries	0.3%
Support the spend more option	0.2%
Cost of living pressure/financial strain	0.2%
Prefer a slower implementation or pilot projects to avoid issues	0.2%
Against increases/costs are too expensive	0.2%
Need more information/have questions	0.2%
Investments are necessary to keep up with growth	0.2%
Increase is reasonable	0.2%
Willing to pay more for improved reliability	0.1%
Invest now to save money later	0.1%
Customers should pay for new technology/EV integration when they adopt it	0.1%
Skeptical of/don't like solar panels or EV adoption	0.1%
Financial strain on seniors/fixed income individuals	0.1%
Current cybersecurity investments are adequate	0.1%
Other	0.6%
None/Don't know	94.0%

INNOVATIVE RESEARCH GROUP

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$7.91	$8.39	$10.75	*Don't know*
Metering	$0.99	$1.30	$2.40	*Don't know*
Modernization	$1.00	$1.12	$1.46	*Don't know*
Grid Resilience	$4.20	$4.60	$5.72	*Don't know*
General Plant		$1.80	$2.19	*Don't know*
Growth		$5.50		

Between $62.70 and $69.31

The total impact of your choices would result in an estimated distribution charge of $64.00 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$22.71 between 2026 and 2031.**

Between $21.40 and $28.02

Click 'Submit' after you have finalized your choices above. Submit

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$7.53	$7.98	$10.22	*Don't know*
Metering	$0.94	$1.23	$2.28	*Don't know*
Modernization	$0.95	$1.06	$1.39	*Don't know*
Grid Resilience	$4.00	$4.38	$5.44	*Don't know*
General Plant		$1.72	$2.08	*Don't know*
Growth		$5.23		

Between $62.76 and $69.05

The total impact of your choices would result in an estimated distribution charge of $64.00 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$21.60 between 2026 and 2031.**

Between $20.36 and $26.65

Click 'Submit' after you have finalized your choices above. Submit

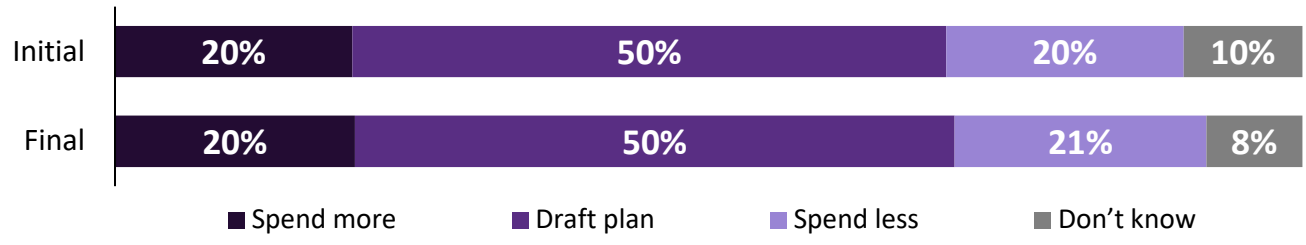
WORKBOOK PAGE

Phase II Online Survey
Finalizing Choices

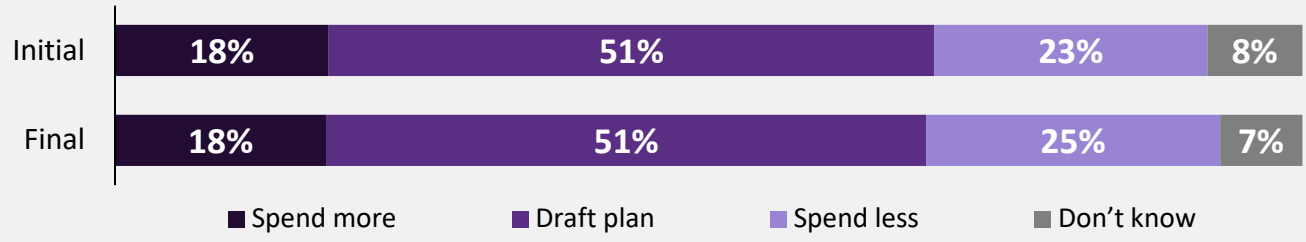
Residential

Comparing the choices before (Initial) and after (Final) the calculator page.

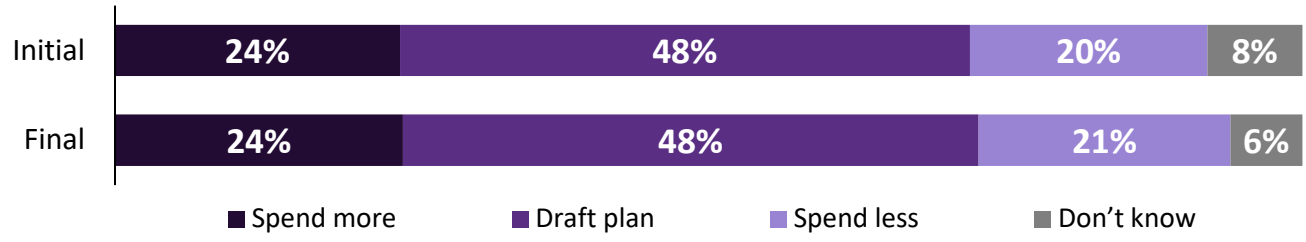
Infrastructure Renewal



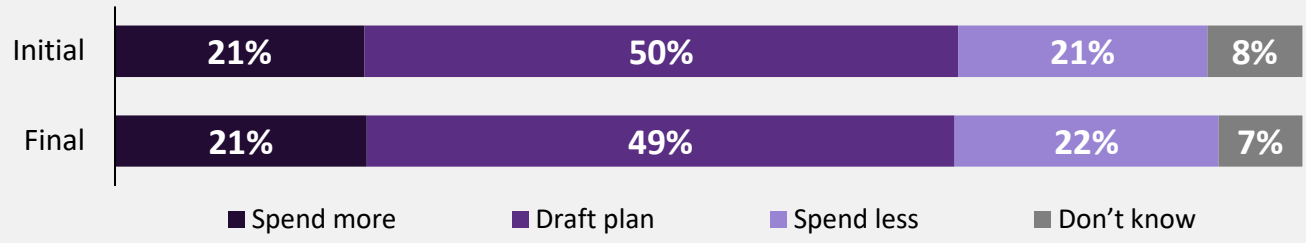
Metering



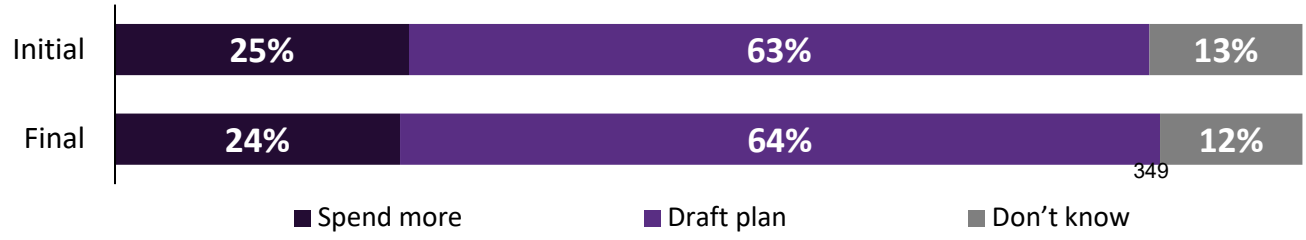
Modernization



Grid Resilience



General Plant



[redacted]

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$133.23	$99.10	$34.13	n/a	n/a
BUDGETED	2026	$141.30	$100.00	$41.30	21.0%	$7.17
RATE PERIOD	**2027**	$147.05	$101.58	$45.47	10.1%	$4.17
	2028	$151.29	$102.70	$48.59	6.9%	$3.12
	2029	$156.87	$103.74	$53.13	9.4%	$4.54
	2030	$163.17	$104.69	$58.48	10.1%	$5.35
	2031	$169.81	$105.81	$64.00	9.4%	$5.53
	5 Year Impact			**$22.71**	**55.0%**	**$22.71**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical residential customer is assumed to use 750 kWh per month and enrolled under Time-of-Use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 20 – WRZ Version

Residential

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$139.93	$102.06	$37.87	n/a	n/a
BUDGETED	2026	$145.54	$103.14	$42.40	12.0%	$4.53
RATE PERIOD	**2027**	$154.65	$101.30	$53.35	25.8%	$10.95
	2028	$157.25	$102.42	$54.83	2.8%	$1.48
	2029	$161.08	$103.46	$57.62	5.1%	$2.80
	2030	$165.32	$104.41	$60.91	5.7%	$3.29
	2031	$169.54	$105.53	$64.00	5.1%	$3.09
	5 Year Impact			**$21.60**	**50.9%**	**$21.60**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical residential customer is assumed to use 750 kWh per month and enrolled under Time-of-Use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

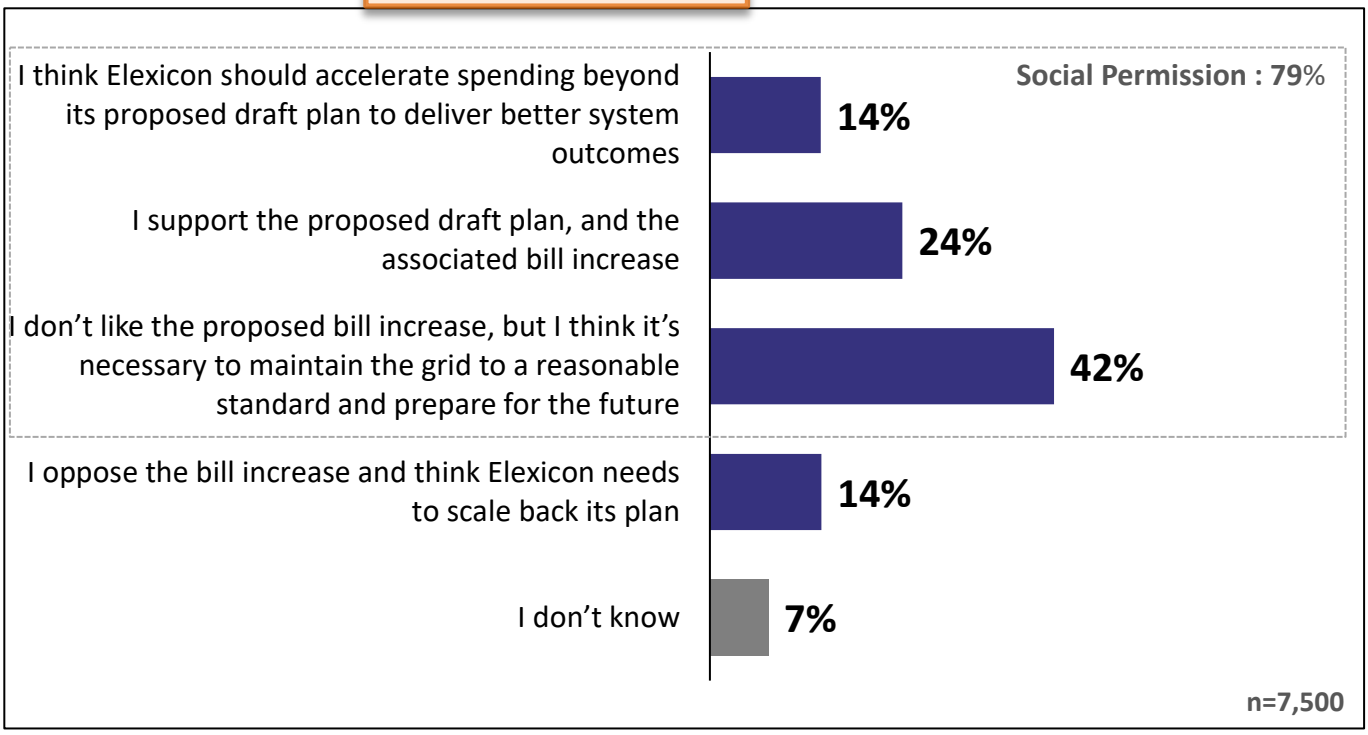
WORKBOOK PAGE

Phase II Online Survey
Social Permission

Residential

Considering what you have learned about Elexicon's 2027–2031 draft plan and that this may result in a $22.71 increase in the distribution portion of your monthly electricity bill between 2026 and 2031, which of the following best represents your point of view?

VRZ: $22.71 / WRZ: $21.60



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Accelerate spending	14%	13%	14%	19%	13%	10%	21%	12%	12%	18%
Support draft plan	24%	25%	25%	27%	22%	21%	29%	20%	28%	28%
Maintain the grid	41%	43%	43%	39%	43%	46%	35%	40%	42%	41%
Oppose increase	14%	13%	11%	7%	16%	17%	6%	17%	12%	10%
Don't know	7%	7%	7%	8%	7%	7%	8%	11%	6%	3%
Social Permission	**79%**	**80%**	**82%**	**85%**	**77%**	**76%**	**85%**	**72%**	**82%**	**86%**

Phase II Online Survey
Social Permission – Feedback

Residential

Q Do you have any final comments regarding Elexicon's draft plan and the proposed rate increase? [OPEN]

Response	%
Support the draft plan/find it reasonable	1.2%
Be proactive to improve reliability/minimize outages	1.1%
Need more information/have questions	1.0%
Find efficiencies instead of customers paying more	1.0%
Lower rates/focus on affordability	1.0%
Concerned with increases due to the high cost of living/inflation	0.9%
Customers shouldn't pay for investments	0.8%
Support the increase/investments are necessary	0.7%
Invest now to save money later	0.7%
Financial strain on seniors/fixed-income individuals	0.6%
Reduce management costs/salaries	0.6%
Increase should be more gradual/initial increase is too high	0.5%
Prefer a quicker/proactive implementation	0.4%
Satisfied with the service/pleased with Elexicon	0.4%
General dissatisfaction with the increase	0.4%
Distrust in the engagement/rate increases are inevitable	0.4%
Government/taxes should cover the cost of investments	0.3%
Be transparent/communicative with customers about the proposed rate increases	0.3%
Customers should pay for new technology/EV integration when they adopt it	0.3%
Focus on the environment/sustainability	0.2%
Concerned about the impact of the tariff war	0.2%
Improve customer service experience	0.1%
Oppose paying more since infrastructure is fine as it is	0.1%
Other	0.7%
None/Don't know	86.1%

353

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Rate Harmonization

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Rate Harmonization

A key principle for rates in Ontario is that similar customers pay similar charges wherever they are located within a utility. This is not the case in Elexicon's service territory currently due to the way Elexicon was formed in 2019.

As mentioned earlier in the survey, Elexicon is the result of the merger of two former utilities, Veridian Connections and Whitby Hydro. You might not know it, but the rates you pay today still depend on which utility served your area prior to the merger.

Impact on Customers

Rate harmonization is when rates are equalized for the same kinds of customers throughout the service area of a utility. Elexicon has the option of harmonizing rates in 2027, or gradually harmonizing over five years ending in 2031.

Harmonize by 2031 (Option A)

Harmonize rates gradually between 2027 and 2031, all customers will pay the same rates on January 1st 2031.

Whitby customers will pay more than Veridian customers in the first year, but their annual rate increases will be lower. For Veridian customers, their rate increase will be lower in the first year, while the following yearly increases will be higher than Whitby customers.

Harmonize in 2027 (Option B)

When rates are harmonized in the first year (2027), all customers will pay the same rates on January 1st 2027.

Veridian customers would pay $2.00 more in 2027 compared to Option A, while Whitby customers would pay $5.00 less in 2027 compared to Option A. However, under Option B, Whitby and Veridian customers pay the same rates, and their yearly rate increases will be the same going forward.

Regardless of what option Elexicon decides to take, Elexicon customers of the same size and consumption level will pay the same rates by January 1st 2031.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 21 (cont.)

Residential

Year	Option A Harmonize by 2031		Option B Harmonize in 2027	
	Whitby	Veridian	Whitby	Veridian
2027	$53.35	$45.47	$47.70	$47.70
2028	$54.83	$48.59	$50.36	$50.36
2029	$57.62	$53.13	$54.41	$54.41
2030	$60.91	$58.48	$59.18	$59.18
2031	$64.00	$64.00	$64.00	$64.00
Total Impact 2027-2031	+$21.60	+$22.71	+$21.60	+$22.71

Note: You are currently in the former Veridian Rate Zone.

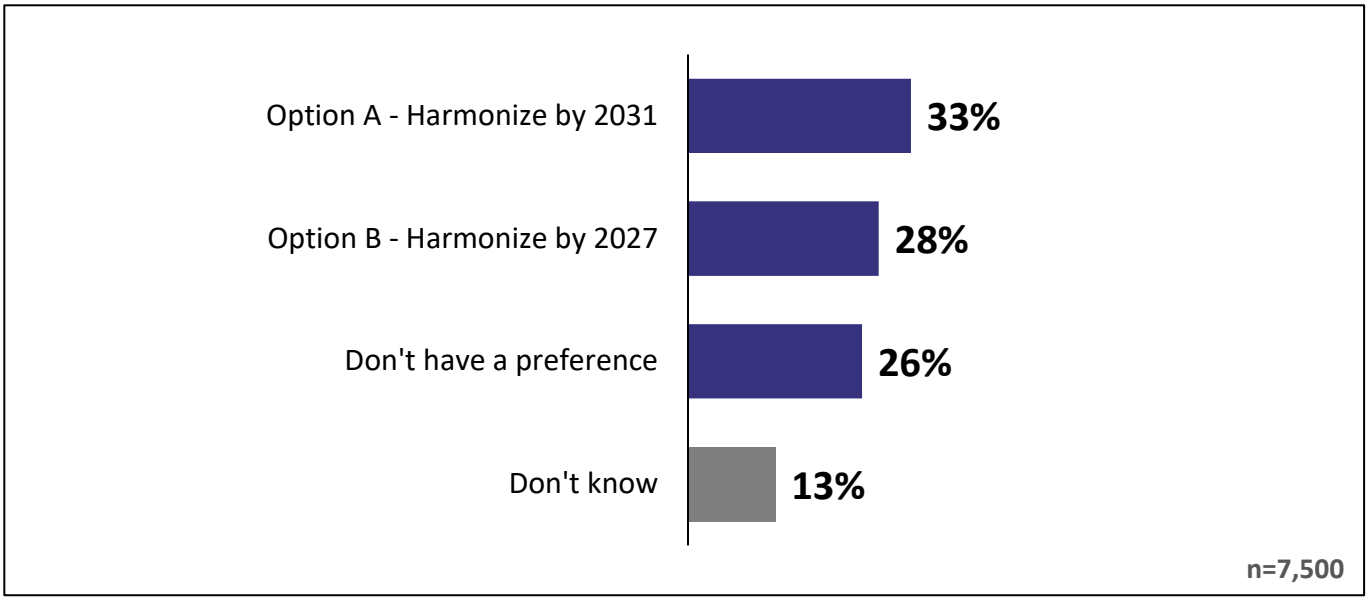
VRZ: Veridian
WRZ: Whitby

WORKBOOK IMAGE

Phase II Online Survey
Rate Harmonization

Residential

Q When it comes to the pace of Rate Harmonization, which approach do you prefer?

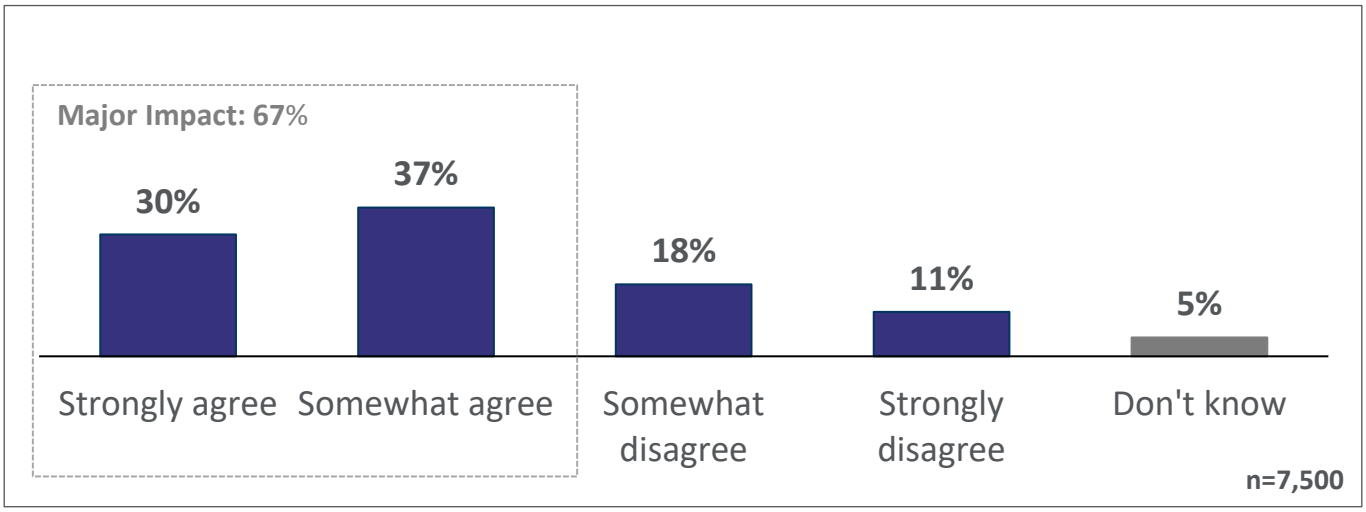


	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Option A 2031	37%	34%	34%	34%	26%	35%	29%	32%	34%	35%
Option B 2027	24%	23%	22%	23%	40%	27%	30%	25%	29%	32%
No Preference	26%	29%	31%	27%	22%	25%	28%	26%	24%	27%
Don't know	13%	14%	13%	15%	12%	13%	13%	18%	13%	7%

Phase II Online Survey
Impact on Finances

Residential

Please agree or disagree with the following statement:
The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.

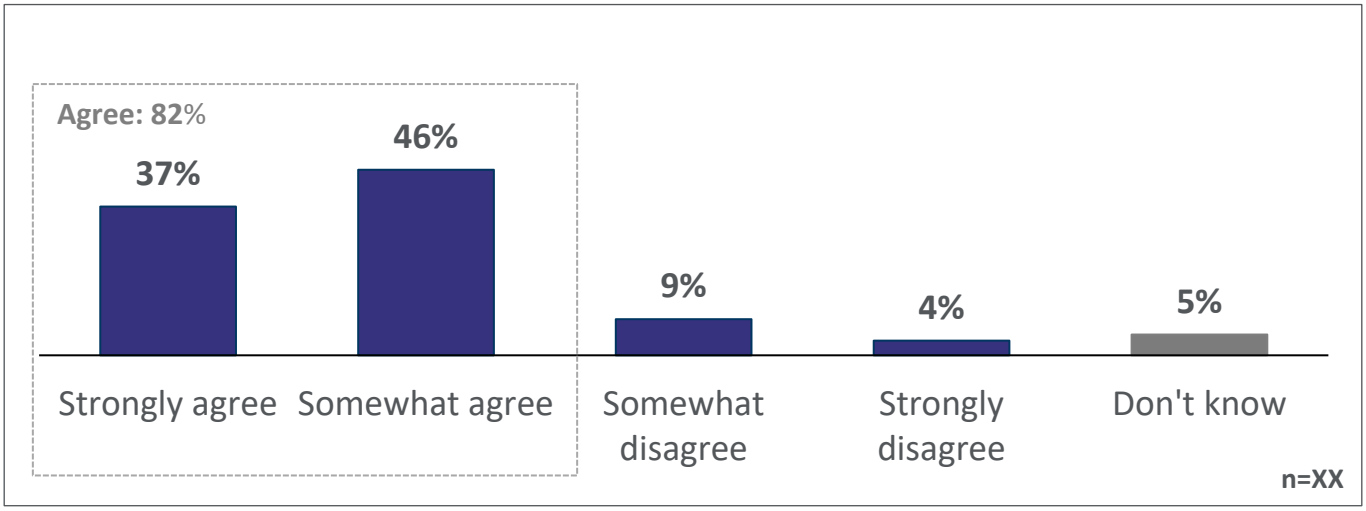


	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Strongly agree	32%	28%	23%	24%	31%	45%	-	43%	28%	24%
Somewhat agree	36%	36%	39%	37%	36%	55%	-	36%	38%	36%
Somewhat disagree	17%	20%	19%	20%	17%	-	53%	10%	22%	22%
Strongly disagree	10%	12%	14%	13%	11%	-	33%	5%	9%	16%
DK / No opinion	5%	5%	5%	5%	5%	-	14%	6%	4%	3%
Major Impact (Strongly + Somewhat)	**69%**	**64%**	**62%**	**61%**	**67%**	**100%**	**-**	**80%**	**65%**	**59%**

Phase II Online Survey
Ontario Electricity System

Residential

Q *Please agree or disagree with the following statement:*
Customers are well served by the electricity system on Ontario



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Strongly agree	38%	38%	34%	29%	37%	37%	36%	43%	39%	36%
Somewhat agree	45%	46%	50%	43%	44%	48%	41%	39%	46%	48%
Somewhat disagree	8%	7%	9%	18%	9%	9%	9%	8%	9%	9%
Strongly disagree	3%	4%	3%	7%	4%	3%	5%	4%	3%	4%
DK / No opinion	6%	4%	4%	4%	6%	3%	10%	6%	3%	3%
Agree (Strongly + Somewhat)	**83%**	**84%**	**84%**	**71%**	**81%**	**85%**	**76%**	**82%**	**85%**	**84%**

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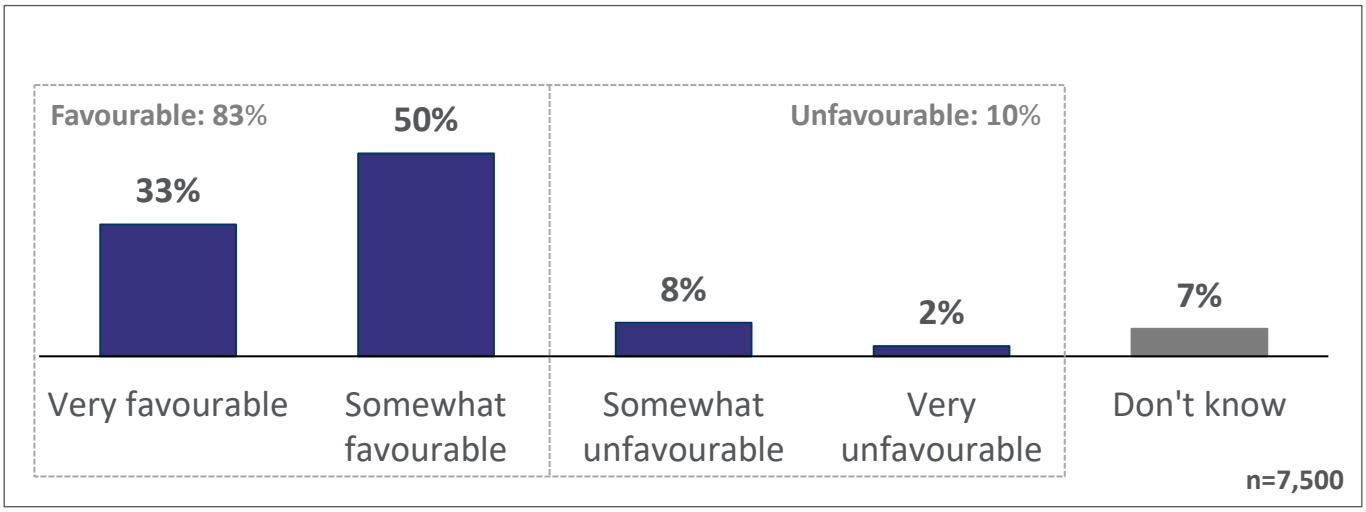
Phase II Online Survey
Survey Impression

Residential

Q Overall, do you have a favourable or unfavourable impression of the survey you just completed?

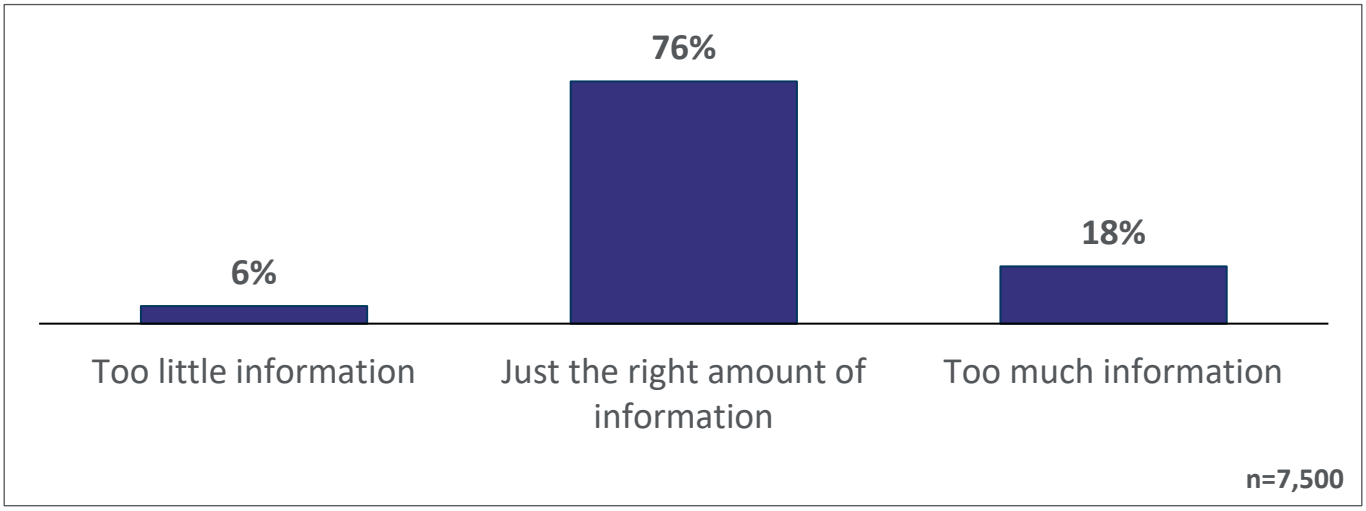


	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Very favourable	33%	32%	33%	34%	32%	29%	39%	32%	34%	38%
Somewhat favourable	51%	50%	51%	47%	49%	53%	45%	49%	51%	49%
Somewhat unfavourable	8%	7%	8%	8%	10%	9%	7%	8%	8%	7%
Very unfavourable	2%	3%	2%	4%	2%	3%	2%	3%	2%	2%
Don't know	6%	8%	7%	7%	7%	7%	7%	8%	5%	4%
Favourable (Very + Somewhat)	**83%**	**82%**	**83%**	**81%**	**81%**	**82%**	**84%**	**81%**	**85%**	**87%**
Unfavourable (Very + Somewhat)	**10%**	**10%**	**10%**	**11%**	**12%**	**12%**	**9%**	**11%**	**10%**	**9%**

Phase II Online Survey
Survey Information

Residential

Q In this survey, do you feel that Elexicon Energy provided too much information, not enough, or just the right amount?



	Region					Bill Impact		LEAP/OESP Qualification		
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	Major Impact	No Major Impact	Qualified	<$71k Not Qualified	>$71k Not Qualified
Too little	5%	6%	4%	6%	6%	6%	4%	8%	6%	4%
Just right	76%	77%	78%	76%	75%	75%	79%	74%	78%	79%
Too much	18%	17%	17%	18%	19%	18%	18%	18%	16%	17%

Q Was there any content missing that you would have liked to have seen included in this survey? [OPEN]

Response	%
Transparency on internal operations/finances/management salaries	1.9%
Survey was educational/informative/good	1.2%
More information/details about the draft plan	0.7%
Survey was too long/complicated	0.6%
Solar/Nuclear/Wind/other energy generation and investments	0.4%
Plans to provide better outage communication/information	0.4%
Plans to reduce/lower customer cost	0.4%
Distrust in the engagement/rate increases are inevitable	0.4%
Helping seniors/fixed-income individuals	0.3%
How customers can offset rate increases/home energy production	0.2%
Projected demand and costs in the future	0.2%
How growth/new rate payers will impact costs	0.2%
More information on rate harmonization	0.2%
More information on the impact to specific regions	0.1%
Transparency on billing/delivery charges	0.1%
Outline other potential increases to customer bills	0.1%
More information on the impact of electric vehicles	0.1%
Government/other entities' contributions	0.1%
Information on Time-of-Use	0.1%
Environmental impact	0.1%
More choices/options to express disagreements	0.1%
Plans to provide better customer communication/website	0.1%
General positive comments	0.1%

Note: Only responses >0.1% shown

Phase II Online Survey
Survey Feedback (cont.)

Q Was there any content missing that you would have liked to have seen included in this survey? [OPEN]

Response cont.	%
Details on modernization/aging infrastructure	0.1%
Underground infrastructure/grid	0.1%
Historical data	0.1%
Other	0.4%
None/Don't know	91.3%

Note: Only responses >0.1% shown

Phase II Online Survey
Additional Questions

Q Is there anything that you would still like answered? [OPEN]

Response	%
Transparency on internal operations/finances/management salaries	1.0%
Plans to reduce/lower customer costs	0.8%
More information/details about the draft plan	0.4%
Survey was educational/informative/good	0.4%
Help for seniors/fixed-income individuals	0.3%
Plans to reduce the frequency of outages	0.2%
Proposed renewable energy technology and investments	0.2%
More information on rate harmonization	0.2%
More information on billing/Time-of-Use/other rate options	0.2%
More information on the progress of the investment plan	0.2%
More clarity on the engagement/rate increases	0.2%
Potential underground infrastructure upgrades	0.2%
Plans to provide better outage communication/information	0.1%
Appreciate the opportunity to provide input	0.1%
Projected demand and costs in the future	0.1%
Survey was too long/complicated	0.1%
Explanation of delivery charges	0.1%
How costs will decrease in the long run	0.1%
Involvement of generation and transmission utilities	0.1%
Other	1.1%
None/Don't know	93.7%

Note: Only responses >0.1% shown

Building Understanding.

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APPENDIX 11

Small Business Trade-off Survey

Phase II Customer Engagement
2027-2031 Cost of Service Rate Application

elexicon ENERGY

June 25, 2025

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Report Navigation

- **Combined Report**
  - APPENDIX.00 – Customer Engagement Executive Summary
- **PHASE I: Needs & Preferences**
  - APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
  - APPENDIX.02 – C&I Customer Needs & Preference Interviews
  - APPENDIX.03 – Key Account Needs & Preference Interviews
  - APPENDIX.04 – Customer Sample Validation
  - APPENDIX.05 – Residential Needs & Preferences Survey
  - APPENDIX.06 – Small Business Needs & Preferences Survey
  - APPENDIX.07 – Seasonal Needs & Preferences Survey
  - APPENDIX.08 – Key Accounts Need & Preferences Survey
  - APPENDIX.09 – Needs & Preferences Planning Placemat
- **PHASE II: Trade-offs**
  - APPENDIX.10 – Residential Trade-off Survey
  - APPENDIX.11 – Small Business Trade-off Survey
  - APPENDIX.12 – Seasonal Trade-off Survey
  - APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

Field Dates

An invitation to complete the **Small Business Trade-off Survey** was sent to all Elexicon small business customers who provided the utility with an email address as well as customers who receive paper bills. Customers had an opportunity to complete the survey between **April 2nd and May 14th, 2025.**

Customers with an email address on file received a unique URL that could be linked back to their region and rate class. Customers who completed the survey through the bill insert URL were able to verify their region and rate class by providing their account number and the first 3 characters of their postal code.

In terms of online invitations, the small business survey was sent to **3,307** customers from customerexperience@elexiconenergy.com. Reminder emails were sent out periodically to those who had not yet completed the survey.

Small Business Online Survey Completes

A total of **201** (unweighted) small business customers completed the survey.

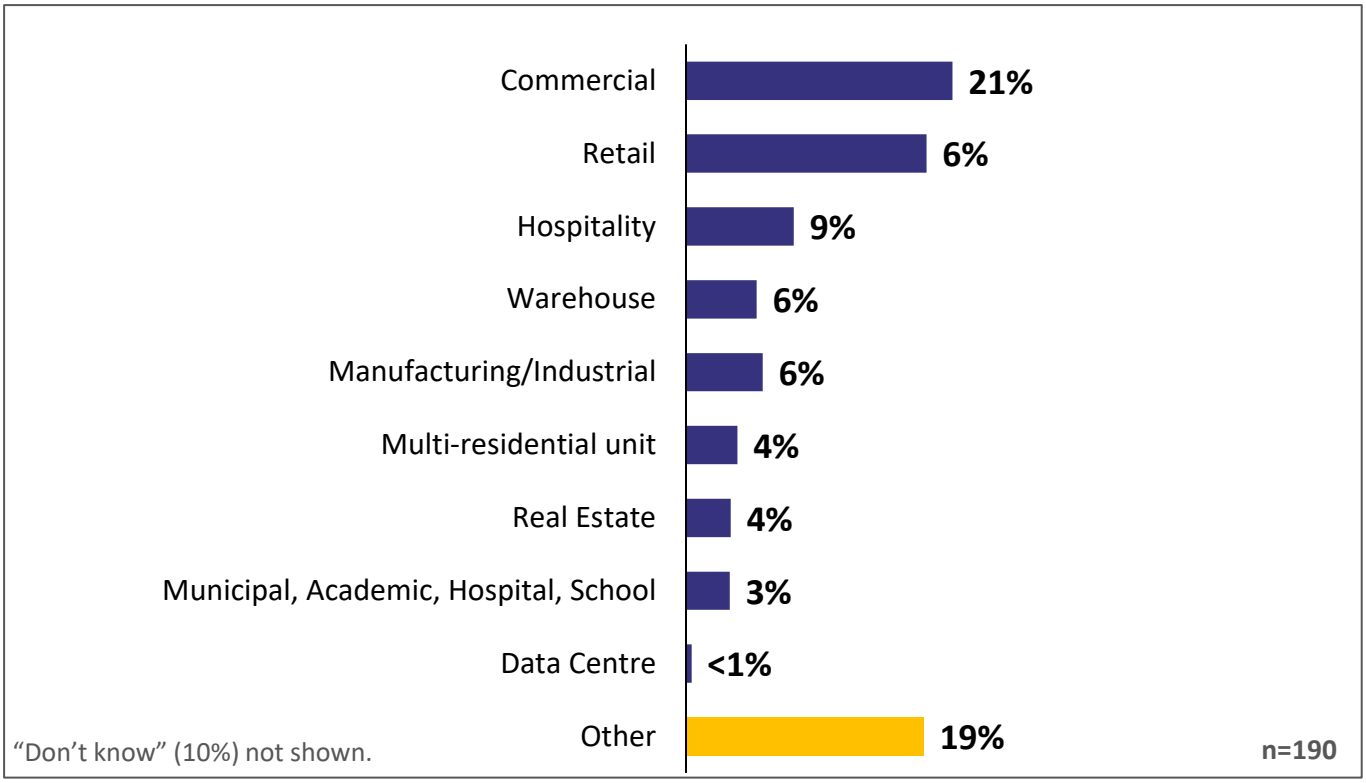
Sample Weighting

The small business online survey sample was weighted down to n=190 proportionately by consumption quartiles and region in order to be representative of the broader Elexicon customer base.

The table below summarizes the unweighted and weighted (in brackets) sample breakdown by consumption quartile and region.

Region	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Ajax/Pickering	11 (16)	22 (20)	19 (18)	16 (19)	68 (74)
Belleville	7 (6)	6 (6)	8 (7)	4 (6)	25 (25)
Brock/Clarington	14 (11)	11 (9)	9 (9)	11 (8)	45 (37)
Gravenhurst	8 (4)	2 (3)	5 (2)	5 (1)	20 (11)
Whitby	11 (10)	10 (9)	12 (11)	10 (12)	43 (43)
Total	**51 (48)**	**51 (48)**	**53 (48)**	**46 (46)**	**201 (190)**

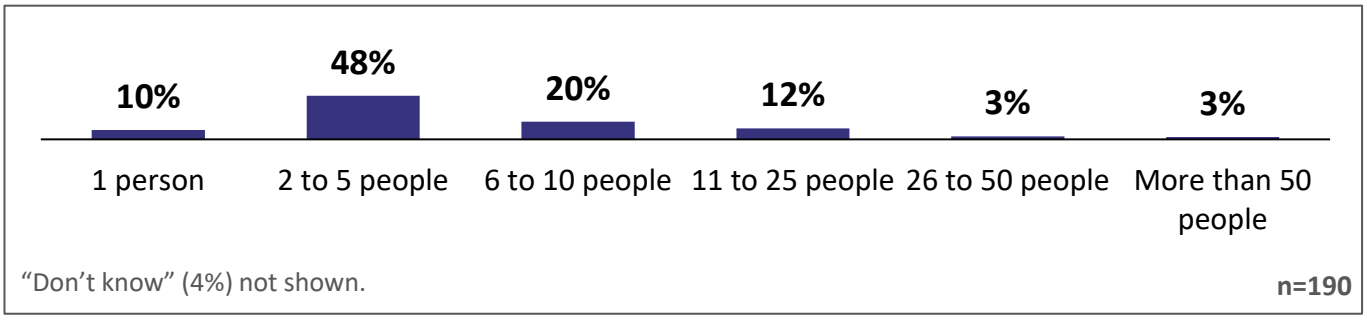
Q Sector



"Don't know" (10%) not shown.

n=190

Q Number of Employees



"Don't know" (4%) not shown.

n=190

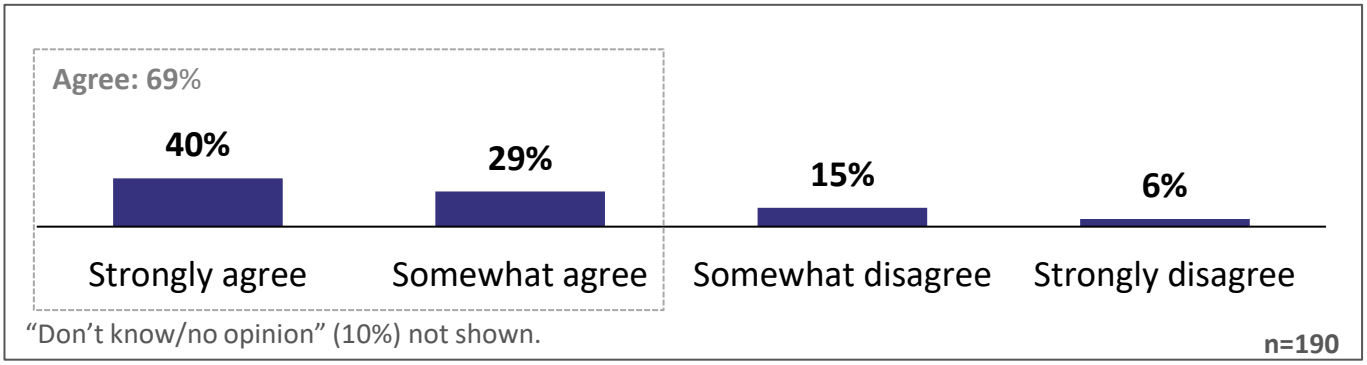
Note: *In this report graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Phase II Online Survey
Demographic Breakdown

Small Business

To what extent do you agree or disagree with the following statements?

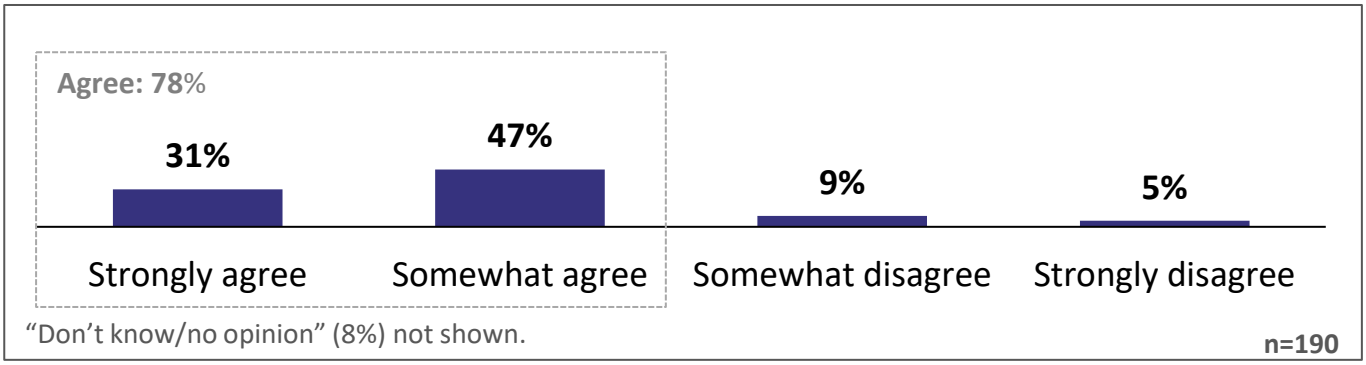
Q The cost of my organization's electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.



"Don't know/no opinion" (10%) not shown.

n=190

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (8%) not shown.

n=190

Welcome to Elexicon's Customer Feedback Survey!

Elexicon Energy ("Elexicon") needs your input on choices that will impact the services you receive and the rates that you pay.

Land Acknowledgement: Elexicon Energy acknowledges the land on which we conduct our work, and where our staff and customers gather. For millennia, it has been the traditional territory of the Mississaugas of the Credit, as well as the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat Peoples. We are grateful for Indigenous Peoples who have cared for these lands and waters since time immemorial, as they guide us to operate in harmony with our natural environment for generations to come.

The purpose of this survey is to get your feedback on the draft 2027-2031 investment plan. Your feedback will help Elexicon align this plan with customer needs and preferences.

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- Your views are important because this investment plan is paid for by your electricity rates.
- **You don't need to be an electricity expert to participate.** This survey is focused on basic choices and provides the background information you need to answer the questions.
- Depending on how much feedback you wish to provide, the survey will take approximately **20-30 minutes to complete.** If you need to pause and return later to finish the survey, your progress will be saved.
- If you are reading this on a mobile device, you may want to consider switching to a tablet or laptop so that it is easier for you to read.

Those who complete the survey will be invited to enter a draw to win 1 of 5 prizes of free electricity for a year!

All individual responses will be kept confidential.
Innovative Research Group (www.innovativeresearch.ca), an independent research company, has been hired by Elexicon to gather your feedback, while protecting your confidentiality. Your individual answers will not be shared with Elexicon in any identifiable way.

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What is this Survey About?

The goal of this survey is to share **Elexicon's draft five-year investment plan** for the future of its electrical grid with customers like you and collect your feedback.

Your feedback will help Elexicon confirm the level of spending and investments in equipment and infrastructure, the services provided, and the rates that you pay.

Every five years, Elexicon is required to submit a plan for its proposed rates and spending to the Ontario Energy Board (OEB) for approval.

- **In early 2024, thousands of Elexicon customers responded to an initial engagement** to support the preparation of Elexicon's draft investment plan.
- **Elexicon is now looking for your input on this draft plan** to ensure they understood what customer priorities are when deciding on future investments.
- At the end of 2025, **Elexicon will present its proposed plan and the input provided by customers to the independent regulator, the OEB.**

How Does this Survey Work?

- The survey explains how much of your electricity bill goes to Elexicon, how that money is spent and the impact of the draft plan on your 2027– 2031 rates.
- The survey asks for your input on five key choices that will affect the services you receive and the rates that you pay from 2027-2031.

Once you have finished giving feedback on the key choices, **you will have an opportunity to review and change your responses** until you feel you have found the right balance.

Want to know more about Elexicon's customer engagement process? Click here to learn more.

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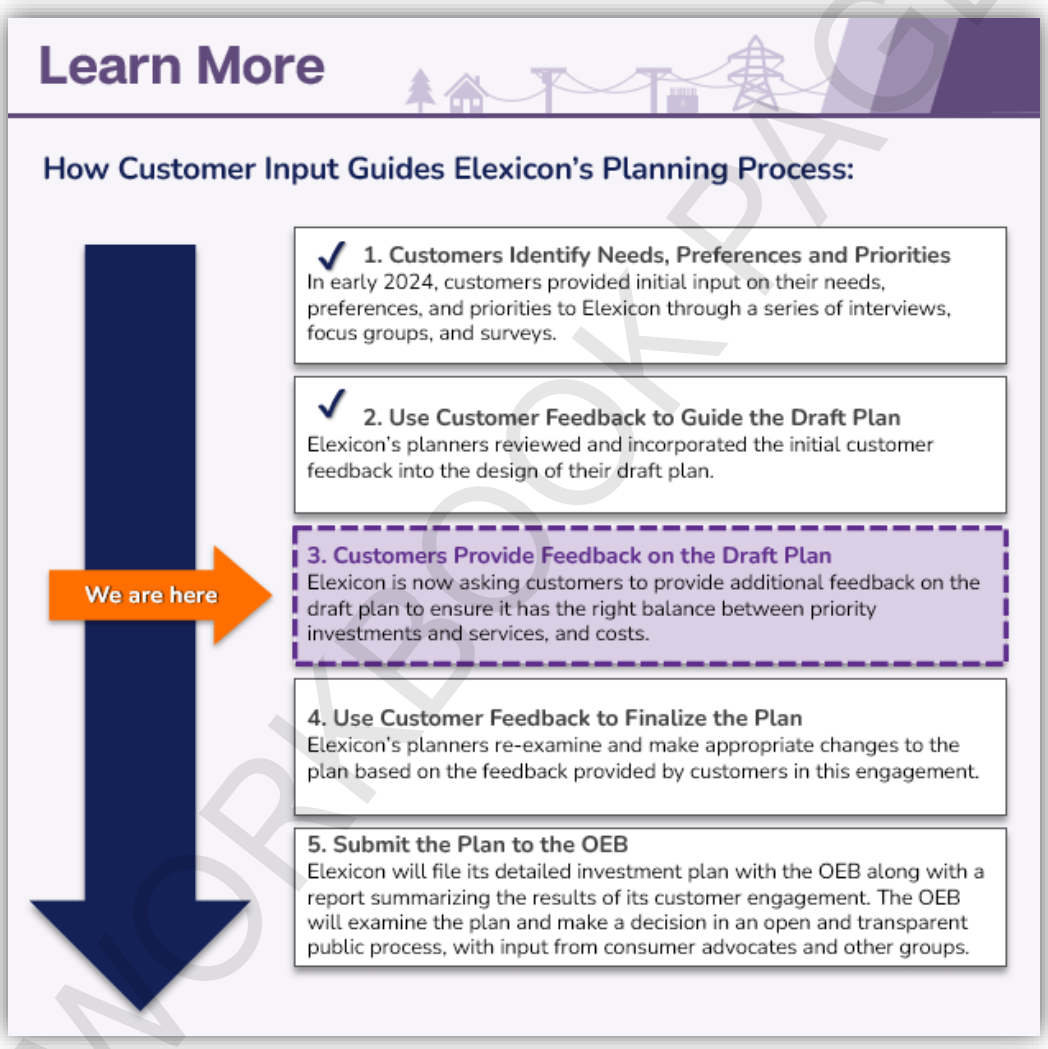

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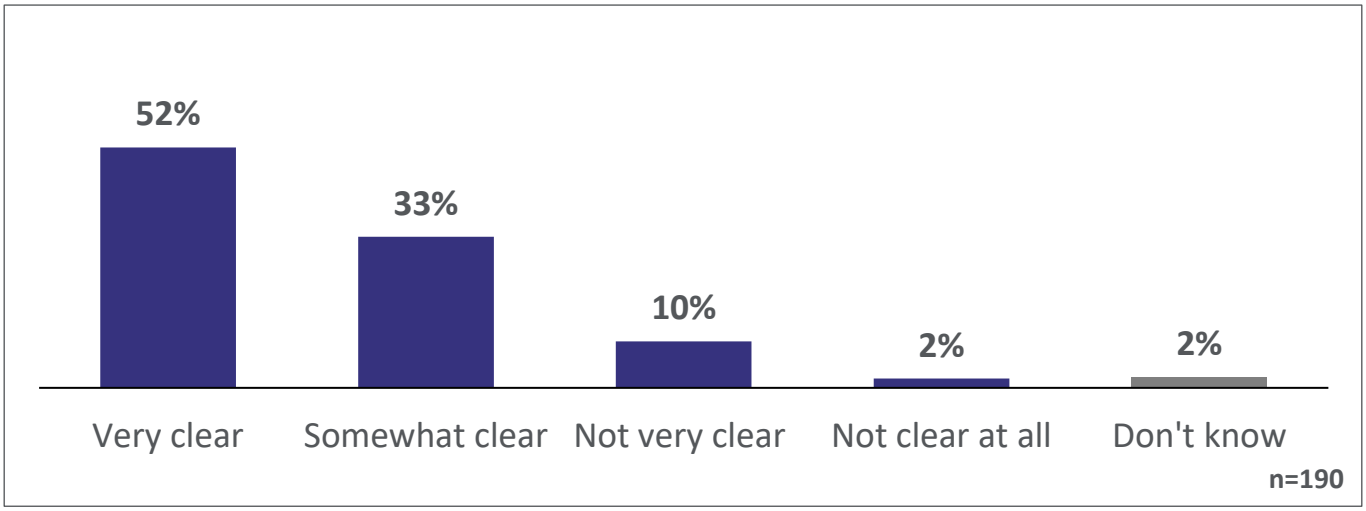
Phase II Online Survey
Familiarity with the Electricity System

Small Business

Q Do you feel the purpose of Elexicon's customer engagement is…



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very clear	49%	50%	63%	42%	53%	68%	61%	50%	39%
Somewhat clear	36%	40%	26%	51%	25%	22%	27%	34%	48%
Not very clear	14%	7%	6%	8%	9%	0%	12%	12%	4%
Not clear at all	0%	0%	3%	0%	8%	0%	0%	3%	5%
Don't know	1%	3%	2%	0%	0%	10%	0%	1%	4%

Elexicon Customer Feedback Survey
Ontario's Electricity System

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Elexicon's Role in Ontario's Electricity System

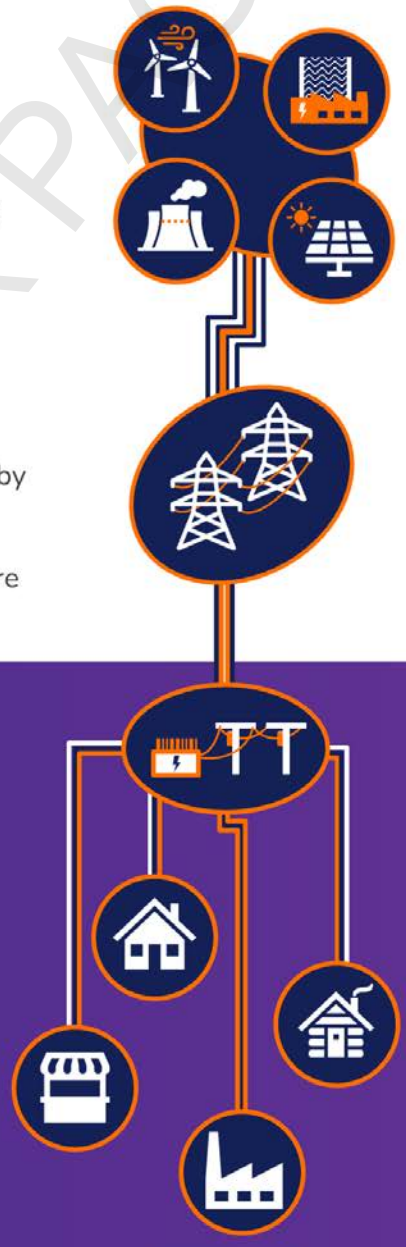
Ontario's electricity system is owned and operated by public, private and municipal corporations across the province. It is made up of three key components: **generation**, **transmission** and **distribution**.

Generation
Where electricity comes from

Ontario gets its electricity from a mix of energy sources. About a third comes from nuclear power. The remainder comes from a mix of hydroelectric, natural gas, wind and solar.

Transmission
How electricity travels across Ontario

Once electricity is generated, it must be transported to urban and rural areas across the province. This happens by way of high voltage transmission lines that serve as highways for electricity. The province has more than 30,000 kilometres of transmission lines, most of which are owned and operated by Hydro One.

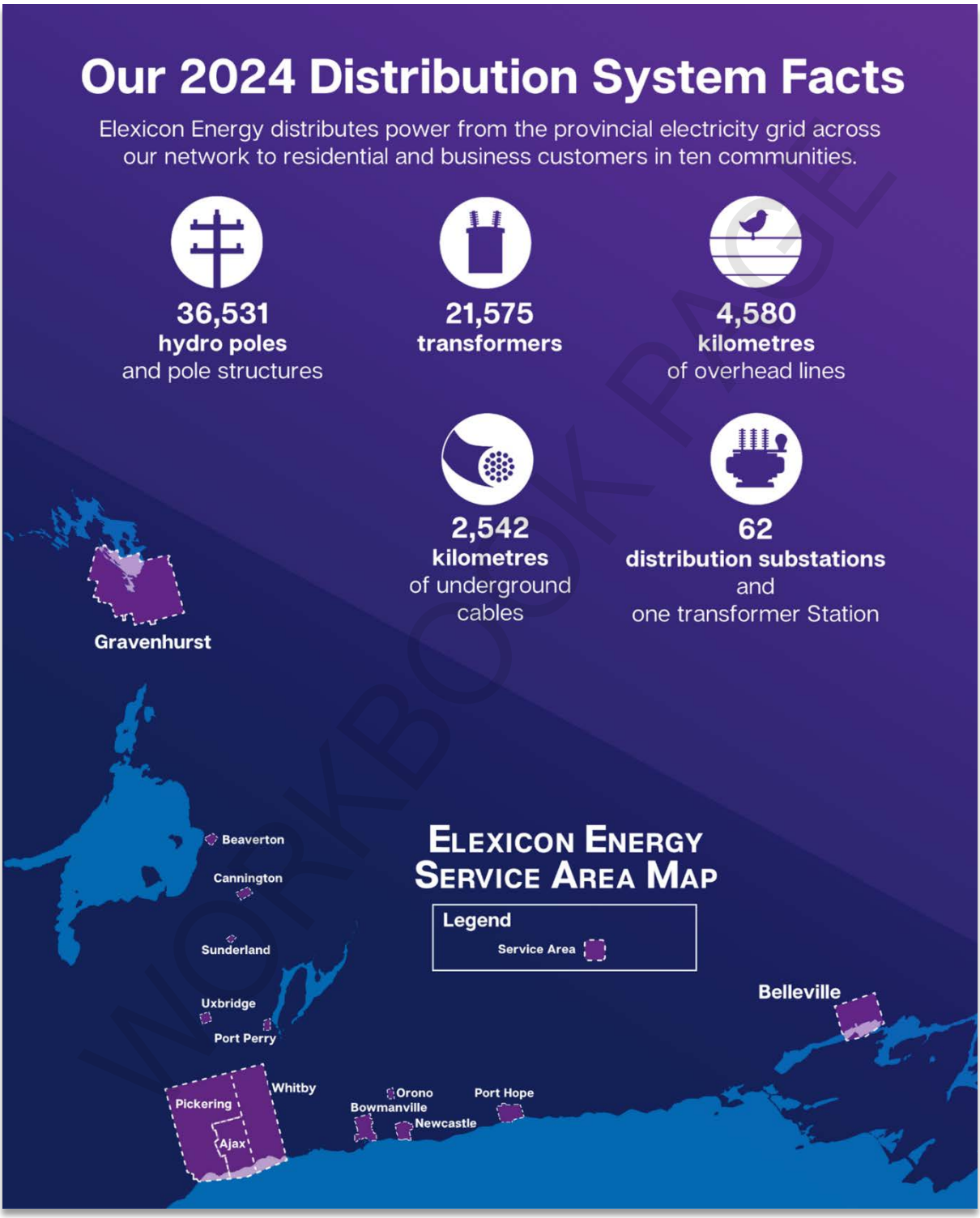


Local Distribution
How electricity is delivered to you

Elexicon is responsible for the last step of the journey: distributing electricity to customers' homes and businesses.

- Elexicon does not transmit or generate electricity.
- It operates the local distribution system, which is connected to the transmission grid through distribution stations. These stations and transformers decrease the voltage so electricity can be safely delivered to homes and businesses across Elexicon's service territory.

WORKBOOK PAGE


Our 2024 Distribution System Facts
Elexicon Energy distributes power from the provincial electricity grid across our network to residential and business customers in ten communities.
36,531
hydro poles
and pole structures
21,575
transformers
4,580
kilometres
of overhead lines
2,542
kilometres
of underground
cables
62
distribution substations
and
one transformer Station
Gravenhurst
Beaverton
Cannington
Sunderland
Uxbridge
Port Perry
Whitby
Pickering
Ajax
Orono
Bowmanville
Newcastle
Port Hope
Belleville
ELEXICON ENERGY SERVICE AREA MAP
Legend
Service Area
WORKBOOK PAGE

Background on Elexicon

- Elexicon delivers electricity to more than 180,000 homes and businesses across ten municipalities in Ontario.
- Formed in early 2019 through a merger between Veridian Connections and Whitby Hydro.
- Fourth largest municipally owned electricity distributor in Ontario.
- Elexicon is owned 100% by its five municipal shareholders: 1. Town of Whitby, 2. City of Pickering, 3. Town of Ajax, 4. Municipality of Clarington, and the 5. City of Belleville.
- It does **not** receive taxpayer money to fund its operations or its investments in the distribution system.
- Elexicon is a for-profit company. Any profit that is not reinvested in the business is issued as a dividend to its municipal shareholders.

Elexicon is entirely funded by the distribution electricity rates its customers pay.

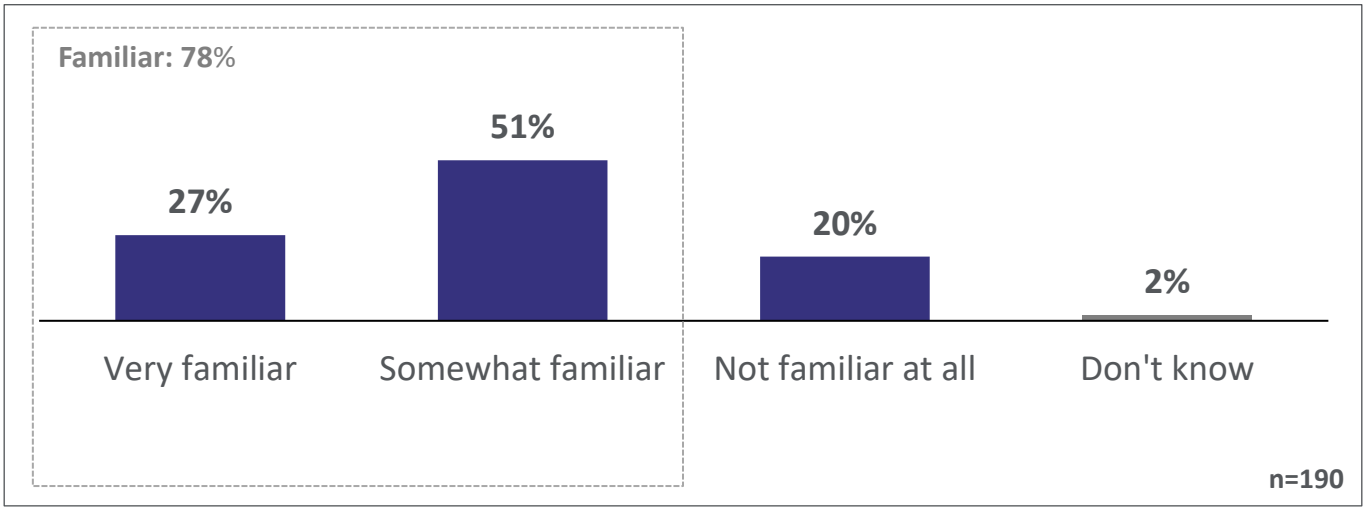
*Click on the video below to learn about **Elexicon's role in the electricity system***

WORKBOOK PAGE

Phase II Online Survey
Satisfaction with Elexicon

Small Business

Q How familiar are you with Elexicon, which operates the electricity distribution system in your community?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very familiar	26%	27%	29%	13%	31%	40%	30%	26%	8%
Somewhat familiar	55%	33%	55%	77%	45%	60%	25%	54%	65%
Not familiar at all	17%	41%	13%	8%	22%	0%	45%	19%	23%
Don't know	2%	0%	3%	3%	2%	0%	0%	1%	5%
Familiar (Very + Somewhat)	**81%**	**59%**	**84%**	**90%**	**75%**	**100%**	**55%**	**80%**	**72%**

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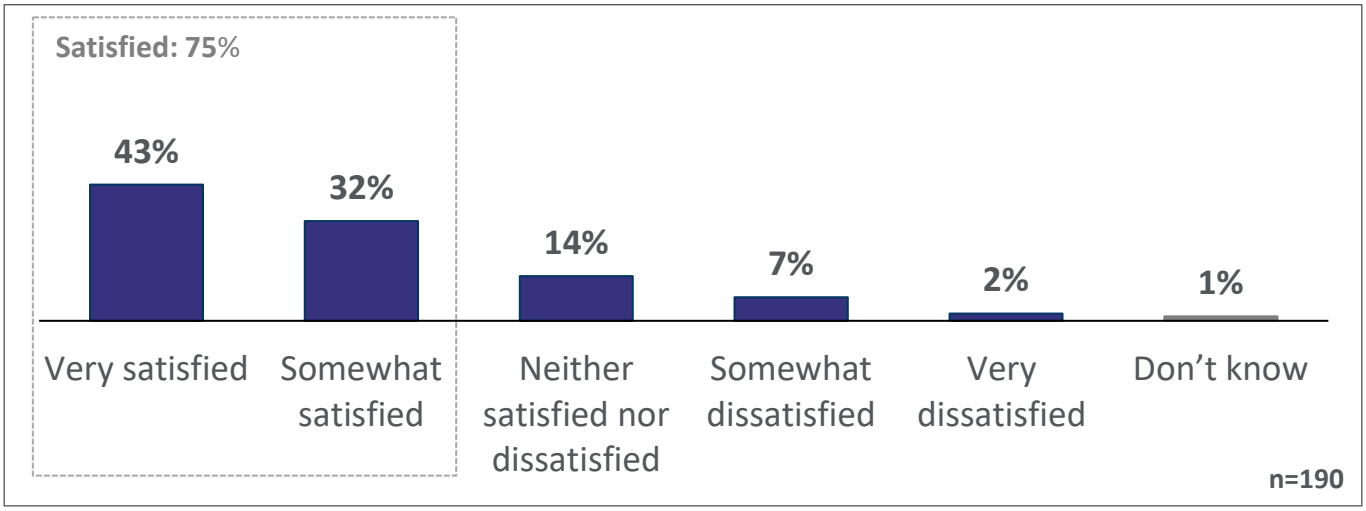
Phase II Online Survey
Satisfaction with Elexicon

Small Business

Q Generally, how satisfied or dissatisfied are you with the services you receive from Elexicon?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very satisfied	48%	25%	45%	36%	46%	41%	49%	40%	26%
Somewhat satisfied	27%	34%	38%	42%	30%	21%	25%	34%	48%
Neither satisfied nor dissatisfied	18%	22%	8%	17%	7%	19%	14%	14%	10%
Somewhat dissatisfied	6%	13%	4%	0%	12%	10%	12%	9%	5%
Very dissatisfied	0%	0%	5%	5%	5%	9%	0%	3%	0%
Don't know	2%	6%	0%	0%	0%	0%	0%	0%	11%
Satisfied (Very + Somewhat)	**75%**	**59%**	**83%**	**78%**	**76%**	**62%**	**73%**	**74%**	**74%**

Elexicon Customer Feedback Survey
Rates 101

elexicon ENERGY

How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 21% ($67.56) of a typical small business electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

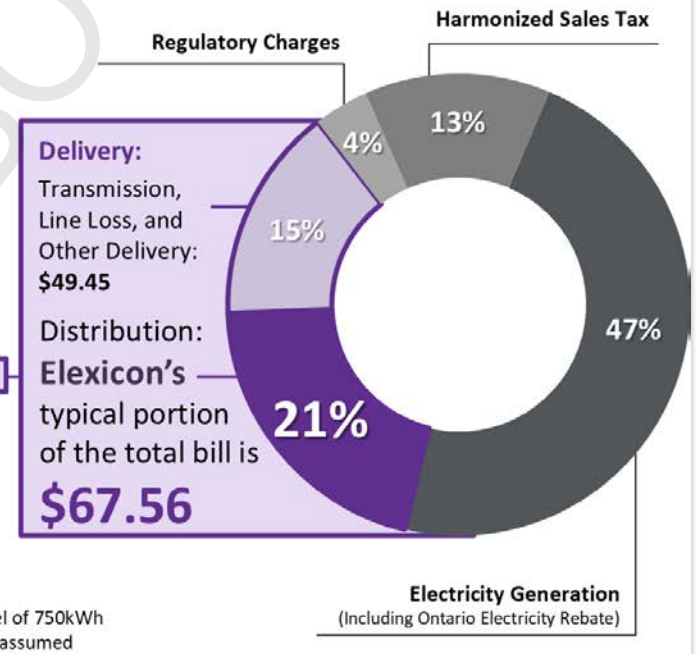
Typical Small Business Bill

Sample Elexicon Monthly Bill
(based on consumption of 750kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges	
Electricity	
TOU – Off Peak @ 7.6 ¢/kWh	97.28
TOU – Mid Peak @ 12.2 ¢/kWh	43.92
TOU – On Peak @ 15.8 ¢/kWh	56.88
Delivery	117.01
Regulatory Charges	12.62
Total Electricity Charges	**$327.71**
HST	42.60
Ontario Electricity Rebate	($42.93)
Total Amount	**$327.38**



Note: The sample bill above uses an average consumption level of 750kWh per month, however your usage may vary above or below this assumed level. These types of variations would mostly impact your electricity (On, Mid and Off-Peak) charges. Chart may exceed 100% due to rounding.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Rates 101

elexicon ENERGY

How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 23% ($81.04) of a typical small business electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

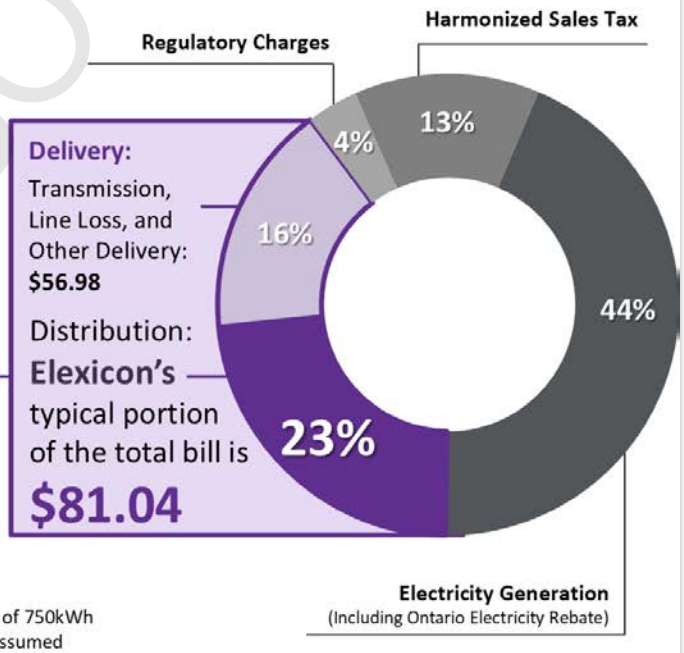
Typical Small Business Bill

Sample Elexicon Monthly Bill
(based on consumption of 750kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges	
Electricity	
TOU – Off Peak @ 7.6 ¢/kWh	97.28
TOU – Mid Peak @ 12.2 ¢/kWh	43.92
TOU – On Peak @ 15.8 ¢/kWh	56.88
Delivery	138.02
Regulatory Charges	12.59
Total Electricity Charges	**$348.69**
HST	45.33
Ontario Electricity Rebate	($45.68)
Total Amount	**$348.34**



Note: The sample bill above uses an average consumption level of 750kWh per month, however your usage may vary above or below this assumed level. These types of variations would mostly impact your electricity (On, Mid and Off-Peak) charges. Chart may exceed 100% due to rounding.

WORKBOOK PAGE

WORKBOOK PAGE

Who Holds Elexicon Accountable?

ONTARIO ENERGY BOARD

The **Ontario Energy Board (OEB)** is the public interest regulator responsible for setting electricity distribution rates and charges and for protecting customers in Ontario.

When a distributor, like Elexicon, applies to change its rates, the OEB holds an open hearing. An open hearing is a quasi-judicial process where experts and representatives of different customer and interest groups evaluate the detailed assumptions in a distributor's plan to ensure they are valid and that rates are just and reasonable.

The OEB invites advocates representing a variety of consumer groups, such as:

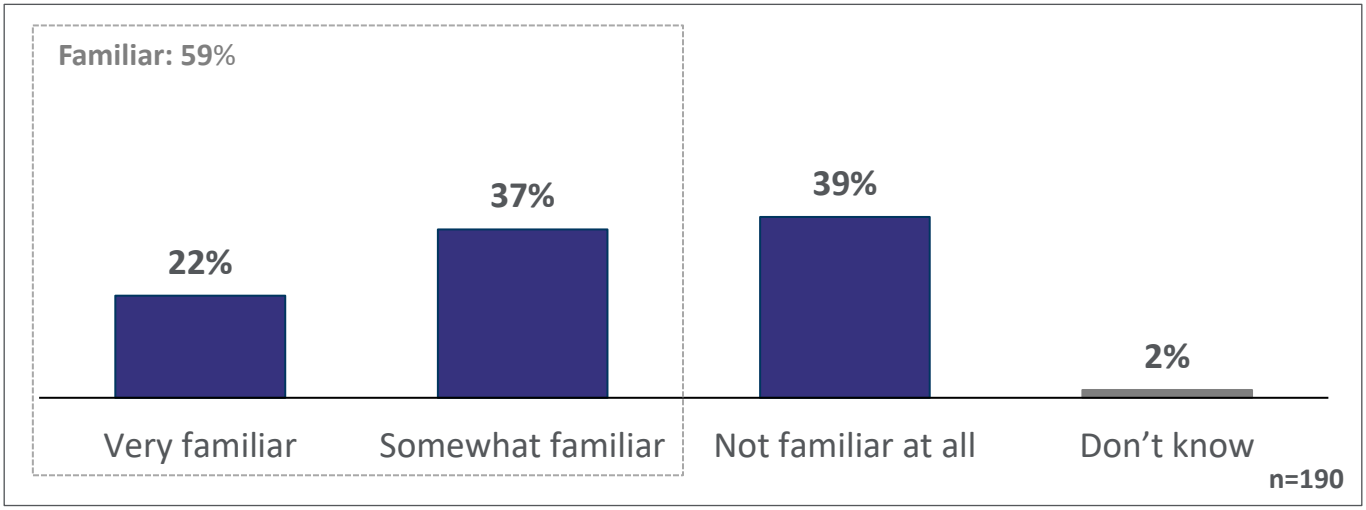
As a regulator, the OEB holds Elexicon accountable when it comes to:

- How it spends your money on current and future infrastructure and services.
- Reporting on key outcomes (e.g. reliability, safety, finances) through an annual scorecard.
- Finding savings and efficiencies to help offset rising costs.

Phase II Online Survey
Familiarity with Electricity Bill

Small Business

Q Before this survey, how familiar were you with the amount of your electricity bill that went to Elexicon?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very familiar	17%	21%	30%	8%	29%	19%	18%	22%	7%
Somewhat familiar	40%	46%	32%	51%	26%	13%	32%	39%	24%
Not familiar at all	41%	29%	38%	39%	43%	57%	51%	38%	64%
Don't know	2%	3%	0%	3%	2%	11%	0%	1%	5%
Familiar (Very + Somewhat)	**57%**	**67%**	**62%**	**58%**	**55%**	**32%**	**49%**	**61%**	**31%**

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Elexicon Customer Feedback Survey
The Future of the Grid

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Challenges Facing the Grid

Elexicon is facing a number of challenges that will impact the service customers receive. These challenges are putting pressure on the system, requiring more resources, new solutions and growing costs to manage. These challenges include:

- building electrical capacity to enable communities to grow;
- replacing deteriorating infrastructure;
- building a more resilient grid to withstand extreme weather events;
- responding to evolving customer electricity needs; and
- managing rising costs.

Elexicon has prepared its 2027-2031 draft plan to address these existing and emerging challenges head on and continue to deliver safe and reliable electricity at a reasonable cost.

Key Challenges Facing Our System:

To learn more about what Elexicon must consider in preparing its draft plan, click on the key challenges listed below:

- Providing capacity for growing communities
- Fixing and replacing deteriorating infrastructure
- Responding to extreme weather events
- Enhancing cyber security to mitigate threats
- Preparing for changing customer needs
- Responding to rising costs

WORKBOOK PAGE

Learn More

Key Challenges Facing our System:

Providing capacity for growing communities

- Elexicon serves a diverse mix of urban, suburban, and rural areas, each with their own challenges and growth patterns.
- Durham Region is one of the fastest growing regions in Canada. The population is expected to double to 1.3 million over the next 25 years.
- Belleville is also expanding quickly – not only due to new residential growth, but a thriving industrial and manufacturing sector that will require additional electrical capacity for continued growth.
- As Elexicon's service territory continues to grow, there is an increasing need to expand and enhance the capacity of its distribution system to power new residential and commercial buildings, manufacturing facilities and other major projects.

Fixing and replacing deteriorating infrastructure

- Effective management of equipment is critical to the safe, reliable and efficient delivery of electricity to our customers.
- Much of Elexicon's grid was built out in the 1970s and 1980s and needs to be replaced or upgraded.
- For example, nearly 19% of assets have surpassed their expected service life, raising safety, environmental, and reliability concerns. Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- If aging infrastructure is left unaddressed, there will be a higher risk of more frequent and longer unplanned outages caused by equipment failure.

Responding to extreme weather events

- Extreme weather events, such as derechos, extreme winds, high heat, flooding, record-setting snowfalls, and ice storms, are increasingly straining and damaging Elexicon's electricity distribution system.
- Elexicon will need to increasingly invest in resilience through a broad suite of measures, such as hardening assets to withstand extreme weather; reconfiguring networks to add greater redundancy; and enhancing vegetation management in areas with heavy tree coverage.

Enhancing cyber security to mitigate threats

- Cybercrime is on the rise across Canada and around the world. Utilities are high-value targets for malicious actors. Elexicon must enhance the security of its IT systems to mitigate this risk.
- Elexicon continues to invest in cybersecurity to prevent cyberattacks that could compromise operations and put customer data at risk.

WORKBOOK PAGE

Preparing for changing customer needs

- Customers are adopting new technologies such as heat pumps, electric vehicles, solar panels, battery storage, and energy efficiency tools.
- Elexicon is upgrading and modernizing the grid so customers – when they are ready – can connect these new technologies, safely and reliably.

Responding to rising costs

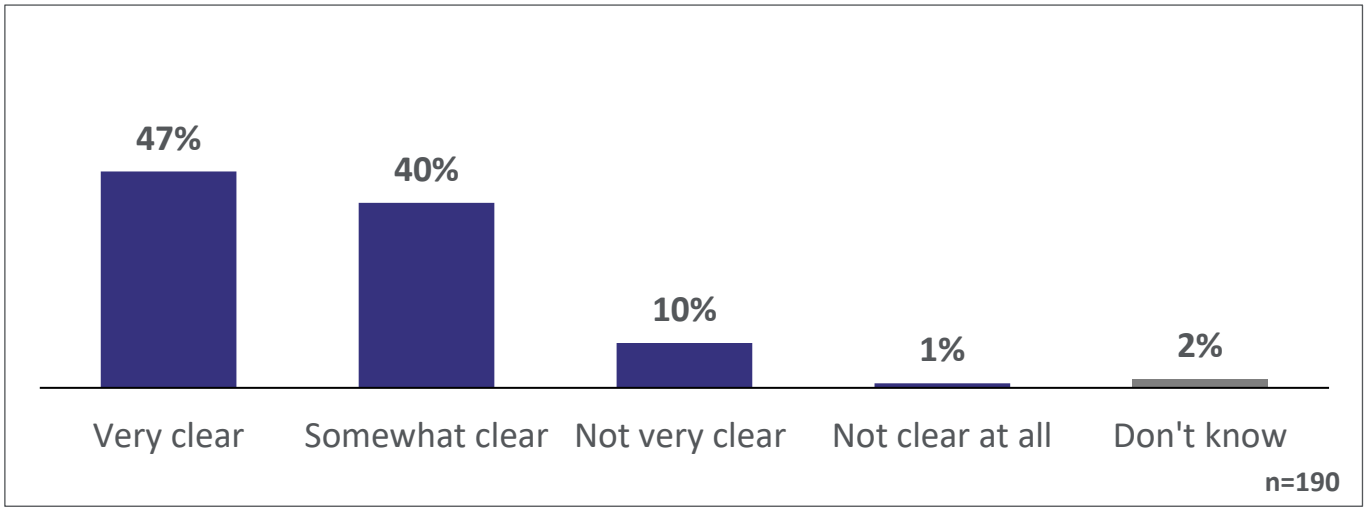
- Customers are concerned about the rising cost of living. Elexicon must find the right balance between the investment needs of the local grid and the financial needs of its customers.
- Elexicon provides information and resources to help customers conserve energy, be more efficient and find incentives that work for them.
- Like many businesses, Elexicon also faces rising costs of purchasing essential equipment for the grid and supporting new construction in the communities it serves.

WORKBOOK PAGE

Phase II Online Survey
Familiarity with Electricity Bill

Small Business

Q Is it clear what the key challenges facing Elexicon's grid are?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very clear	41%	43%	47%	45%	61%	64%	43%	51%	38%
Somewhat clear	44%	50%	41%	52%	25%	36%	51%	33%	57%
Not very clear	14%	3%	5%	3%	12%	0%	6%	13%	0%
Not clear at all	0%	0%	3%	0%	2%	0%	0%	1%	0%
Don't know	2%	3%	4%	0%	0%	0%	0%	1%	5%

INNOVATIVE RESEARCH GROUP

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

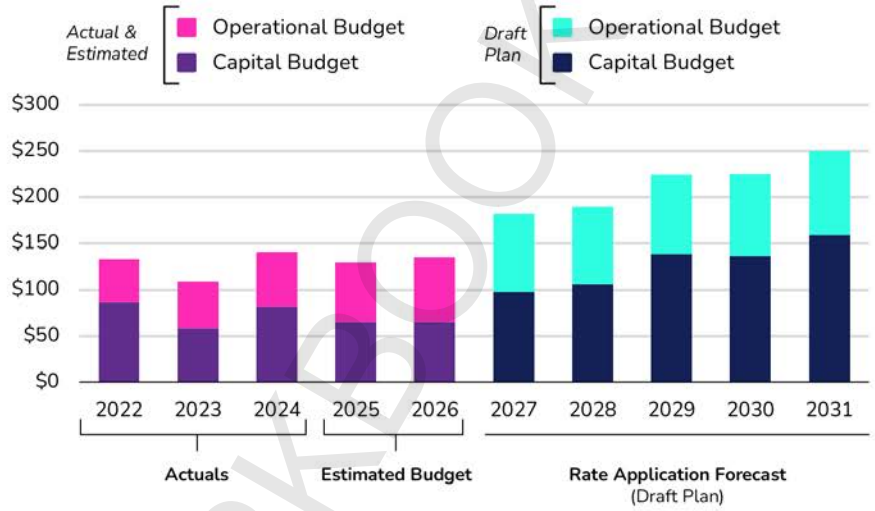
elexicon ENERGY

Costs of Running the Local Grid

Like most businesses, Elexicon manages both an operating budget and a capital budget.

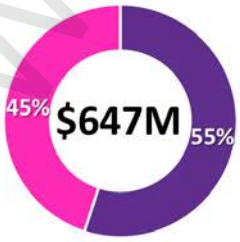
- The **operating budget** covers recurring expenses, such as the maintenance of assets and tools, customer services, running all business systems and processes, as well as the cost of employees who ensure these activities are completed.
- The **capital budget** includes the costs to build the system, such as the overhead and underground infrastructure, computers and information systems, vehicles and facilities. These items, once purchased, will provide long-term benefits for many years to come.

Actual and Forecasted Budgets per year ($ millions)



The above investments will result in a funding requirement of **$1.1 billion** from 2027-2031. The final budget for 2027-2031 will be adjusted to reflect customer feedback collected through this survey and any necessary adjustments prior to filing with the OEB. The OEB and other stakeholders will complete an extensive review before rates are set for 2027-2031.

2022-2026



2027-2031

WORKBOOK PAGE

Why has Elexicon's Forecasted Budget Increased so Much?

Elexicon is requesting a significant rate increase in 2027 to fund system investments that are needed to maintain the safe and reliable delivery of electricity to its customers.

The municipalities served by Elexicon are growing in both population and electricity usage, and have been for over the past decade. These changes increase the costs of maintaining the grid, requiring changes to current funding levels.

...these challenges include:

Increasing costs of key materials (e.g. poles, transformers) that have exceeded overall levels of inflation.

Increasing investment needed to address deteriorating assets.

Increasing demand from individual customers using more electricity than ever before.

Increasing requests to build new assets to facilitate housing and economic growth.

Every four to five years, most electricity distributors apply to increase their delivery rates by more than inflation to help pay for major capital projects, and operating expenditures. However, Elexicon's rates have been held at inflationary levels for more than decade, although the utility's costs have been increasing to address these challenges previously noted.

Elexicon is operating and maintaining its system with rates based on costs set over a decade ago.

Elexicon's predecessor utilities (*Veridian Connections* and *Whitby Hydro*) had not "rebased" (updated rates) in many years when Elexicon was formed. Veridian last rebased its rates in 2014, while Whitby Hydro last rebased in 2011. Since then, Elexicon's customers have benefited from stable delivery rates that have changed primarily to keep up with inflation.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical small business customer would see the distribution portion of their monthly electricity bill increase by **$39.94** from an estimated rate (price) of **$86.22 in 2026** to a proposed rate (price) of **$126.16 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$327.38	$259.82	$67.56	n/a	n/a
BUDGETED	2026	$348.26	$262.04	$86.22	27.6%	$18.66
RATE PERIOD	**2027**	$355.87	$266.46	$89.41	3.7%	$3.19
	2028	$365.56	$269.95	$95.61	6.9%	$6.20
	2029	$378.01	$273.39	$104.61	9.4%	$9.00
	2030	$392.18	$276.96	$115.22	10.1%	$10.61
	2031	$406.85	$280.69	$126.16	9.5%	$10.95
	5 Year Impact			**$39.94**	**46.3%**	**$39.94**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical small business customer is assumed to use 2000 kWh per month and enrolled under Time-of-use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

elexicon ENERGY

How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical small business customer would see the distribution portion of their monthly electricity bill increase by **$35.55** from an estimated rate (price) of **$90.62 in 2026** to a proposed rate (price) of **$126.16 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$348.34	$267.30	$81.04	n/a	n/a
BUDGETED	2026	$360.59	$269.98	$90.62	11.8%	$9.58
RATE PERIOD	**2027**	$377.61	$265.73	$111.87	23.5%	$21.26
	2028	$382.57	$269.22	$113.35	1.3%	$1.48
	2029	$390.03	$272.66	$117.37	3.5%	$4.01
	2030	$398.36	$276.23	$122.14	4.1%	$4.77
	2031	$406.11	$279.95	$126.16	3.3%	$4.03
	5 Year Impact			**$35.55**	**39.2%**	**$35.55**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical small business customer is assumed to use 2000 kWh per month and enrolled under Time-of-use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

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Learn More

2026 Rate Increase

In 2025, Elexicon will be filing a request to the OEB for additional **capital funding** and collection of **tracked costs**.

The **additional capital funding** requested will be used to **pay for urgent projects** including the construction of an additional transformer station to address capacity constraints and the replacement of another critical sub-station.

The **tracked costs** are associated with operational and compliance requirements, or changes to government and OEB policy that impact Elexicon. As utilities set rates for several years, the OEB gives them permission to track certain unexpected costs and recover these costs in future years. Elexicon has accumulated large balances since 2014 due to a variety of operational changes and will be seeking to collect these costs in 2026. **Recovering these costs in 2026 will prevent a larger rate increase in 2027 when Elexicon rebases.**

As with any of the utility's costs, Elexicon must justify they are reasonable before they collect these amounts from customers.

Elexicon's 2026 application is different from the 2027-31 Rate Application (the current *Draft Plan* to which we're asking you to provide feedback) and will be evaluated by the OEB separately in the summer of 2025.

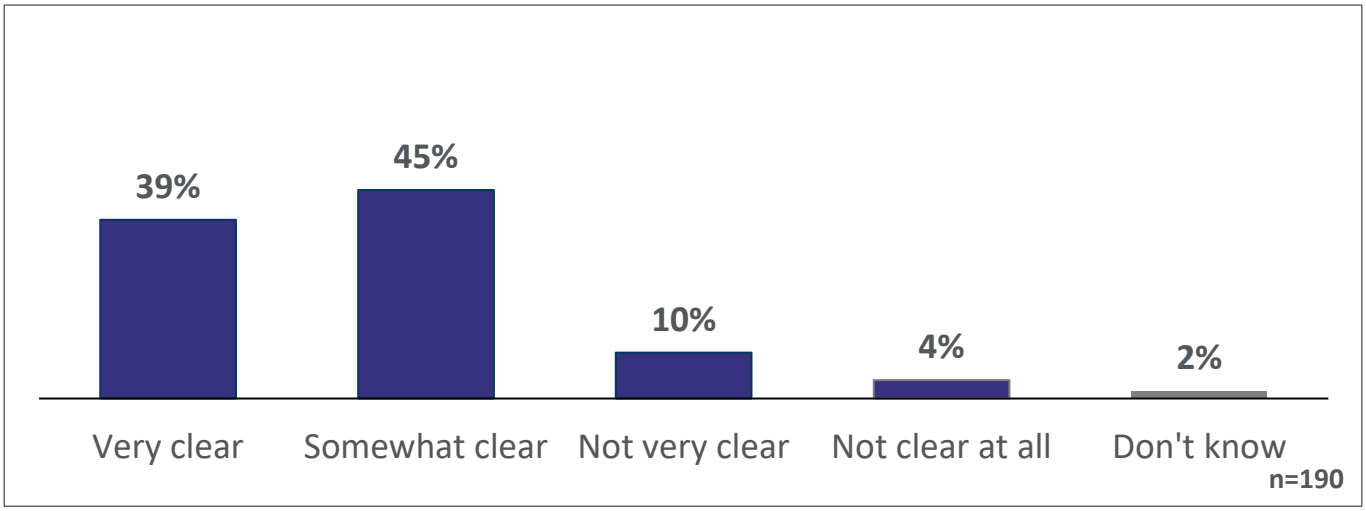
Later in this survey, **we explain the forecasted growth that will impact the local distribution system** in greater detail.

WORKBOOK PAGE

Phase II Online Survey
Cost of the Draft Plan

Small Business

Q Is it clear how much the draft plan could cost your organization?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very clear	33%	24%	51%	36%	47%	52%	24%	34%	42%
Somewhat clear	49%	59%	40%	53%	33%	48%	56%	52%	34%
Not very clear	11%	13%	4%	11%	11%	0%	20%	8%	20%
Not clear at all	4%	0%	5%	0%	6%	0%	0%	4%	0%
Don't know	2%	3%	0%	0%	2%	0%	0%	1%	4%

Elexicon Customer Feedback Survey
Finding Efficiencies

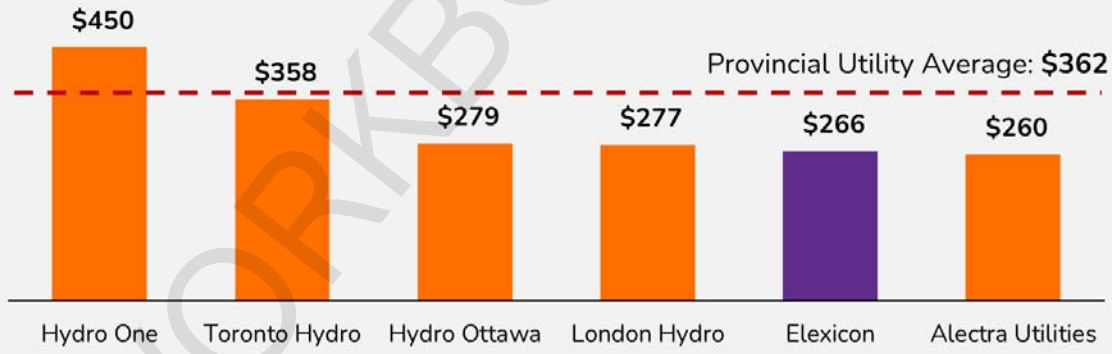
elexicon ENERGY

Finding Operating Efficiencies

Elexicon continues to focus on productivity and continuous improvement initiatives to offset rising costs and deliver better performance.

Elexicon's costs are reported every year to the OEB and benchmarked against other distribution companies in Ontario. Based on publicly available data from the OEB, **Elexicon's total cost per customer averaged $266** over the last three years of available data. This was, and historically has been, lower than the **average cost of $362 per customer** across utilities in Ontario.

Six Largest Provincial Electricity Distributors: Operating Cost per Customer
Source: 2021 – 2023 OEB Yearbook of Electricity Distributors (3-year average)



*Want to know more about how Elexicon is finding ways to use customer dollars efficiently? Click **here** to learn more.*

WORKBOOK PAGE

Learn More

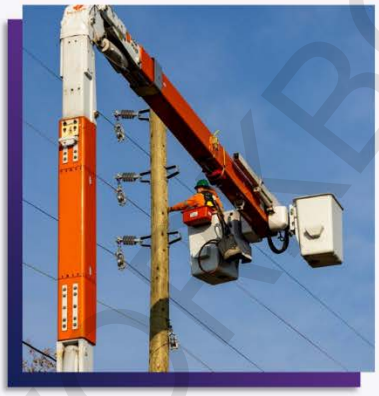
What has Elexicon Done to Become More Efficient?

Elexicon has been working hard to find efficiencies to offset rising costs and continues to do so.

Finding Efficiencies through the Merger

By merging Veridian Connections and Whitby Hydro in 2019, Elexicon has realized millions of cost savings through consolidation synergies, which have helped keep rates in line with inflation despite the challenges noted previously.

As a larger utility, Elexicon can make investments that would have been more expensive per customer for the previous utilities. For example, the merger of Veridian Connections and Whitby Hydro enabled the Smart Grid project in which Elexicon implemented tools to allow for better data acquisition, system monitoring, and grid control. Better system control means Elexicon can respond to outages and restore power faster when equipment is damaged or knocked offline.



As a merged utility, Elexicon has generated approximately $6M in savings related to operational expenses between 2019 and 2024. Elexicon eliminated duplicative service contracts, licensing fees, and memberships. Elexicon also leveraged the internal resources of one entity to serve the needs of the larger entity (e.g. fleet maintenance resources). Furthermore, as a merged utility, Elexicon avoided costs that would have been incurred by both utilities related to new compliance requirements, the adoption of new programs, and the implementation of new tools (e.g. software, websites).

Finding Efficiencies Today

Elexicon is investing in its IT systems not only to protect against cyber security risks, but to also enable ongoing efficiencies that help run the local grid, such as:

- Automating manual processes.
- Improving data availability to better identify opportunities to reduce costs and be more efficient.
- Intelligent planning and better scheduling of work resources.
- Offering additional online self-service tools and better interactions for customers.

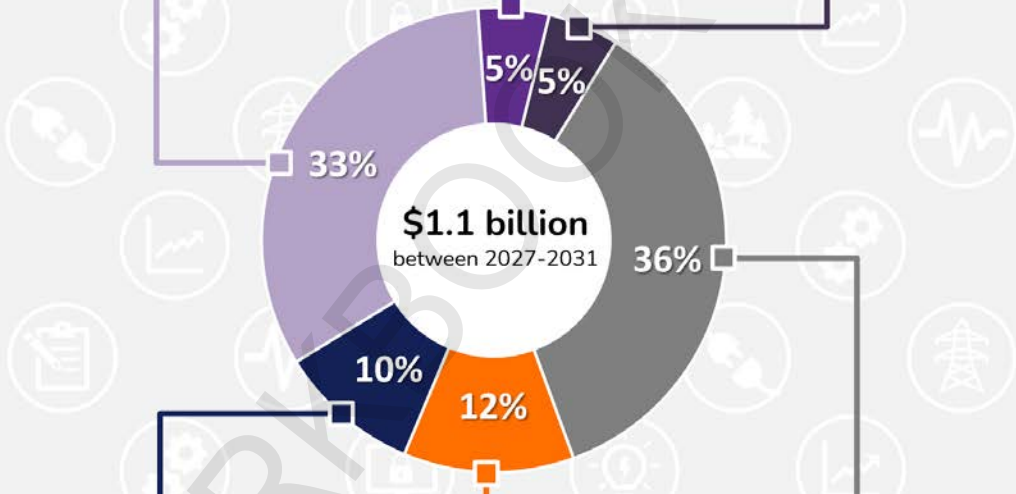
WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

elexicon ENERGY

Elexicon's Draft Plan

Elexicon's five-year 2027-2031 draft plan consists of five key investment categories, totaling an estimated $1.1 billion between 2027 and 2031.



Renewing the System

Infrastructure Renewal [33%]

Mitigating safety and reliability risks posed by deteriorated equipment.

Building a Better Grid for the Future

Metering [5%]

Upgrading meter equipment to move towards greater functionality.

Modernization [5%]

Enhancing the grid to increase efficiency and reliability.

Strengthening Grid Resilience

Grid Resilience [10%]

Hardening the grid to better withstand extreme weather events.

Running the Business

General Plant [12%]

Maintaining equipment that enables our crews and employees to work safely and efficiently.

Enabling Growth

Growth [36%]

Ensuring the system has enough electrical capacity to meet future demand.

Note: Chart equals to 101% due to rounding.

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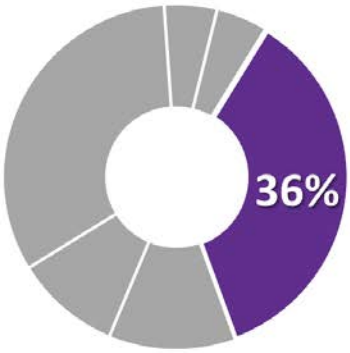
Non-Discretionary Investments

All proposed spending and investments in Elexicon's draft plan are regarded as necessary to provide customers with the services they require today and in the future. However, federal, provincial and municipal governments as well as regulators set requirements and standards that Elexicon is required by law to satisfy.

Ensuring the system has enough electrical capacity to meet future demand is an example of non-discretionary investments.

The Growth investment category represents 36% of Elexicon's 2027-2031 draft plan



Elexicon has a legal obligation to serve customers who want to connect to the grid and to comply with this obligation it must ensure there is sufficient system capacity to support **economic development, transit projects, and new construction**. At the end of the day, Elexicon needs to be ready for when its customers require additional power.

Since the **Growth** investment category consists largely of non-discretionary investments, Elexicon's does not have options to offer customers. The costs are estimated based on what it will be required to build.

The Growth investment category is driven by the following challenges:

Population Growth: The population of some communities in Elexicon's service territory, such as Durham and Belleville, are expected to double to 1.3 million people over the next 25 years.

Economic Growth: New industries, plazas, and small businesses all require additional electrical capacity for their continued success and to enable economic growth in our communities.

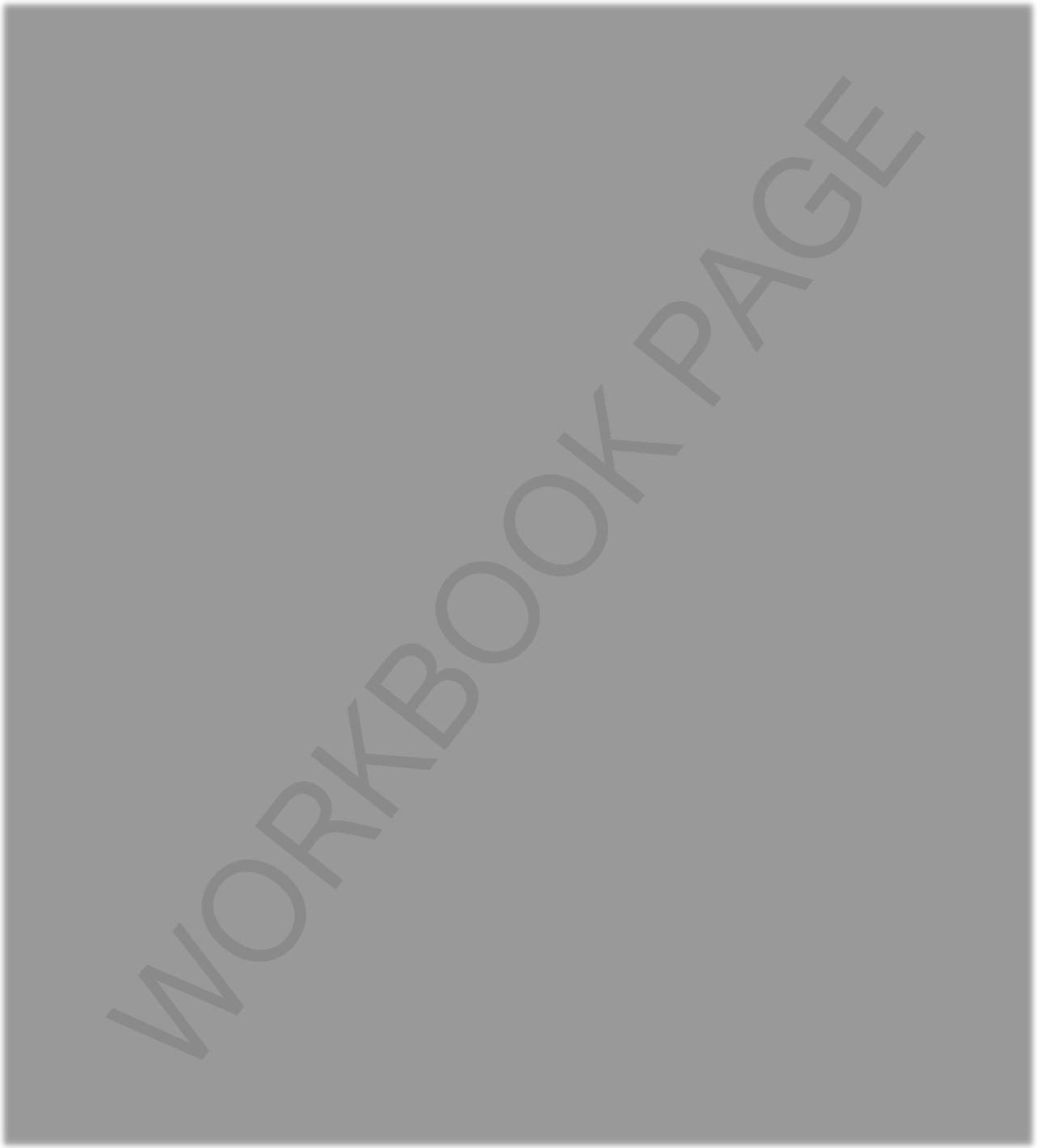
Electrification: The adoption of electric devices has increased demand from existing customers, which is expected to rise by 17% between 2025-2031, double the increase of the previous 7 year period.

*Want to know more about Elexicon's Growth investment category? Click **here** to learn more.*

WORKBOOK PAGE

Phase II Online Survey

Workbook Page 8 (pop-out)



Phase II Online Survey

Workbook Page 8 (pop-out)

Building a Bigger Grid Takes Time

It's easy to say our communities need more electricity, but meeting this need requires Elexicon to look to the future and make major investments in the grid, including:

- **Expanding Infrastructure:** New transformer stations, substations, and new lines will be added to ensure there is sufficient capacity in the system to meet customer demand.
- **Connecting Customers**: Elexicon is required by law to connect new customers to the grid when they request new connections or service upgrades, while ensuring the grid can meet future demand. While connecting customers contribute to their cost to connect to the system, regulatory requirements require that some costs are covered by Elexicon.
- **Relocating Infrastructure**: Elexicon is also required by law to relocate its overhead power lines, underground cables, and transformers to accommodate major infrastructure projects such as expanded transit systems, road widening, and water and sewage projects.

This work cannot happen overnight. **Building new power lines and stations takes years of planning and construction**.

There are also **equipment** and **resource constraints** that limit how quickly Elexicon can build out a bigger grid.

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Impact on Customers

Failure to invest in necessary energy infrastructure will have a cascading effect, hindering Elexicon's ability to meet the growing electricity demand of its customers.

- **Reliability and Outages:** An overloaded and outdated system will buckle under the pressure of increased demand, leading to frequent and widespread power outages, disrupting daily life, businesses, and essential services.
- **Economic Impacts:** Constraints on new connections and unreliable power will stifle economic growth and development, discouraging businesses and industries from investing in the region, ultimately affecting job creation and prosperity.
- **Environmental Consequences:** An inability to support electrification efforts will hinder the transition away from fossil fuels, resulting in increased greenhouse gas emissions and missed opportunities to embrace renewable energy sources.

Elexicon's *Growth* budget is based on a technical analysis of known system requirements.

Part of the role of the OEB is to assess if Elexicon has accurately and fairly estimated the costs of its non-discretionary work. The review process is open and transparent, and both interest groups and individuals can participate.

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Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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Providing Feedback on Elexicon's Draft Plan

In the next several pages, you will have a chance to provide your input on five key choices that will impact Elexicon's draft plan.

Your time is valuable. While many people find this information interesting, if you would prefer to skip over the background information, you can jump right to the key choices.

How Do I Make Choices?

Each investment choice has up to three options that Elexicon would like you to consider:

Spend More: A higher spending option that makes additional progress towards better outcomes while recognizing practical limits due to resources and construction issues.

Draft Plan: The option currently in the draft plan. This reflects the planning team's assessment of the right balance between competing priorities and is not necessarily the spending mid-point.

Spend Less: A minimum spending option that keeps prices lower and meets the basic requirements but may entail some trade-offs on key performance outcomes, such as reliability.

In addition to these options, you are welcome to add additional feedback in the comment boxes below each choice.

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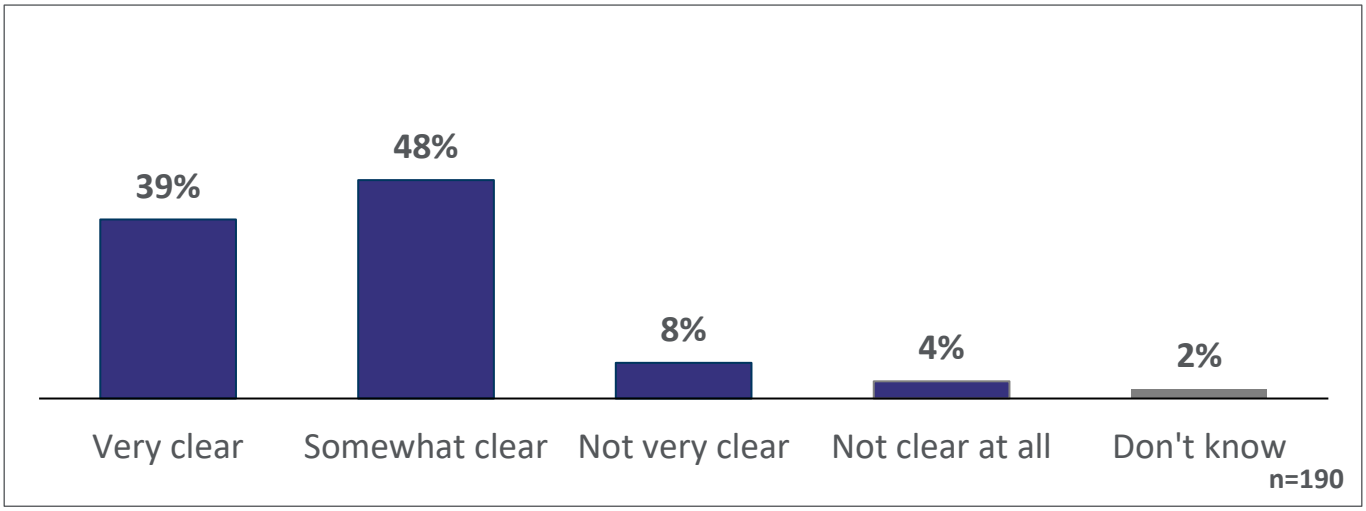
Phase II Online Survey
Clarity on Costs and Outcomes

Q Is it clear that you can select the option that best reflects your personal view of the best balance between costs and outcomes?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very clear	33%	48%	41%	26%	45%	63%	36%	37%	24%
Somewhat clear	55%	38%	51%	65%	33%	37%	37%	51%	64%
Not very clear	6%	11%	3%	7%	13%	0%	19%	9%	4%
Not clear at all	4%	0%	3%	3%	6%	0%	0%	3%	8%
Don't know	2%	3%	2%	0%	2%	0%	8%	1%	0%

Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

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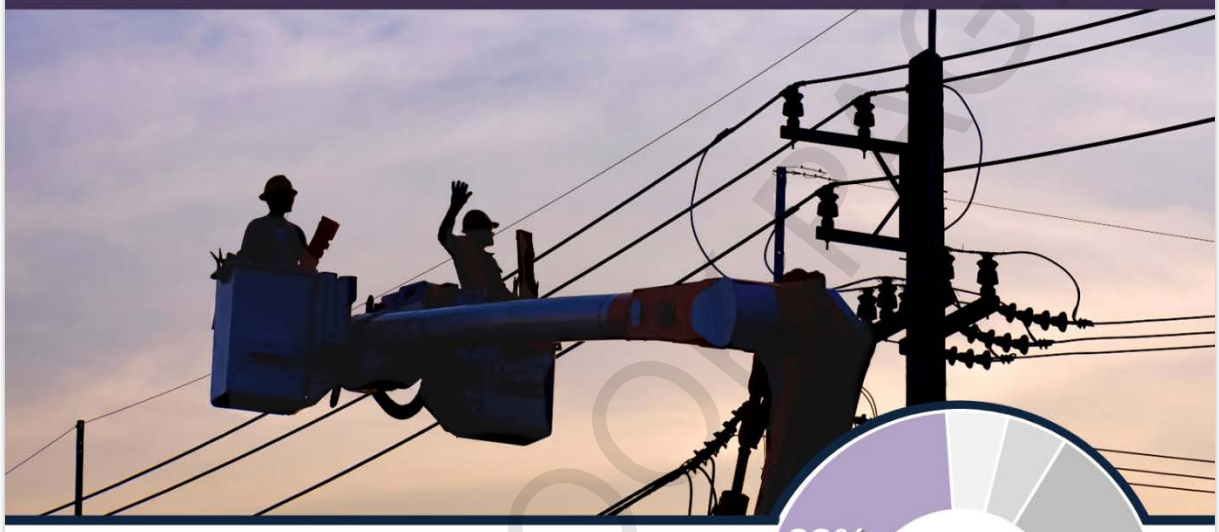
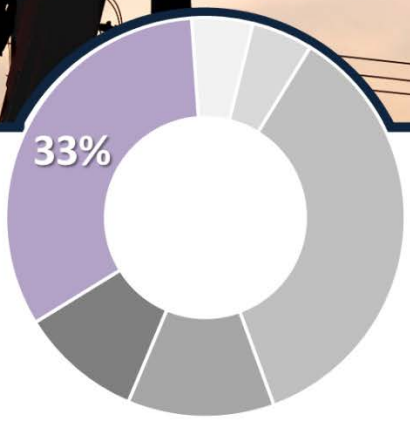
Renewing the System

Replacing and upgrading key assets and infrastructure





What is this Section About?

Mitigating the safety, environmental and reliability risks posed by deteriorating assets and infrastructure at their end of life.

There is **one choice** in this section where Elexicon needs your input:

1 Infrastructure Renewal

Renewing the System makes up 33% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $14.76 of the proposed $39.94 increase in distribution rates by 2031.

VRZ: $39.94
WRZ: $35.55

VRZ: $14.76
WRZ: $13.13

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Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

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1 Infrastructure Renewal

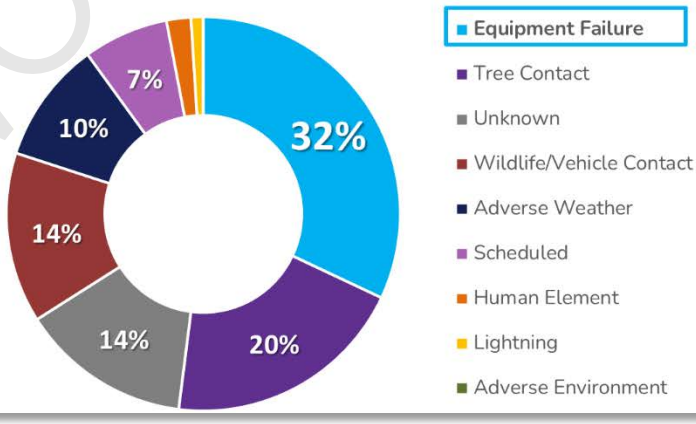
Overview

Elexicon owns many types of wires, conductors, and poles that get power from the transmission system to customers' homes and businesses. Infrastructure renewal addresses the risk posed by these assets when they age, deteriorate and break down. This is an important part of the plan when it comes to maintaining reliability and efficiency in the electrical grid.

- **Nearly 19% of Elexicon's assets have surpassed their expected service life, raising safety, environmental, and reliability concerns.**
- Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- As infrastructures ages and deteriorates, equipment failure is more likely to occur, leading to safety and environmental risks, as well as more frequent and longer power outages.

Roughly **32%** of customer outages are caused by equipment failure. This is the largest single cause of power outages across Elexicon's service territory.

Customer Outage Duration (Hours) 2022-2024



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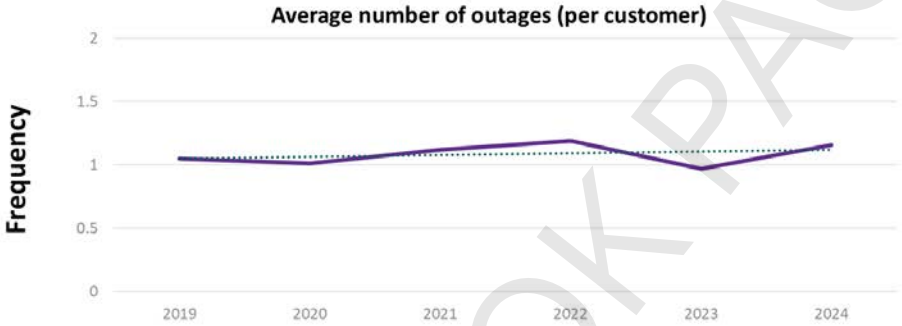
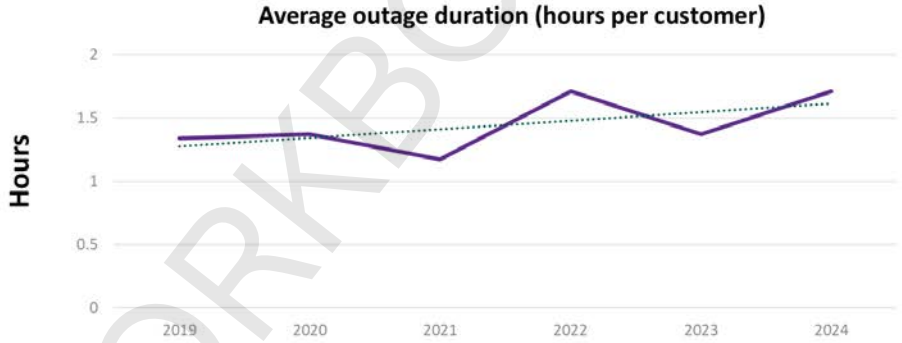
Customer Impact

Elexicon recognizes that power interruptions are inconvenient for residential customers and can be costly for commercial and industrial customers. **As such, a core objective of Elexicon's plan is to restore current levels of reliability to past performance over the 2027-2031 plan period.**

Between 2019 and 2024, the typical Elexicon customer experienced about **one** outage per year.



However, over the same period, the average **length** of time customers are without power has been increasing. In 2024, the typical Elexicon customer was without power for 103 minutes.



Note: It's important to keep in mind that these are system averages, and that your actual experience may be different. Some customers connected to newer lines may not experience any outages, while others are experiencing more than the average number of outages each year.

Delaying the replacement of deteriorating infrastructure and equipment, will likely result in more frequent and longer power outages.

Furthermore, reactive equipment replacement (where equipment has failed and must be replaced immediately) is significantly more expensive than proactive, planned equipment replacement.

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VRZ: $14.76
WRZ: $13.13

Choice 1 of 5:

By 2031, Elexicon's draft plan on **infrastructure renewal** would cost the typical small business customer **$14.76** more per month on their monthly electricity bill. Elexicon could spend more to reduce the risk of outages and improve reliability, or they could spend less and risk the potential for an increase in power outages over time.

How much do you think Elexicon should invest in infrastructure renewal?

	Spend Less	Draft Plan	Spend More
	Partially address deteriorating assets	*Targeted replacement of deteriorating assets*	*Replace a significant portion of deteriorating assets*
Grid Health	Decline in overall health of the system by 2031	Maintain the overall health of the system by 2031	Improve the overall health of the system by 2031
Reliability	Overall system reliability would likely worsen by 2031	Prevent further decline in reliability and restore performance by 2031	Reduce risk of outages and improve performance by 2031
Future Costs	Higher reactive costs in the future since more assets will be left unaddressed and will need to be replaced reactively when they fail	Lower reactive costs since there will be fewer failures and one-off replacements	Significantly lower reactive costs in the future
Rate Impact *per month by 2031*	$13.92	$14.76	$18.90

VRZ: $13.92
WRZ: $12.39

VRZ: $14.76
WRZ: $13.13

VRZ: $18.90
WRZ: $16.82

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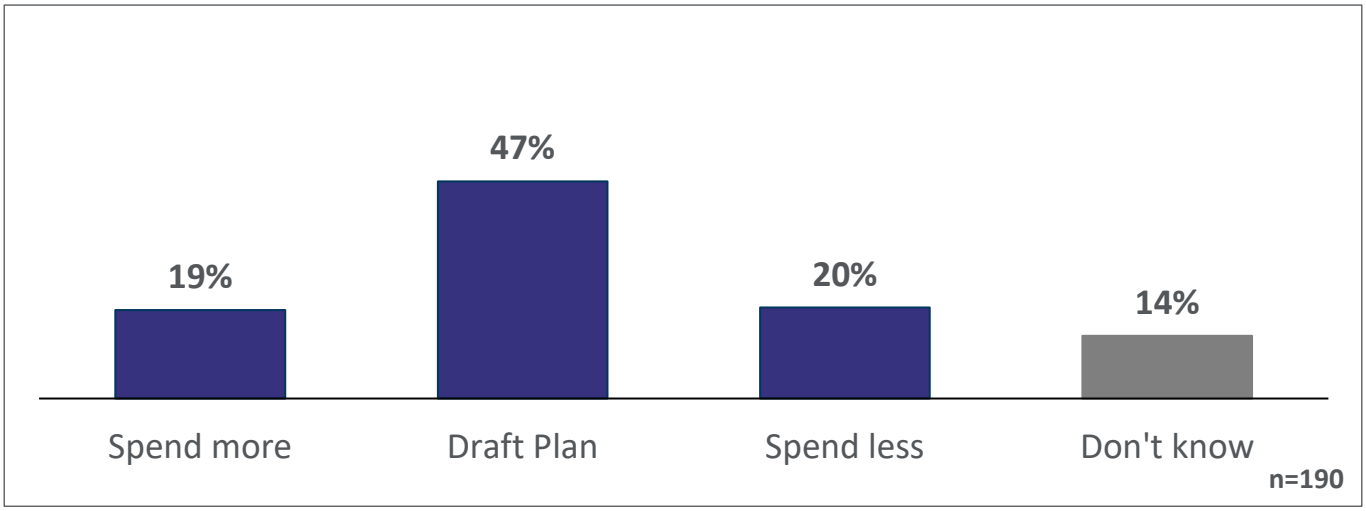
Phase II Online Survey
Choice 1: Infrastructure Renewal

Small Business

Q How much do you think Elexicon should invest in infrastructure renewal?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Spend more	18%	34%	11%	8%	23%	32%	32%	20%	17%
Draft Plan	49%	38%	52%	44%	46%	29%	36%	50%	52%
Spend less	21%	22%	18%	14%	19%	9%	19%	19%	21%
Don't know	12%	7%	19%	34%	11%	29%	14%	10%	9%

Phase II Online Survey
Choice 1: Infrastructure Renewal – Feedback

Small Business

Q Do you have additionall feedback on Elexicon's draft plan for infrastructure renewal? [OPEN]

Response	%
Willing to pay more for improved reliability	2.1%
Need more information/have questions	1.8%
Focus investments on areas with the most outages first	1.6%
Bury lines to improve reliability	1.4%
Cost of living pressure/financial strain	1.4%
Support for more proactive maintenance	1.3%
Invest now to save money later	1.2%
More renewable/innovative sources of energy	1.0%
Upgrades are necessary but minimize cost increases/take a balanced approach	1.0%
Against increases/costs are too expensive	0.8%
Reduce overhead costs/salaries	0.8%
Improve customer/outage communication	0.6%
Customers shouldn't pay for investments	0.5%
Distrust in the engagement/rate increases are inevitable	0.5%
General support for the draft plan	0.5%
Poor planning from Elexicon	0.5%
Concerns with severe weather events	0.4%
Infrastructure needs to be upgraded	0.4%
Elexicon is profit-driven/profits should be reinvested	0.4%
None/Don't know	82.0%

408

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Building a Better Grid

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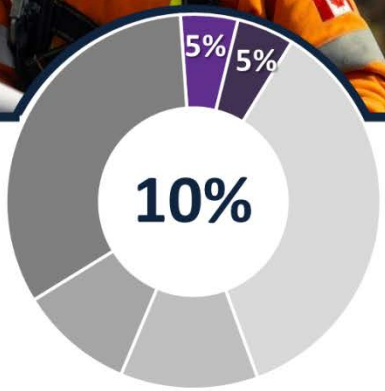
Building a Better Grid for the Future

Replacing Meters and Modernizing the Grid



What is this Section About?

Using new technology to increase efficiency, reliability, and provide greater functionality for customers.

There are **two separate choices** in this section where Elexicon needs your input:

2 Metering

3 Modernization

Building a Better Grid for the Future makes up 10% of the **draft plan**. In terms of bill impact, this theme represents an estimated $4.25 of the proposed $39.94 increase in distribution rates by 2031.

VRZ: $39.94
WRZ: $35.55

VRZ: $4.25
WRZ: $3.78

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Understanding Metering & Modernization: Changing Technology, Changing Needs

For the last 100 years, things have changed relatively slowly in terms of grid technology. Electricity was generated in large power stations and transmitted from around the province to Elexicon's grid, and ultimately to our homes and businesses. Thanks to grid advancement, how we monitor and control the flow of electricity has dramatically improved. With the right investments our customers can benefit from improved reliability, and better service.

Elexicon's 2027-2031 draft plan includes technologies that change how Elexicon operates the grid.

Smart grid technology like sensors, advanced metering, and automation enable Elexicon to monitor key equipment to prevent outages and get better use out of existing equipment.

When outages do occur, this technology can re-route the grid to restore power much more **quickly** and at a **lower cost** than today.

Greater **visibility** means Elexicon can do things like remotely detect variances in voltage, preventing outages and damage to customer equipment.

When these devices signal that a customer has lost power, modern switches allow Elexicon to restore power from the control room without needing to send a truck out to find the fault.

Eventually, customers will have access to a 'two-way system' that allows customers to sell the electricity they generate back to the grid. Grid automation and visibility modernization upgrades are necessary to enable this technology in the future.

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Elexicon Customer Feedback Survey
Making Choices: Metering

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Overview

Elexicon owns approximately 180,320 customer meters, with 83% operating beyond their service life. As meters break, Elexicon has the option of replacing them with the same meter, or installing an upgraded meter that can enable better reliability and customer features.

Both types of meters rely on communication systems for automatic meter reading and detecting outages. Since the merger, Elexicon has been managing with two legacy communication systems that must soon be replaced. Elexicon's draft plan will replace the meters themselves, as well as upgrade to a centralized metering communication system, which will allow Elexicon to better detect problems and respond to outages.

Metering is a critical component of Elexicon's modernization plan, and our goal to reduce outage times. Elexicon needs to understand the preferences of customers when it comes to the pace of these upgrades.

Why Replace Meters Now?

- The current meters are at risk of failing at increasing rates.
- Elexicon has prepared a plan to address large groups of meters, saving costs on labour and unlocking new benefits for customers like enhanced outage detection.

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Customer Impact

Meter Replacement will impact customers in the following ways:

- **Restoration impacts**: Upgraded meters and metering system provides Elexicon with better visibility into where outages are occurring, so that Elexicon can respond faster to resolve the outage.
- **Capacity impacts**: With upgraded technology and new meters, Elexicon can better understand usage patterns and peak times, allowing for smarter planning and ensuring sufficient capacity for the future.
- **Cost considerations:** If Elexicon defers investments in metering, the short-term costs for customers are lower. However, pushing replacements into the future also means less cost certainty and more costly upgrades later.

Elexicon's draft plan spreads out the upgrades over approximately eight-years and prioritizes upgrading those meters at highest risk of failure.

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For this choice, Elexicon needs to decide whether to:

a) spend more and complete upgrades by 2031;

b) follow the draft plan and complete upgrades by 2034, or

c) spend less and defer all upgrades until after 2031.

If all upgrades are deferred until after 2031, Elexicon will continue to replace failed meters but will be unable to modernize its grid and reduce outage times for customers.

VRZ: $2.28
WRZ: $2.03

Choice 2 of 5:

By 2031, Elexicon's draft plan on **metering** would cost the typical small business customer **$2.28** more per month on their monthly electricity bill. Elexicon could spend more to replace almost all meters and fully implement the smart grid by the end of 2031, or Elexicon could spend less and only replace meters as they fail, deferring all technological upgrades until after 2031.

How much do you think Elexicon should invest in metering?

	Spend Less	Draft Plan	Spend More
	Replace meters with the same technology, and only when they fail	*Replace most meters with newer technology by 2034*	*Replace all meters with upgraded technology by 2031*
Future Costs	Lower upfront costs, but upgrading meters in the future will come at a higher cost	Balance upfront costs of large meter replacements by pacing technology upgrades	Invest in upgraded technology at scale, saving labour and material costs
Reliability	No upgrades to customer devices that enable outage detection	Upgrade most meters, and the communication system, allowing for outage detection on most customer devices by 2034	Upgrade all meters, and the communication system, to allow for outage detection on all customer devices by 2031
Rate Impact *per month by 2031*	$1.74	$2.28	$4.22

VRZ: $1.74
WRZ: $1.55

VRZ: $2.28
WRZ: $2.03

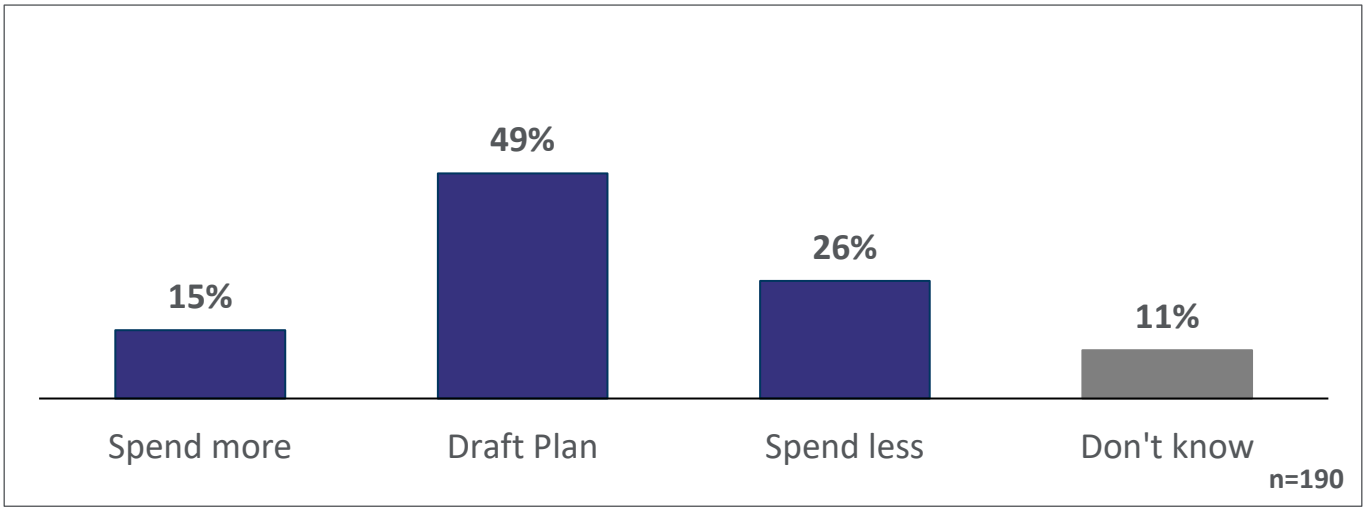
VRZ: $4.22
WRZ: $3.76

WORKBOOK PAGE

Phase II Online Survey
Choice 2: Metering

Small Business

Q How much do you think Elexicon should invest in metering?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Spend more	19%	8%	9%	18%	16%	10%	19%	14%	28%
Draft Plan	52%	48%	52%	48%	43%	46%	48%	50%	50%
Spend less	21%	37%	27%	13%	29%	25%	19%	28%	22%
Don't know	9%	7%	12%	21%	12%	19%	14%	7%	0%

Phase II Online Survey
Choice 2: Metering – Feedback

Q Do you have additionall feedback on Elexicon's draft plan for metering? [OPEN]

Response	%
Need more information/have questions	1.3%
Poor planning from Elexicon	1.0%
Meters need to be upgraded	0.6%
Invest now to save money later	0.5%
Current level of service is acceptable	0.5%
Willing to pay more for improved reliability	0.5%
Cost of living pressure/financial strain/tariff concerns	0.5%
Skeptical of smart meters	0.5%
Not interested in subsidizing/only customers affected should pay	0.4%
Against increases/costs are too expensive	0.4%
Replace meters only when they fail	0.4%
Other	0.3%
None/Don't know	93.1%

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Modernization

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3 Modernization

Overview

Elexicon is proposing to invest in field technology and back-end systems to improve how the grid functions and develop a smarter grid of the future that will benefit all customers.

Elexicon's Grid would:

1. **Reduce duration of outages by quickly identifying the cause and minimizing the number of customers impacted during restoration;**
2. **Ensure customers can connect more local generation;**
3. **Improve visibility into grid operations to ensure crews can operate safely and efficiently.**

Elexicon recognizes that not all technologies and grid upgrades can be deployed immediately, and we need to choose the order and pace of our investments to align with what will bring value to our customers.

Speed Up Power Restoration with Fault Location Isolation and Service Restoration (FLISR)

A "fault" or problem with the flow of electricity can "trip" or "turn off" a large section of Elexicon's grid.

By installing an FLISR system, Elexicon can remotely restore power to areas that may be affected by the outage. This reduces the amount of time customers are without power.

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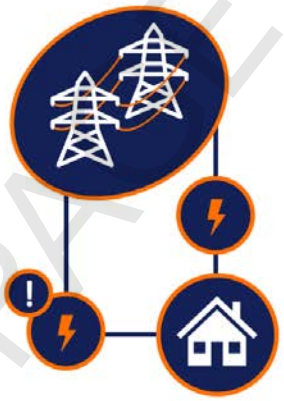
Detecting Faults with Communicating Faulted Circuit Indicators (CFCIs)

CFCIs are intelligent sensors installed along power lines that detect faults and send data to Elexicon's System Control Center.



Elexicon can significantly reduce response times to outages. Advanced warning features also enable crews to perform proactive maintenance, preventing outages before they occur.

By enhancing fault detection and predictive capabilities, CFCIs improve service reliability, reduce outage durations, and strengthen overall grid resilience for customers.

Customer Impact

Elexicon has identified a range of technologies that can optimize our existing assets and infrastructure in the near term and provide customers greater choice to participate in the energy system in the future. Elexicon's draft plan uses a targeted approach, building the foundation for a network that can enable the **Grid of the Future** beyond 2031.

These investments will allow Elexicon to:

- Shorten the length of outages by detecting the source of the problem sooner and often turn the power back on remotely,
- Redirect crews to targeted areas that require manual repairs, rather than sending them out to search for the problem and thereby extending the length of the outage,
- Improve power quality, preventing damage to equipment and ensuring safe operations,
- Eventually, these investments will lay the groundwork to enable greater participation in the grid, connecting residential devices like solar panels, batteries, and electric vehicles to the system.

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Phase II Online Survey
Workbook Page 14 (cont.)

Small Business

Choice 3 of 5:

VRZ: $1.96
WRZ: $1.75

By 2031, Elexicon's draft plan on **modernization** would cost the typical small business customer **$1.96** more per month on their monthly electricity bill. Elexicon could spend more to improve reliability and efficiency outcomes faster, or could spend less, deferring investments and improvements to these outcomes into the future.

How much do you think Elexicon should invest in modernization?

	Spend Less	Draft Plan	Spend More
	Defer investments to remote smart-grid technology	*Targeted investments in specific grid enhancing technology projects*	*Significant investment in smart-grid projects and non-wire solutions*
Reliability	No material improvements to reliability	Improve reliability and slightly reduce outage time	Significantly improve reliability and reduce outage time
Efficiency	Minimal material improvements to grid efficiency	Targeted investments and minor upgrades in grid infrastructure to test new technologies to improve efficiency	Significant upgrades to infrastructure lead to a more efficient grid
Rate Impact *per month by 2031*	$1.75	$1.96	$2.58

VRZ: $1.75
WRZ: $1.56

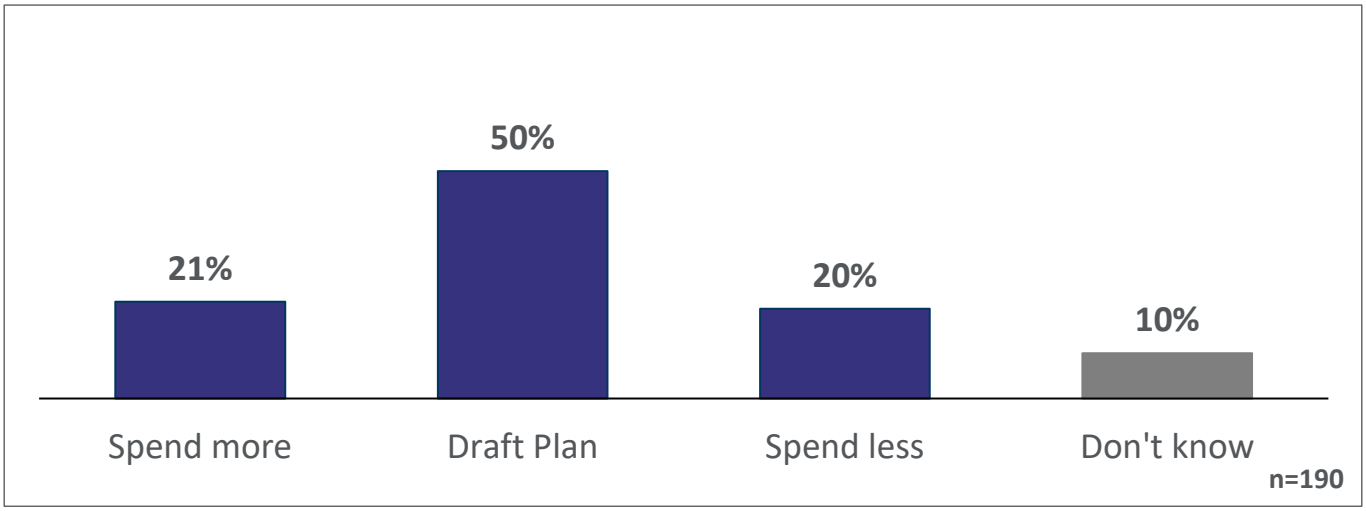
VRZ: $1.96
WRZ: $1.75

VRZ: $2.58
WRZ: $2.29

WORKBOOK PAGE

Phase II Online Survey
Choice 3: Modernization

Q How much do you think Elexicon should invest in modernization?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Spend more	20%	25%	16%	30%	22%	27%	25%	20%	32%
Draft Plan	55%	38%	56%	49%	42%	33%	54%	52%	36%
Spend less	14%	31%	17%	4%	29%	30%	6%	20%	22%
Don't know	11%	7%	11%	17%	7%	10%	14%	7%	10%

Phase II Online Survey
Choice 3: Modernization – Feedback

Q Do you have additionall feedback on Elexicon's draft plan for modernization? [OPEN]

Response	%
General support for the draft plan/modernization	2.1%
Need more information/have questions	1.7%
Current level of service is acceptable	1.0%
Against increases/costs are too expensive	0.9%
Reduce overhead costs/salaries	0.8%
Invest now to save money later	0.5%
Find efficiencies instead of customers paying more	0.5%
Prefer a slower implementation to avoid issues	0.5%
Skeptical of smart technologies and benefits	0.5%
Customers should pay for new technology integration when they adopt it	0.4%
Other	1.2%
None/Don't know	89.8%

420

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

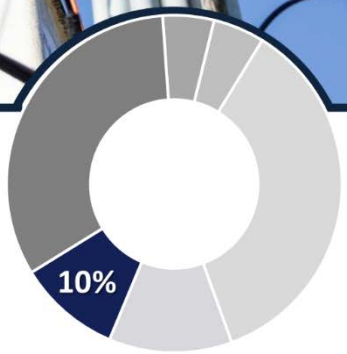
elexicon ENERGY

Strengthening Grid Resilience

Hardening the grid to better withstand extreme weather

What is this Section About?

Building a more resilient grid to better withstand adverse weather events



There is **one choice** in this section where Elexicon needs your input:

4 **Grid Resilience**

Strengthening Grid Resilience makes up **10%** of the **draft plan**.
In terms of bill impact, this theme represents an estimated **$8.09** of the proposed **$39.94** increase in distribution rates by 2031.

VRZ: $39.94
WRZ: $35.55

VRZ: $8.09
WRZ: $7.20

WORKBOOK ONLY

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

elexicon ENERGY

4 Grid Resilience

Overview

This section focuses on investments Elexicon will make to improve the resiliency of its system. Resiliency refers to the ability to withstand, adapt to, and recover from disruptions, such as an extreme weather event.

Elexicon aims to improve grid resilience by identifying high risk areas, ensuring critical functions remain intact during a major event, and recovering quickly.

The Impact of Adverse Weather on the Grid

Elexicon has experienced a series of severe weather events that affected a significant portion of its service territory over the years:

- **In May 2022**, 64,000 Elexicon customers lost power due to a severe weather event (a 'derecho' and subsequent tornado). This event resulted in an outage of over 24 hours (in some cases much longer), and required a full rebuild of one of Elexicon's main transformer stations.
- **In December 2022**, a lengthy outage due to wind and ice from a December blizzard affected one-third of our customers.
- **In late November 2024**, Gravenhurst received 140 centimeters of snowfall over two days. The heavy accumulation downed hydro poles and wires, causing widespread outages, affecting all 6,500 customers in the area. In some cases, customers were out of power for as long as a week.

WORKBOOK PAGE

Customer Impact

In anticipation of future extreme weather events, Elexicon can harden the grid in the following ways:

Remove hard to access rear lot connections that pose a higher risk of failure during major weather events, while also taking longer to repair.

Increase tree trimming to reduce likelihood that branches take out lines.

Install the latest standard equipment when replacing end-of-life assets.

Invest in grid monitoring devices and software that allow Elexicon to identify and isolate faults more quickly.

Enhance customer facing tools to improve communication during weather events.

Maintain software and replace of grid control equipment at its end-of-life.

WORKBOOK PAGE

VRZ: $8.09
WRZ: $7.20

Choice 4 of 5:

By 2031, Elexicon's draft plan on **resilience** would cost the typical small business customer **$8.09** more per month on their monthly electricity bill. Elexicon could spend more to materially reduce the duration and frequency of outages, or Elexicon could spend less, which risks increasing restoration times following a major outage.

How much do you think Elexicon should invest in grid resilience?

	Spend Less	Draft Plan	Spend More
	Minimal investment in grid resiliency initiatives	*Targeted investment in grid resiliency initiatives in highest risk areas*	*Increased investment in grid resiliency initiatives*
Reliability	Minimal improvement in outage duration after extreme weather events	Moderate improvement in reliability, with some improved restoration time after extreme weather events	Significantly reduce outages and improve outage restoration time after extreme weather events across the grid
Future Costs	Higher reactive costs when a major storm or weather event occurs, increasing spending on crew time and materials to restore power	Some reactive costs to cover crew time and materials when an extreme weather event occurs	Reduced reactive costs, as crews will have to respond to fewer restoration calls after extreme weather events
Rate Impact *per month by 2031*	$7.39	$8.09	$10.06

VRZ: $7.39
WRZ: $6.57

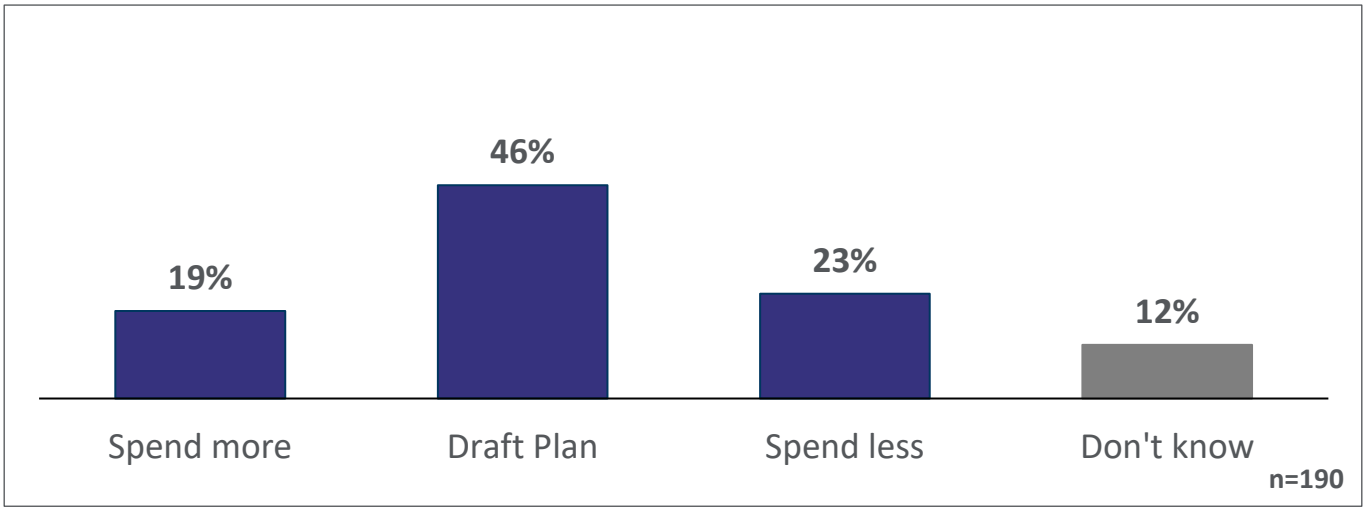
VRZ: $8.09
WRZ: $7.20

VRZ: $10.06
WRZ: $8.96

Phase II Online Survey
Choice 4: Grid Resilience

Small Business

Q How much do you think Elexicon should invest in grid resilience?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Spend more	21%	18%	19%	24%	16%	16%	25%	20%	24%
Draft Plan	44%	57%	52%	41%	40%	46%	48%	51%	45%
Spend less	27%	18%	19%	9%	25%	19%	13%	22%	16%
Don't know	8%	7%	10%	26%	18%	19%	14%	7%	15%

Phase II Online Survey
Choice 4: Grid Resilience – Feedback

Q Do you have additionall feedback on Elexicon's draft plan for grid resilience? [OPEN]

Response	%
Find efficiencies instead of customers paying more	1.6%
Invest now to prepare for the future	1.1%
Bury lines to improve reliability	0.9%
Invest now to save money later	0.9%
Against increases/costs are too expensive	0.6%
General support for the draft plan/grid resilience	0.6%
Need more information/have questions	0.6%
Distrust in the engagement/rate increases are inevitable	0.5%
Increase tree trimming to prevent outages	0.5%
Support the spend more option	0.4%
Other	1.9%
None/Don't know	90.0%

426

Note: Only responses >0.1% shown

Phase II Online Survey
Workbook Page 17

Small Business

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

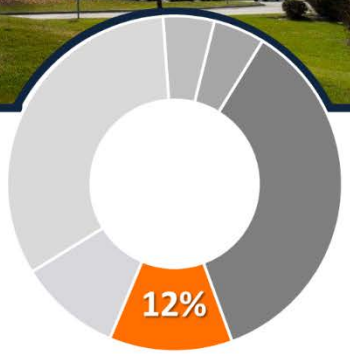
Running the Business

Investments in backbone systems that keep the grid running

What is this Section About?

Investments that maintain and upgrade essential systems like billing, outage management, asset planning, health and safety, and cyber security.

This section also includes investments in operational technology that allow us to better plan and execute projects, understand our customers, and better serve our communities.



There is **one choice** in this section where Elexicon needs your input:

5 General Plant

Running the Business makes up 12% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $3.17 of the proposed $39.94 increase in distribution rates by 2031.

VRZ: $39.94
WRZ: $35.55

VRZ: $3.17
WRZ: $2.83

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

Overview

Elexicon's daily operations require IT systems for all aspects of its business, including billing, operating the grid, responding to outages, planning projects and communicating with customers.

Since the merger in 2019, Elexicon has operated its business with legacy software and systems, which now require necessary IT infrastructure replacements. **Elexicon has prioritized cyber security investments in the draft plan, and because these systems are essential, there is no *spend less* option for this choice.**

However, Elexicon planners have identified additional infrastructure upgrades that are required in order to improve processes and modernize the grid. These investments are included in the *spend more* option.

Customer Impact

By upgrading Elexicon's operational technology, in addition to its IT systems, Elexicon can deliver a better customer experience:

- Improve the grid's ability to connect customer-owned solar panels, EVs and power walls.
- Improve visibility into the grid to enable operators to detect faults, prevent outages, and restore power remotely.
- Provide customers data and tools to access new programs to save on electricity or sell energy back to the grid.

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Phase II Online Survey
Workbook Page 18 (cont.)

Small Business

VRZ: $3.17
WRZ: $2.83

Choice 5 of 5:

By 2031, Elexicon's draft plan on **general plant** would cost the typical small business customer **$3.17** more per month on their monthly electricity bill. Elexicon could spend more to deploy new technologies and modernize its operations.

How much do you think Elexicon should invest in general plant?

	Draft Plan	Spend More
	Targeted investment in operational technology with additional pilot projects	*Investment in operational technology to enhance the grid*
IT Security	Upgrade IT systems to reduce the risk of a cyber attack	Same as Draft Plan
Technology	Maintain existing operational technology, with limited upgrades for the grid	Deploy new technology at a greater scale to prepare for a modernized grid
Efficiency	Invest in small pilot projects to explore new operational technology	Significantly modernize grid operations to enable better planning and outage management
Rate Impact *per month by 2031*	$3.17	$3.85

VRZ: $3.17
WRZ: $2.83

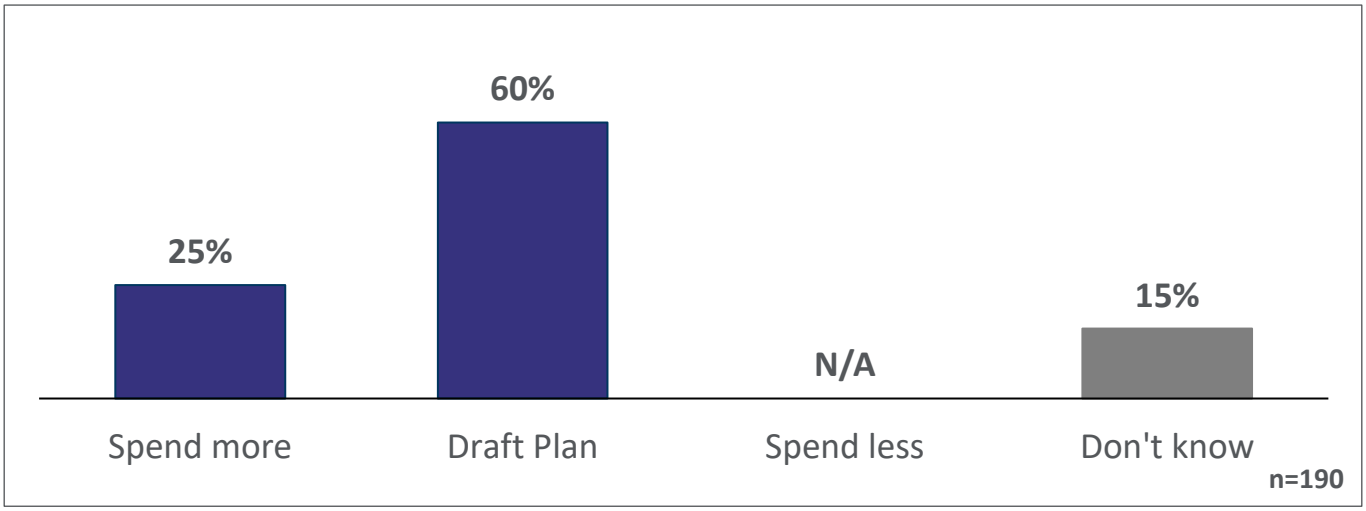
VRZ: $3.85
WRZ: $3.43

WORKBOOK PAGE

Phase II Online Survey
Choice 5: General Plant

Small Business

Q How much do you think Elexicon should invest in general plant?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Spend more	30%	22%	18%	43%	17%	34%	31%	23%	23%
Draft Plan	60%	64%	65%	40%	59%	36%	49%	64%	72%
Spend less	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Don't know	9%	14%	17%	17%	24%	29%	21%	13%	5%

Phase II Online Survey
Choice 5: General Plant – Feedback

Q Do you have additionall feedback on Elexicon's draft plan for general plant? [OPEN]

Response	%
Prefer a slower implementation or pilot projects to avoid issues	1.9%
Find efficiencies instead of customers paying more	1.3%
Cybersecurity is essential	0.9%
Need more information/have questions	0.6%
Support the spend more option	0.5%
General support for the draft plan	0.5%
Invest now to prepare for the future	0.5%
Support investing in new technologies	0.2%
Other	0.4%
None/Don't know	93.1%

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$13.92	$14.76	$18.90	*Don't know*
Metering	$1.74	$2.28	$4.22	*Don't know*
Modernization	$1.75	$1.96	$2.58	*Don't know*
Grid Resilience	$7.39	$8.09	$10.06	*Don't know*
General Plant		$3.17	$3.85	*Don't know*
Growth		$9.67		

Between $123.68 and $135.40

The total impact of your choices would result in an estimated distribution charge of $126.16 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$39.94 between 2026 and 2031.**

Between $37.65 and $49.28

Click 'Submit' after you have finalized your choices above. **Submit**

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$12.39	$13.13	$16.82	*Don't know*
Metering	$1.55	$2.03	$3.76	*Don't know*
Modernization	$1.56	$1.75	$2.29	*Don't know*
Grid Resilience	$6.57	$7.20	$8.96	*Don't know*
General Plant		$2.83	$3.43	*Don't know*
Growth		$8.61		

Between $124.12 and $134.47

The total impact of your choices would result in an estimated distribution charge of $126.16 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$35.55 between 2026 and 2031.**

Between $33.51 and $43.86

Click 'Submit' after you have finalized your choices above. **Submit**

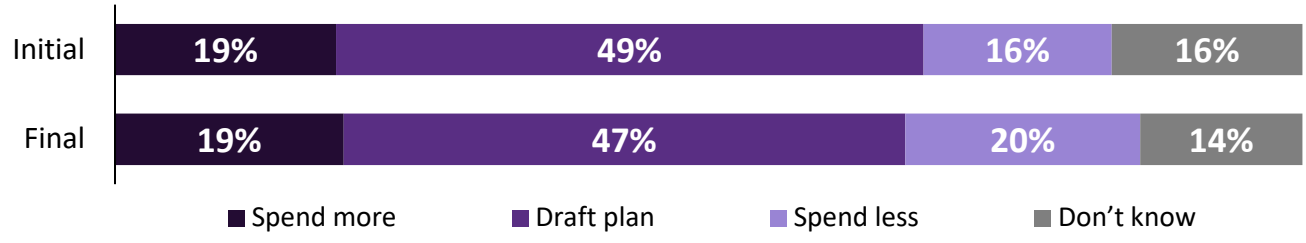
WORKBOOK PAGE

Phase II Online Survey
Finalizing Choices

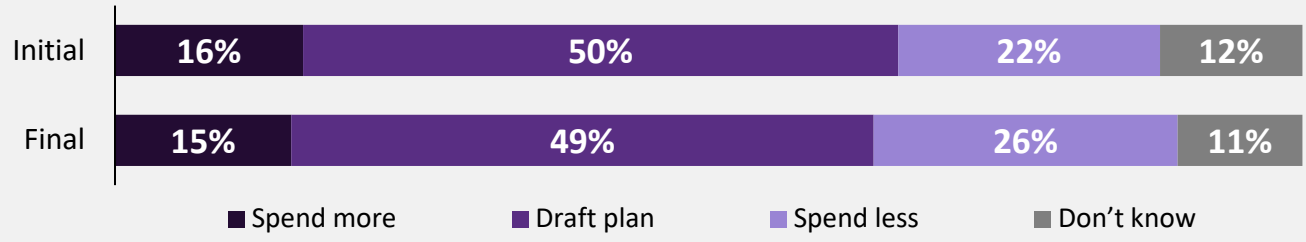
Small Business

Comparing the choices before (Initial) and after (Final) the calculator page.

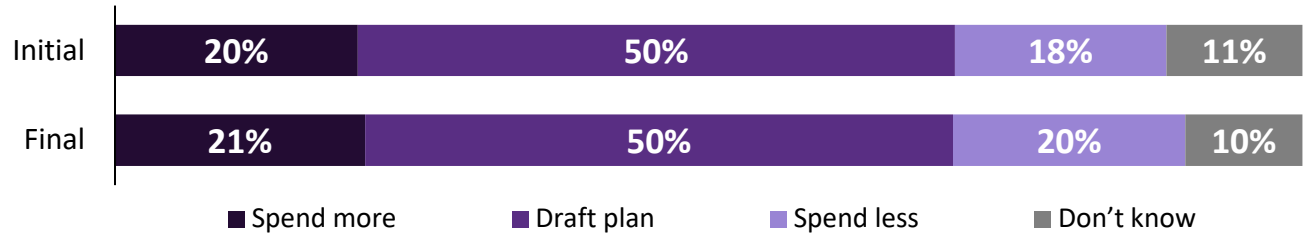
Infrastructure Renewal



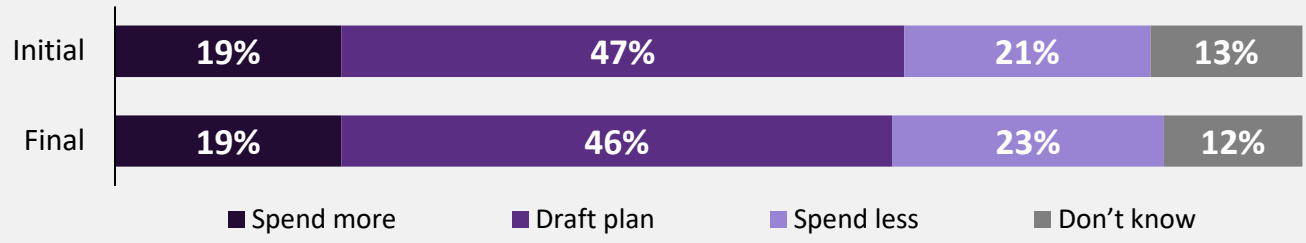
Metering



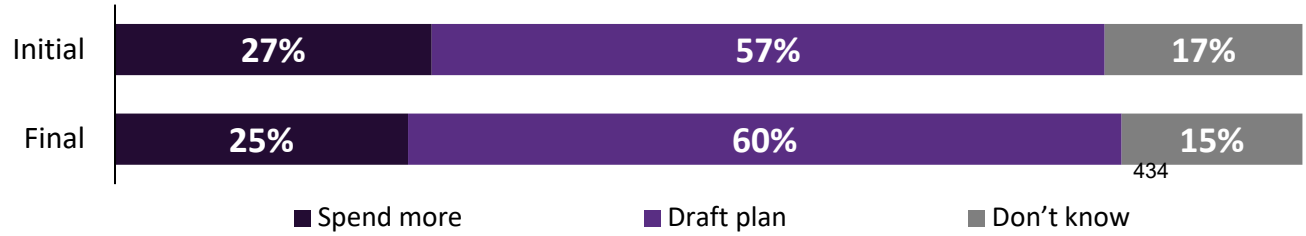
Modernization



Grid Resilience



General Plant



Phase II Online Survey
Workbook Page 20 – VRZ Version

Small Business

	Year	Avg. Monthly Bill*	Non-Distribution Component	Elexicon's Portion of your Monthly Bill: Distribution Component	Elexicon's Portion of your Monthly Bill: Annual Increase to Monthly Bill (%)	Elexicon's Portion of your Monthly Bill: Annual Increase to Monthly Bill ($)
CURRENT	2025	$327.38	$259.82	$67.56	n/a	n/a
BUDGETED	2026	$348.26	$262.04	$86.22	27.6%	$18.66
RATE PERIOD	**2027**	$355.87	$266.46	$89.41	3.7%	$3.19
	2028	$365.56	$269.95	$95.61	6.9%	$6.20
	2029	$378.01	$273.39	$104.61	9.4%	$9.00
	2030	$392.18	$276.96	$115.22	10.1%	$10.61
	2031	$406.85	$280.69	$126.16	9.5%	$10.95
	5 Year Impact			**$39.94**	**46.3%**	**$39.94**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rate.

- These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical small business customer is assumed to use 2000 kWh per month and enrolled under Time-of-use Regulated Price Plan.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$348.34	$267.30	$81.04	n/a	n/a
BUDGETED	2026	$360.59	$269.98	$90.62	11.8%	$9.58
RATE PERIOD	**2027**	$377.61	$265.73	$111.87	23.5%	$21.26
	2028	$382.57	$269.22	$113.35	1.3%	$1.48
	2029	$390.03	$272.66	$117.37	3.5%	$4.01
	2030	$398.36	$276.23	$122.14	4.1%	$4.77
	2031	$406.11	$279.95	$126.16	3.3%	$4.03
	5 Year Impact			**$35.55**	**39.2%**	**$35.55**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rate.

- These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical small business customer is assumed to use 2000 kWh per month and enrolled under Time-of-use Regulated Price Plan.

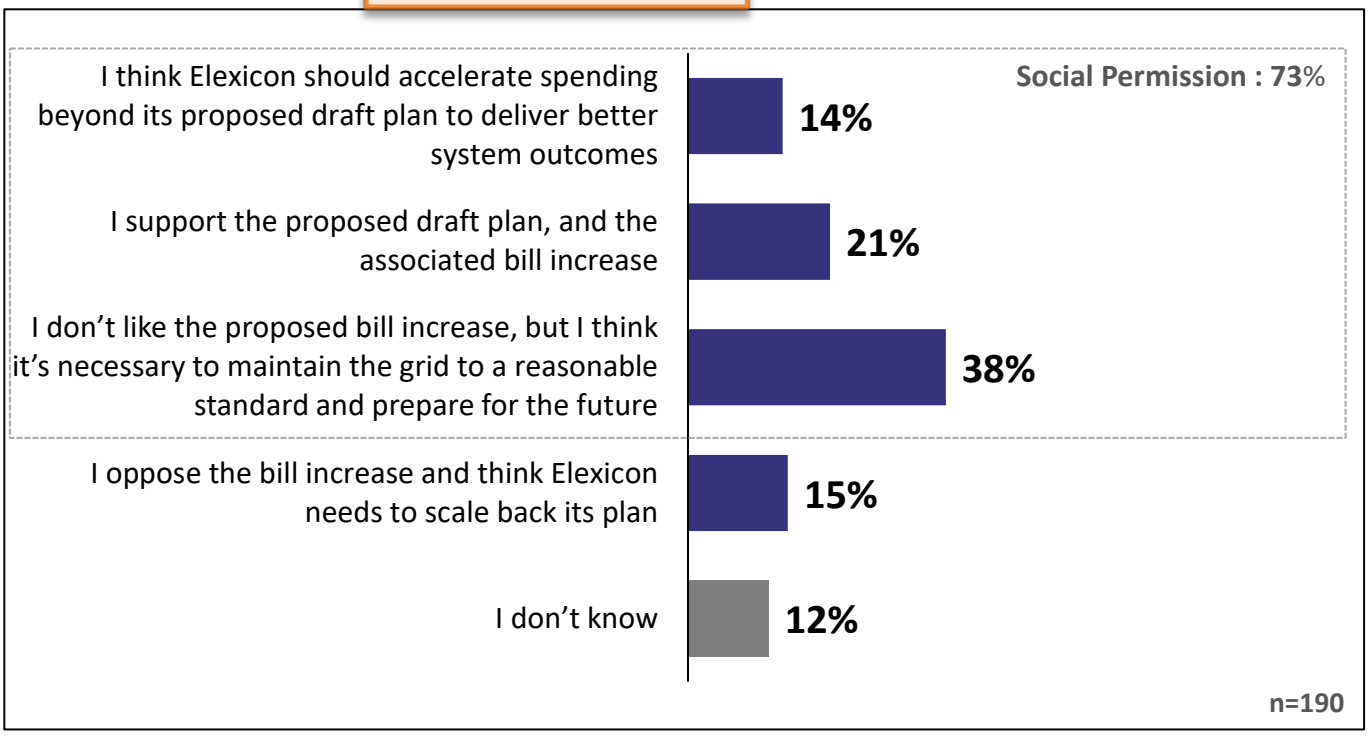
WORKBOOK PAGE

Phase II Online Survey
Social Permission

Small Business

Q Considering what you have learned about Elexicon's 2027–2031 draft plan and that this may result in a $39.94 increase in the distribution portion of your monthly electricity bill between 2026 and 2031, which of the following best represents your point of view?

VRZ: $39.94 / WRZ: $35.55



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Accelerate spending	15%	15%	14%	5%	14%	19%	25%	15%	5%
Support draft plan	20%	21%	28%	27%	16%	0%	6%	23%	32%
Maintain the grid	32%	40%	36%	51%	46%	61%	48%	38%	36%
Oppose increase	15%	14%	13%	12%	17%	9%	13%	16%	12%
Don't know	18%	10%	9%	5%	7%	10%	8%	8%	15%
Social Permission	**67%**	**76%**	**78%**	**83%**	**76%**	**81%**	**79%**	**76%**	**73%**

Phase II Online Survey
Social Permission – Feedback

Small Business

Q Do you have any final comments regarding Elexicon's draft plan and the proposed rate increase? [OPEN]

Response	%
Reduce management costs/salaries	3.6%
Lower rates/focus on affordability	2.2%
The decision should be left to the engineers and experts	2.1%
Need more information/have questions	1.1%
Support the increase/investments are necessary	1.0%
Improve customer service experience	0.6%
Invest now to save money later	0.6%
Customers shouldn't pay for investments	0.5%
General dissatisfaction with the increase	0.5%
Be proactive to improve reliability/minimize outages	0.5%
Other	1.3%
None/Don't know	86.0%

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Rate Harmonization

elexicon ENERGY

Rate Harmonization

A key principle for rates in Ontario is that similar customers pay similar charges wherever they are located within a utility. This is not the case in Elexicon's service territory currently due to the way Elexicon was formed in 2019.

As mentioned earlier in the survey, Elexicon is the result of the merger of two former utilities, Veridian Connections and Whitby Hydro. You might not know it, but the rates you pay today still depend on which utility served your area prior to the merger.

Impact on Customers

Rate harmonization is when rates are equalized for the same kinds of customers throughout the service area of a utility. Elexicon has the option of harmonizing rates in 2027, or gradually harmonizing over five years ending in 2031.

Harmonize by 2031 (Option A)

Harmonize rates gradually between 2027 and 2031, all customers will pay the same rates on January 1st 2031.

Whitby customers will pay more than Veridian customers in the first year, but their annual rate increases will be lower. For Veridian customers, their rate increase will be lower in the first year, while the following yearly increases will be higher than Whitby customers.

Harmonize in 2027 (Option B)

When rates are harmonized in the first year (2027), all customers will pay the same rates on January 1st 2027.

Veridian customers would pay $2.00 more in 2027 compared to Option A, while Whitby customers would pay $5.00 less in 2027 compared to Option A. However, under Option B, Whitby and Veridian customers pay the same rates, and their yearly rate increases will be the same going forward.

Regardless of what option Elexicon decides to take, Elexicon customers of the same size and consumption level will pay the same rates by January 1st 2031.

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Year	Option A Harmonize by 2031		Option B Harmonize in 2027	
	Whitby	Veridian	Whitby	Veridian
2027	$111.87	$89.41	$94.34	$94.34
2028	$113.35	$95.61	$99.52	$99.52
2029	$117.37	$104.61	$107.44	$107.44
2030	$122.14	$115.22	$116.76	$116.76
2031	$126.16	$126.16	$126.16	$126.16
Total Impact 2027-2031	+$35.55	+$39.94	+35.55	+$39.94

Note: You are currently in the former Veridian Rate Zone.

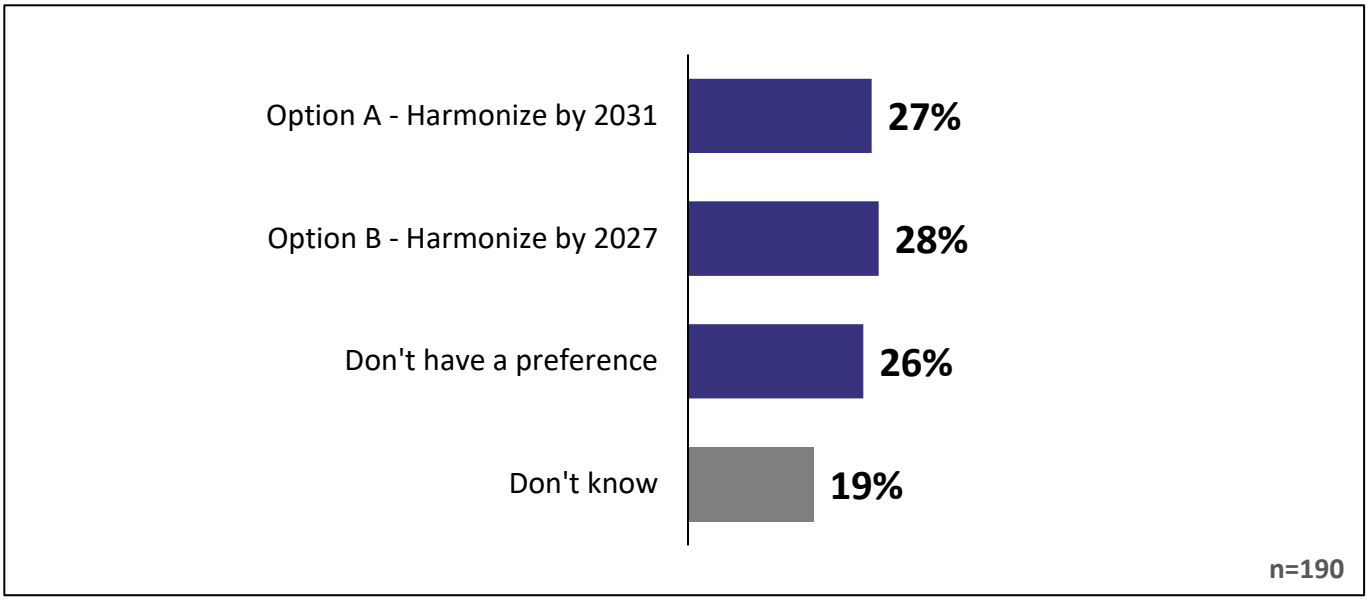
VRZ: Veridian
WRZ: Whitby

WORKBOOK IMAGE

Phase II Online Survey
Rate Harmonization

Small Business

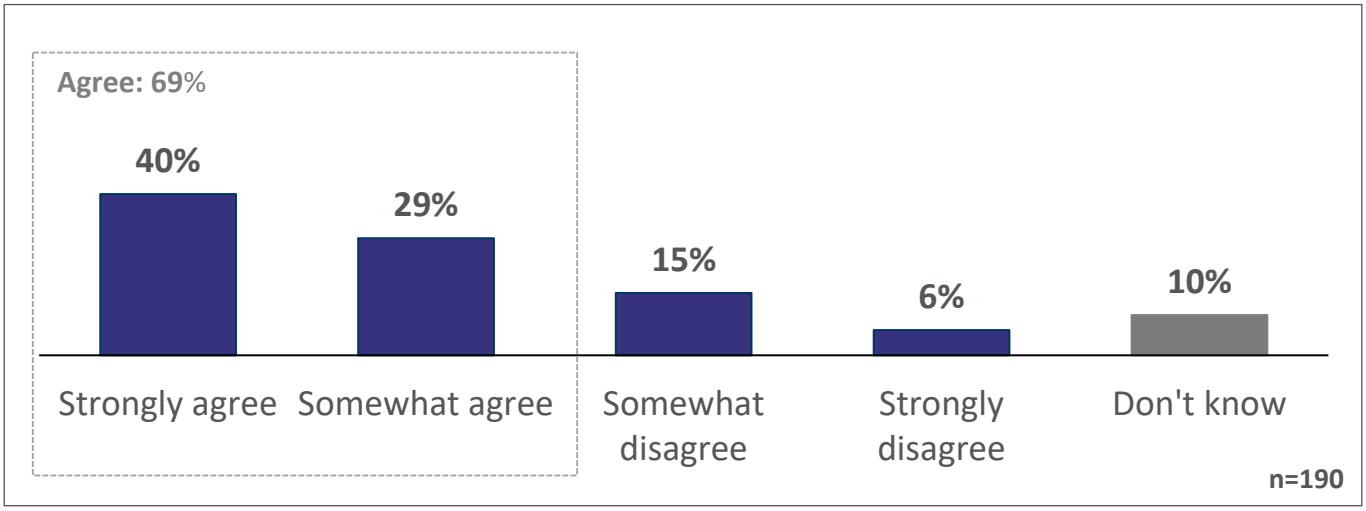
Q When it comes to the pace of Rate Harmonization, which approach do you prefer?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Option A 2031	28%	16%	28%	26%	31%	20%	36%	31%	12%
Option B 2027	27%	27%	28%	27%	32%	13%	30%	27%	34%
No Preference	24%	27%	24%	25%	30%	47%	12%	26%	38%
Don't know	21%	30%	19%	22%	6%	20%	21%	16%	16%

Phase II Online Survey
Impact on Finances

Q *Please agree or disagree with the following statement:*
The cost of my organization's electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off.

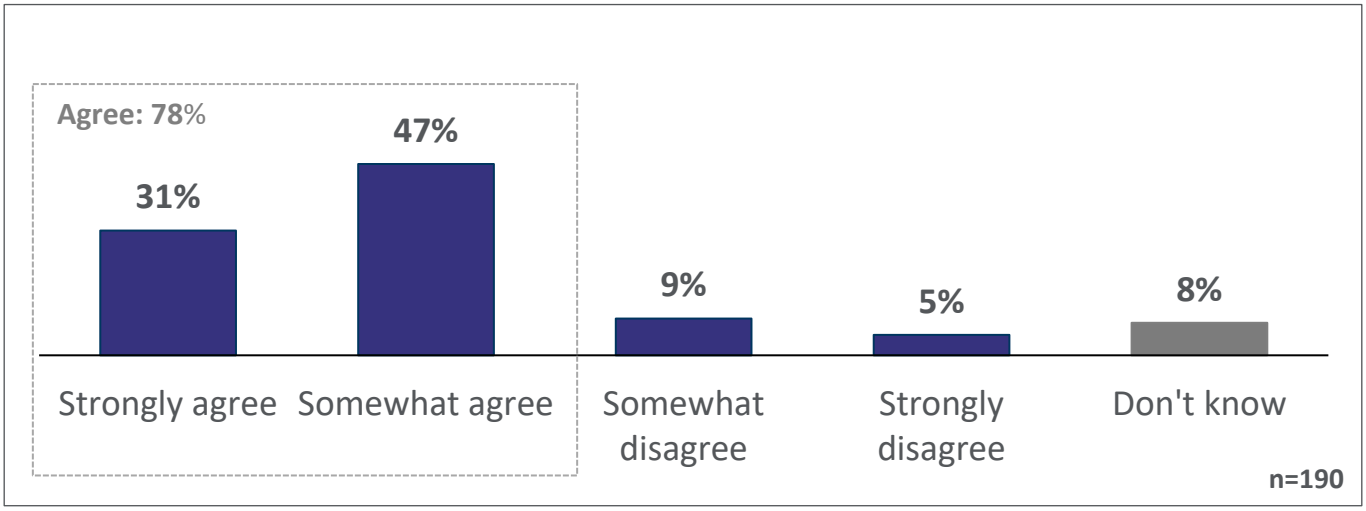


	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Strongly agree	33%	62%	34%	39%	43%	33%	38%	41%	50%
Somewhat agree	33%	24%	29%	36%	22%	32%	26%	33%	18%
Somewhat disagree	15%	4%	20%	7%	22%	16%	18%	15%	23%
Strongly disagree	8%	3%	2%	15%	6%	0%	18%	4%	5%
DK / No opinion	11%	7%	15%	3%	6%	19%	0%	7%	4%
Agree (Strongly + Somewhat)	**67%**	**85%**	**63%**	**76%**	**65%**	**65%**	**64%**	**73%**	**68%**

Phase II Online Survey
Ontario Electricity System

Small Business

Q *Please agree or disagree with the following statement:*
Customers are well served by the electricity system on Ontario



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Strongly agree	32%	29%	25%	42%	31%	10%	30%	30%	33%
Somewhat agree	47%	51%	49%	39%	45%	51%	50%	49%	58%
Somewhat disagree	8%	13%	6%	9%	11%	0%	6%	11%	3%
Strongly disagree	4%	0%	9%	5%	6%	19%	14%	2%	0%
DK / No opinion	8%	7%	10%	5%	7%	19%	0%	8%	6%
Agree (Strongly + Somewhat)	**79%**	**80%**	**75%**	**81%**	**76%**	**61%**	**80%**	**79%**	**91%**

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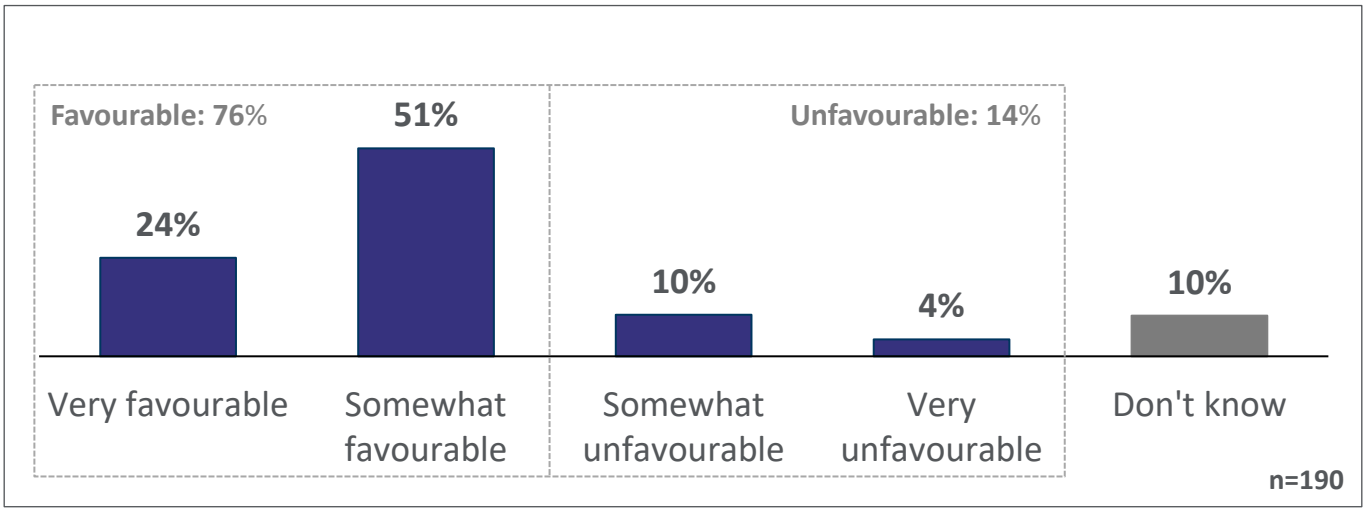
Phase II Online Survey
Survey Impression

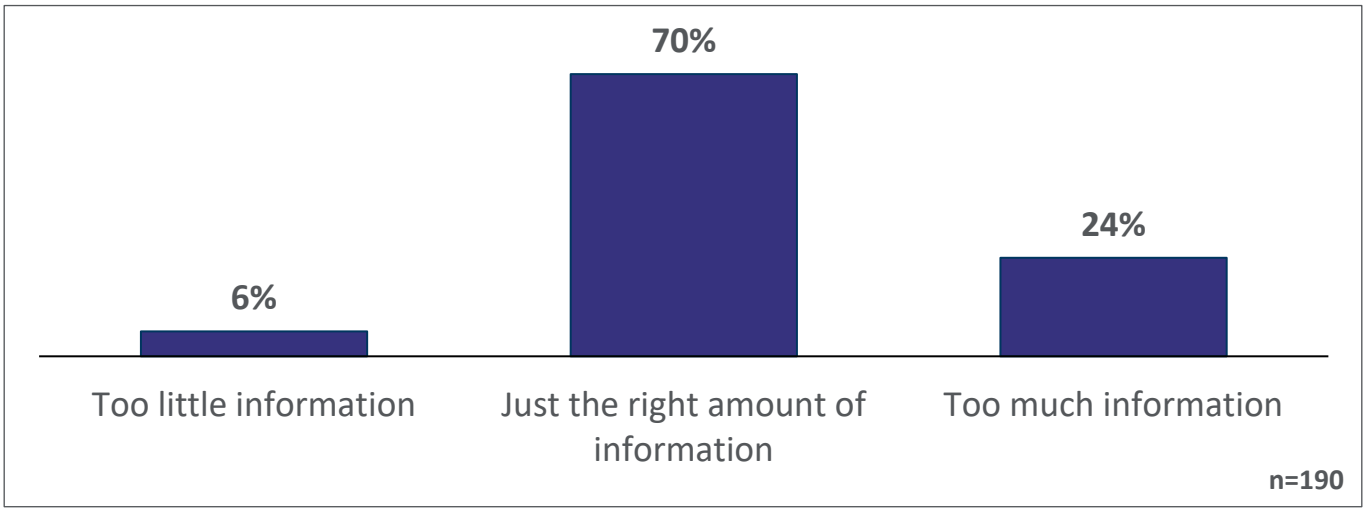
Q Overall, do you have a favourable or unfavourable impression of the survey you just completed?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Very favourable	23%	29%	22%	23%	25%	22%	24%	24%	29%
Somewhat favourable	56%	55%	57%	40%	39%	54%	56%	57%	52%
Somewhat unfavourable	6%	0%	6%	28%	23%	15%	6%	11%	7%
Very unfavourable	1%	17%	3%	0%	4%	0%	6%	2%	0%
Don't know	13%	0%	12%	9%	9%	9%	8%	6%	11%
Favourable (Very + Somewhat)	**80%**	**83%**	**79%**	**63%**	**64%**	**76%**	**80%**	**81%**	**82%**
Unfavourable (Very + Somewhat)	**7%**	**17%**	**9%**	**28%**	**27%**	**15%**	**12%**	**13%**	**7%**

Phase II Online Survey
Survey Information

Q In this survey, do you feel that Elexicon Energy provided too much information, not enough, or just the right amount?



	Region					Sector			
	Ajax / Pickering	Belleville	Brock / Clarington	Gravenhurst	Whitby	MURB	MASH	Commercial	Industrial
Too little	8%	3%	7%	4%	4%	0%	0%	5%	7%
Just right	66%	79%	62%	86%	72%	71%	73%	73%	75%
Too much	25%	18%	32%	10%	24%	29%	27%	22%	18%

Phase II Online Survey
Survey Feedback

Q Was there any content missing that you would have liked to have seen included in this survey? [OPEN]

Response	%
Transparency on internal operations/finances/management salaries	3.9%
More information/details about the draft plan	1.8%
Survey was educational/informative/good	1.6%
Better outage communication/information	0.8%
Survey was too long/complicated	0.8%
General positive comments	0.5%
Distrust in the engagement/rate increases are inevitable	0.5%
Plans to reduce/lower customer cost	0.4%
None/Don't know	89.8%

446

Note: Only responses >0.1% shown

Phase II Online Survey
Additional Questions

Q Is there anything that you would still like answered? [OPEN]

Response	%
Plans to reduce/lower customer costs	1.9%
Transparency on internal operations/finances/management salaries	1.0%
More information on billing/Time-of-Use/other rate options	0.5%
The details of the progress of the investment plan	0.4%
More information on the progress of the investment plan	0.2%
Other	3.1%
None/Don't know	93.0%

447

Note: Only responses >0.1% shown

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Personalized research to connect you and your audiences.

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APPENDIX 12

Seasonal Trade-off Survey

Phase II Customer Engagement
2027-2031 Cost of Service Rate Application

elexicon ENERGY

June 25, 2025

This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Report Navigation

- **Combined Report**
  - APPENDIX.00 – Customer Engagement Executive Summary
- **PHASE I: Needs & Preferences**
  - APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
  - APPENDIX.02 – C&I Customer Needs & Preference Interviews
  - APPENDIX.03 – Key Account Needs & Preference Interviews
  - APPENDIX.04 – Customer Sample Validation
  - APPENDIX.05 – Residential Needs & Preferences Survey
  - APPENDIX.06 – Small Business Needs & Preferences Survey
  - APPENDIX.07 – Seasonal Needs & Preferences Survey
  - APPENDIX.08 – Key Accounts Need & Preferences Survey
  - APPENDIX.09 – Needs & Preferences Planning Placemat
- **PHASE II: Trade-offs**
  - APPENDIX.10 – Residential Trade-off Survey
  - APPENDIX.11 – Small Business Trade-off Survey
  - APPENDIX.12 – Seasonal Trade-off Survey
  - APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

Field Dates

An invitation to complete the **Seasonal Trade-off Survey** was sent to all Elexicon seasonal customers who provided the utility with an email address as well as customers who receive paper bills. Customers had an opportunity to complete the survey between **April 2nd and May 14th, 2025.**

Customers with an email address on file received a unique URL that could be linked back to their region and rate class. Customers who completed the survey through the bill insert URL were able to verify their region and rate class by providing their account number and the first 3 characters of their postal code.

In terms of online invitations, the seasonal survey was sent to **558** customers from customerexperience@elexiconenergy.com. Reminder emails were sent out periodically to those who had not yet completed the survey.

Seasonal Online Survey Completes

A total of **117** (unweighted) seasonal customers completed the survey.

Sample Weighting

The seasonal online survey sample was weighted down to n=115 proportionately by consumption quartiles and region in order to be representative of the broader Elexicon seasonal customer base.

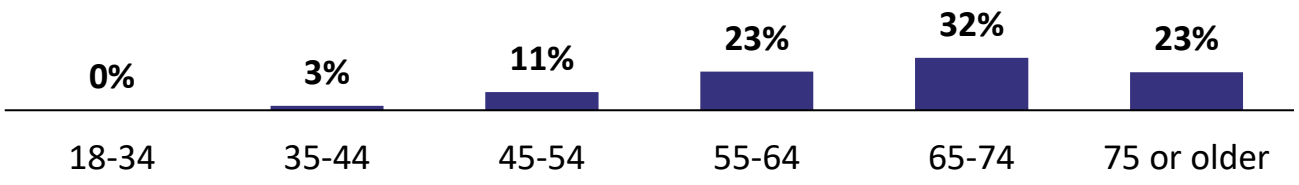
The table below summarizes the unweighted and weighted (in brackets) sample breakdown by consumption quartile and region.

Region	Consumption Quartiles				Total
	First	Second	Third	Fourth	
Ajax/Pickering	N/A	N/A	N/A	N/A	N/A
Belleville	N/A	N/A	N/A	N/A	N/A
Brock/Clarington	N/A	N/A	N/A	N/A	N/A
Gravenhurst	28 (29)	27 (29)	29 (29)	33 (29)	117 (115)
Whitby	N/A	N/A	N/A	N/A	N/A
Total	**28 (29)**	**27 (29)**	**29 (29)**	**33 (29)**	**117 (115)**

Phase II Online Survey
Demographic Breakdown

Seasonal

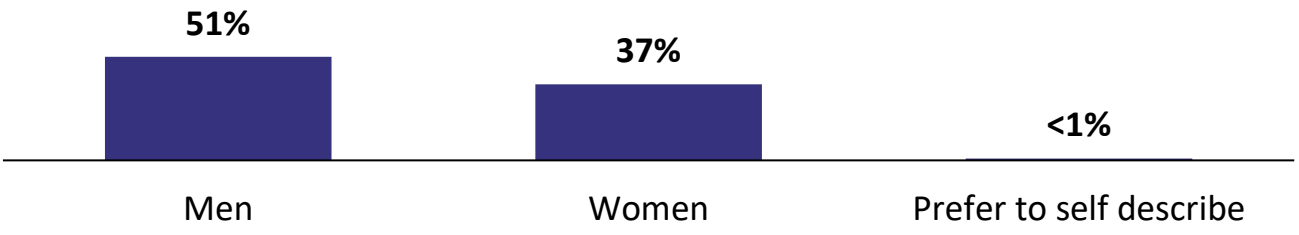
Q Age



"Prefer not to say" (9%) not shown.

n=115

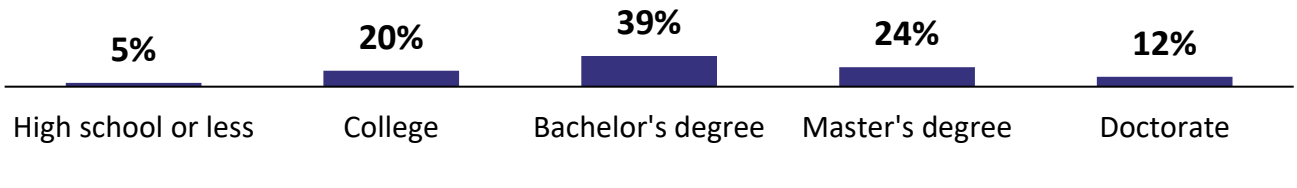
Q Gender



"Prefer not to say" (11%) not shown.

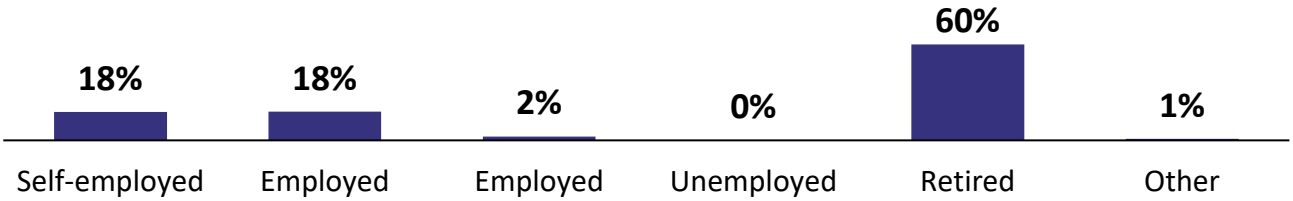
n=115

Q Education



n=103

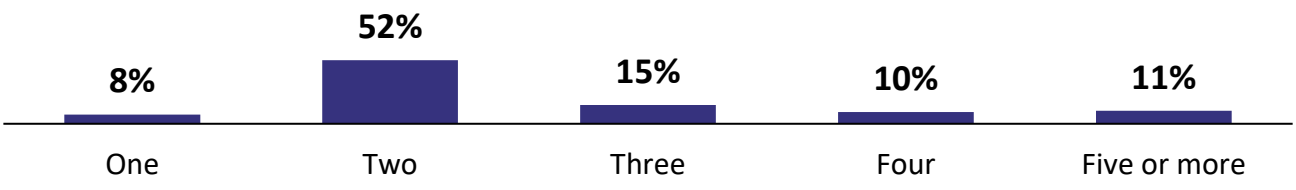
Q Employment Status



452

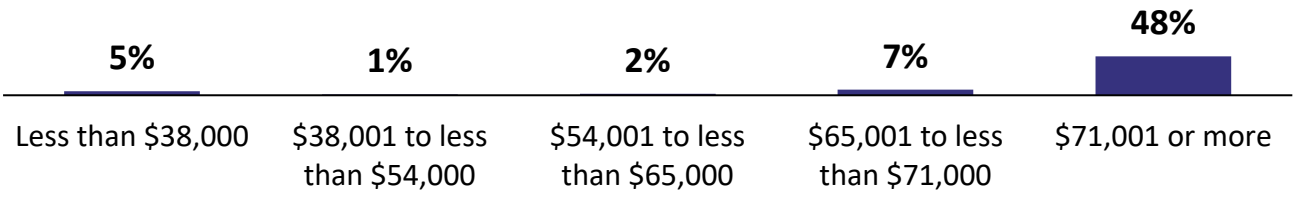
n=115

Q Household Size



"Prefer not to say" (4%) not shown. **n=115**

Q After Tax Household Income



"Prefer not to say" (38%) not shown. **n=115**

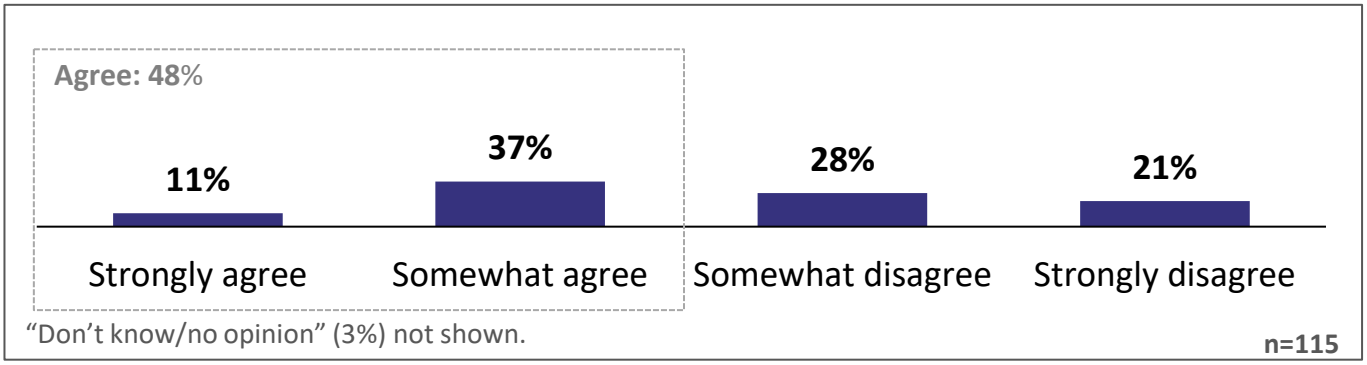
Note: *In this report graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

Phase II Online Survey
Demographic Breakdown

Seasonal

To what extent do you agree or disagree with the following statements?

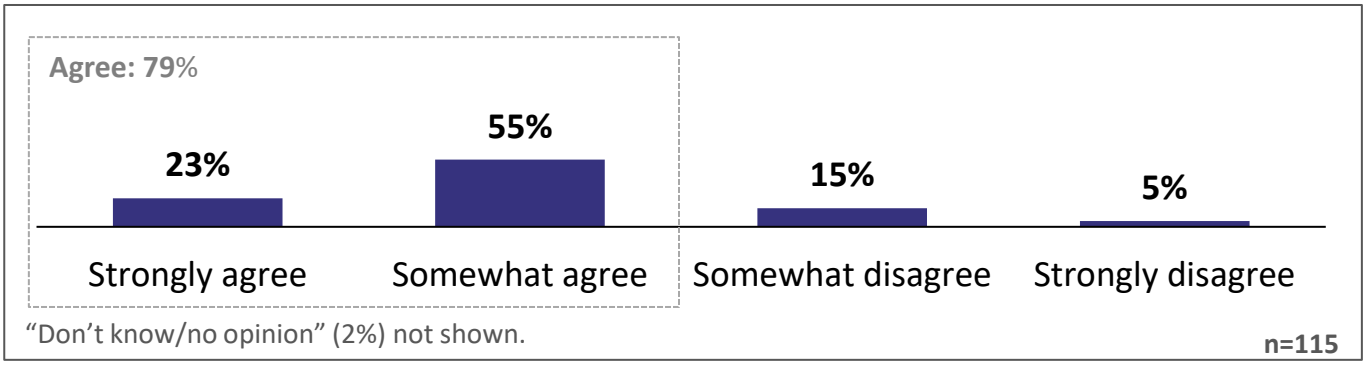
Q The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.



"Don't know/no opinion" (3%) not shown.

n=115

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (2%) not shown.

n=115

Welcome to Elexicon's Customer Feedback Survey!

Elexicon Energy ("Elexicon") needs your input on choices that will impact the services you receive and the rates that you pay.

Land Acknowledgement: Elexicon Energy acknowledges the land on which we conduct our work, and where our staff and customers gather. For millennia, it has been the traditional territory of the Mississaugas of the Credit, as well as the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat Peoples. We are grateful for Indigenous Peoples who have cared for these lands and waters since time immemorial, as they guide us to operate in harmony with our natural environment for generations to come.

The purpose of this survey is to get your feedback on the draft 2027-2031 investment plan. Your feedback will help Elexicon align this plan with customer needs and preferences.

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- Your views are important because this investment plan is paid for by your electricity rates.
- **You don't need to be an electricity expert to participate.** This survey is focused on basic choices and provides the background information you need to answer the questions.
- Depending on how much feedback you wish to provide, the survey will take approximately **20-30 minutes to complete.** If you need to pause and return later to finish the survey, your progress will be saved.
- If you are reading this on a mobile device, you may want to consider switching to a tablet or laptop so that it is easier for you to read.

Those who complete the survey will be invited to enter a draw to win 1 of 5 prizes of free electricity for a year!

All individual responses will be kept confidential.
Innovative Research Group (www.innovativeresearch.ca), an independent research company, has been hired by Elexicon to gather your feedback, while protecting your confidentiality. Your individual answers will not be shared with Elexicon in any identifiable way.

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WORKBOOK

What is this Survey About?

The goal of this survey is to share **Elexicon's draft five-year investment plan** for the future of its electrical grid with customers like you and collect your feedback.

Your feedback will help Elexicon confirm the level of spending and investments in equipment and infrastructure, the services provided, and the rates that you pay.

Every five years, Elexicon is required to submit a plan for its proposed rates and spending to the Ontario Energy Board (OEB) for approval.

- **In early 2024, thousands of Elexicon customers responded to an initial engagement** to support the preparation of Elexicon's draft investment plan.
- **Elexicon is now looking for your input on this draft plan** to ensure they understood what customer priorities are when deciding on future investments.
- At the end of 2025, **Elexicon will present its proposed plan and the input provided by customers to the independent regulator, the OEB.**

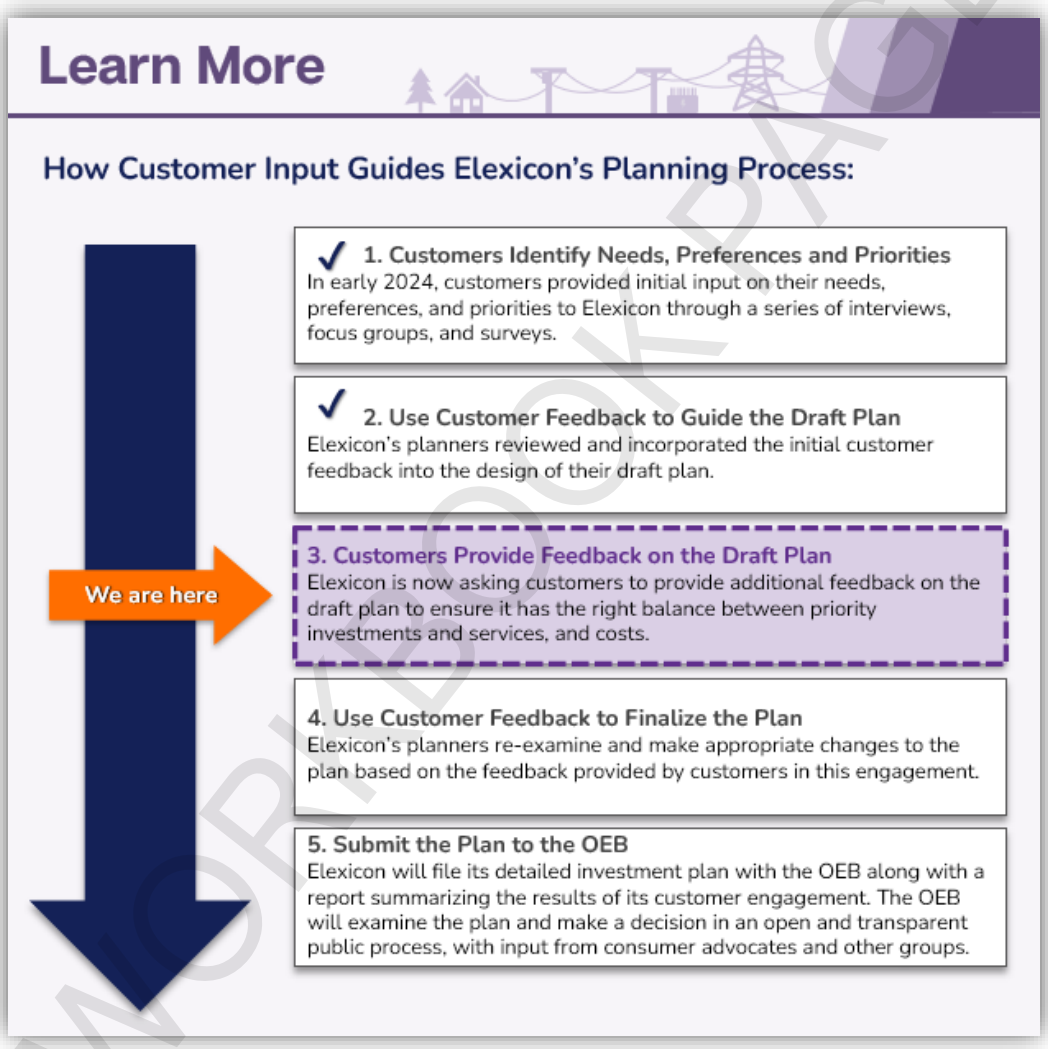
How Does this Survey Work?

- The survey explains how much of your electricity bill goes to Elexicon, how that money is spent and the impact of the draft plan on your 2027– 2031 rates.
- The survey asks for your input on five key choices that will affect the services you receive and the rates that you pay from 2027-2031.

Once you have finished giving feedback on the key choices, **you will have an opportunity to review and change your responses** until you feel you have found the right balance.

Want to know more about Elexicon's customer engagement process? Click here to learn more.

WORKBOOK PAGE

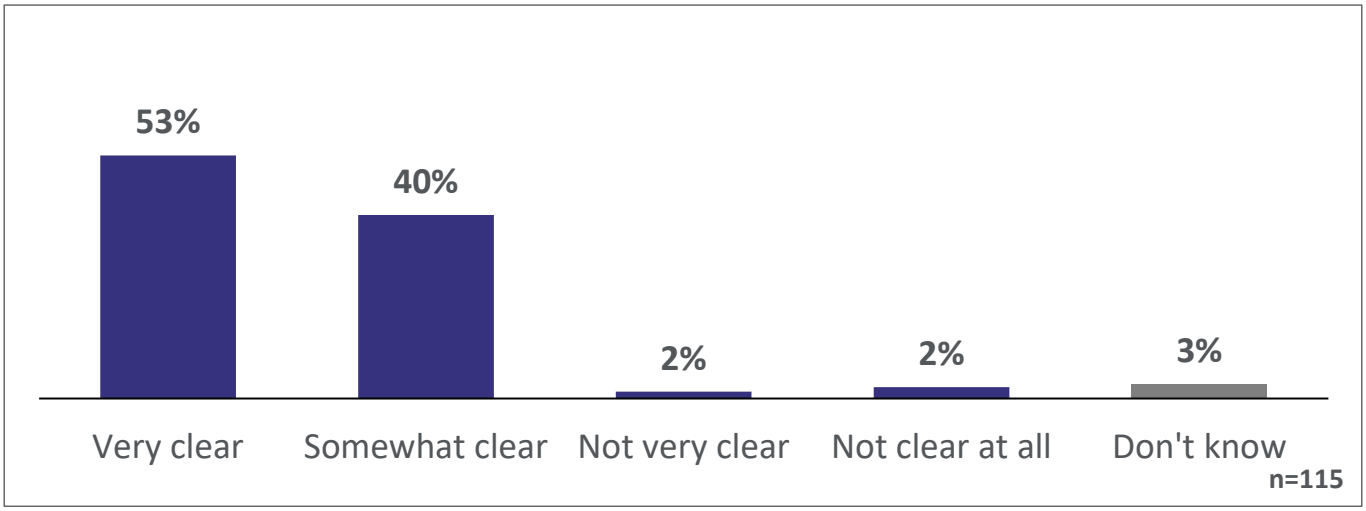


WORKBOOK PAGE

Phase II Online Survey
Familiarity with the Electricity System

Seasonal

Q Do you feel the purpose of Elexicon's customer engagement is…



	Bill Impact	
	Major Impact	No Major Impact
Very clear	44%	61%
Somewhat clear	47%	33%
Not very clear	2%	1%
Not clear at all	4%	1%
Don't know	3%	3%

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Elexicon Customer Feedback Survey
Ontario's Electricity System

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Elexicon's Role in Ontario's Electricity System

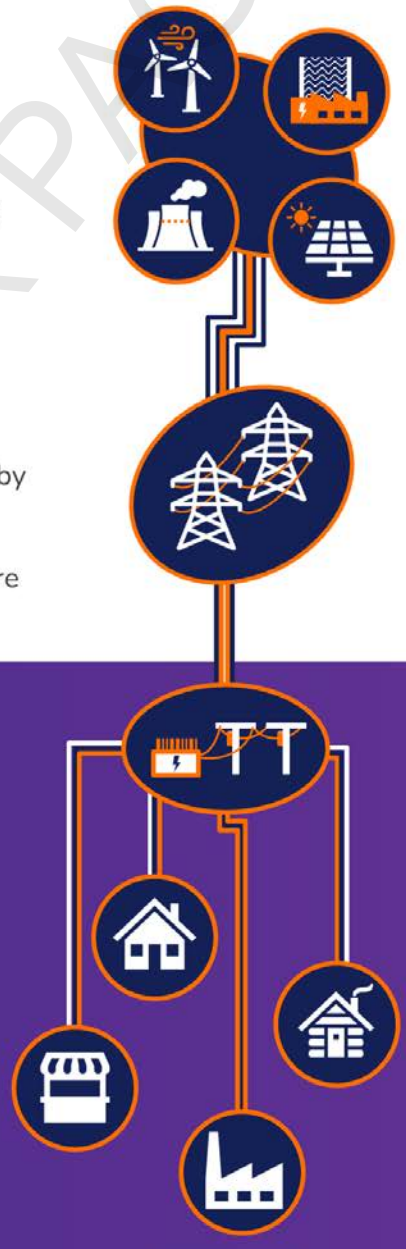
Ontario's electricity system is owned and operated by public, private and municipal corporations across the province. It is made up of three key components: **generation**, **transmission** and **distribution**.

Generation
Where electricity comes from

Ontario gets its electricity from a mix of energy sources. About a third comes from nuclear power. The remainder comes from a mix of hydroelectric, natural gas, wind and solar.

Transmission
How electricity travels across Ontario

Once electricity is generated, it must be transported to urban and rural areas across the province. This happens by way of high voltage transmission lines that serve as highways for electricity. The province has more than 30,000 kilometres of transmission lines, most of which are owned and operated by Hydro One.



Local Distribution
How electricity is delivered to you

Elexicon is responsible for the last step of the journey: distributing electricity to customers' homes and businesses.

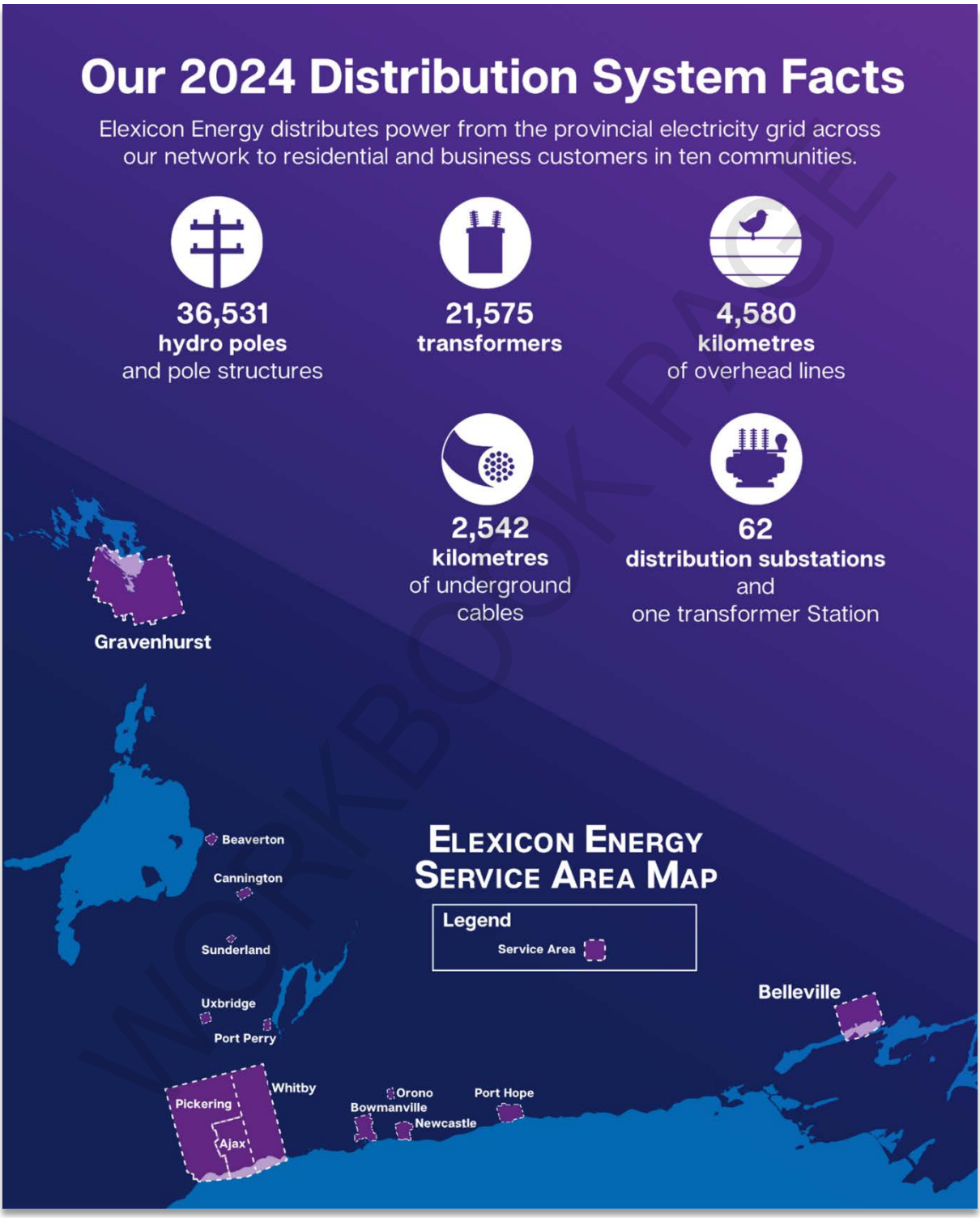
- Elexicon does not transmit or generate electricity.
- It operates the local distribution system, which is connected to the transmission grid through distribution stations. These stations and transformers decrease the voltage so electricity can be safely delivered to homes and businesses across Elexicon's service territory.

WORKBOOK PAGE

Phase II Online Survey

Workbook Page 2 (cont.)

Seasonal



Background on Elexicon

- Elexicon delivers electricity to more than 180,000 homes and businesses across ten municipalities in Ontario.
- Formed in early 2019 through a merger between Veridian Connections and Whitby Hydro.
- Fourth largest municipally owned electricity distributor in Ontario.
- Elexicon is owned 100% by its five municipal shareholders: 1. Town of Whitby, 2. City of Pickering, 3. Town of Ajax, 4. Municipality of Clarington, and the 5. City of Belleville.
- It does **not** receive taxpayer money to fund its operations or its investments in the distribution system.
- Elexicon is a for-profit company. Any profit that is not reinvested in the business is issued as a dividend to its municipal shareholders.

Elexicon is entirely funded by the distribution electricity rates its customers pay.

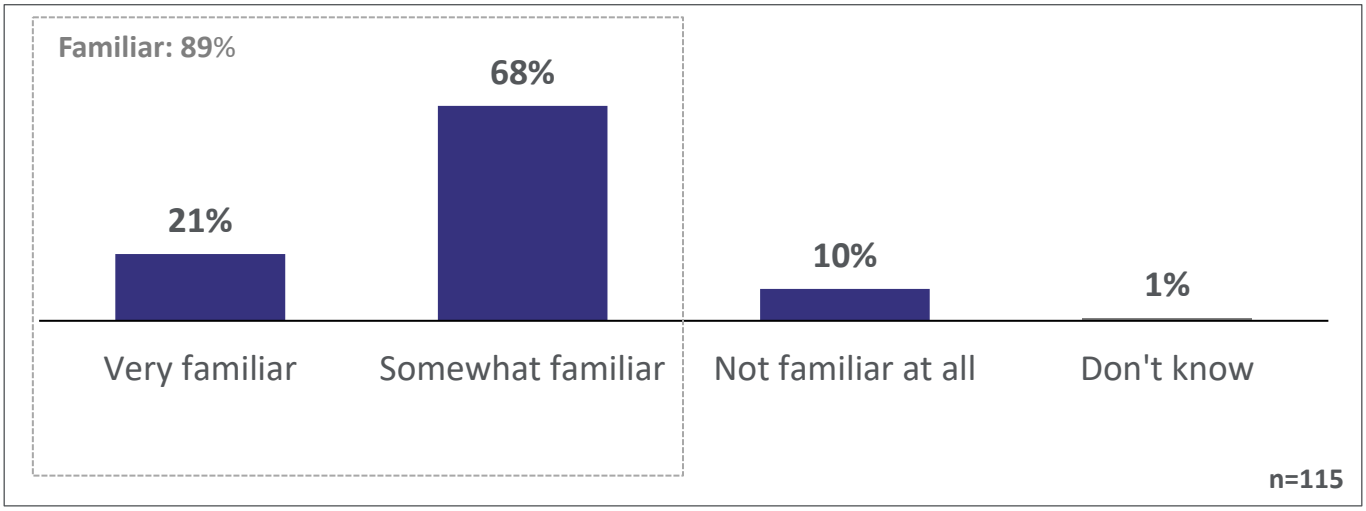
*Click on the video below to learn about **Elexicon's role in the electricity system***

WORKBOOK PAGE

Phase II Online Survey
Satisfaction with Elexicon

Seasonal

Q How familiar are you with Elexicon, which operates the electricity distribution system in your community?



Bill Impact

	Major Impact	No Major Impact
Very familiar	16%	26%
Somewhat familiar	79%	58%
Not familiar at all	5%	15%
Don't know	0%	1%
Familiar (Very + Somewhat)	**95%**	**84%**

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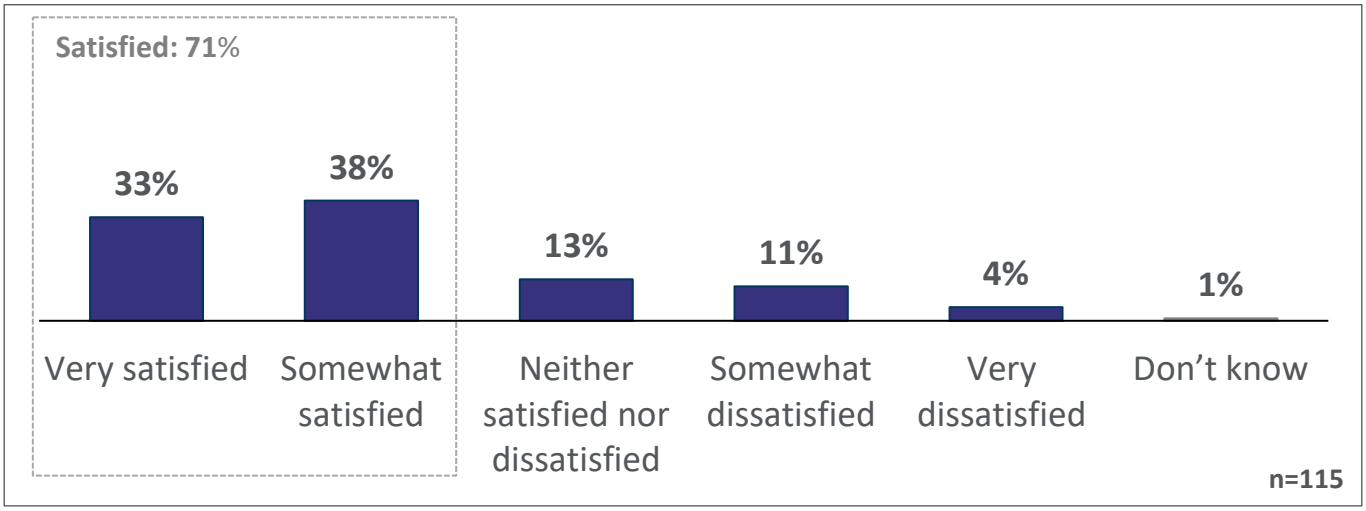
Phase II Online Survey
Satisfaction with Elexicon

Seasonal

Q Generally, how satisfied or dissatisfied are you with the services you receive from Elexicon?



Bill Impact

	Major Impact	No Major Impact
Very satisfied	29%	36%
Somewhat satisfied	42%	35%
Neither satisfied nor dissatisfied	8%	18%
Somewhat dissatisfied	14%	8%
Very dissatisfied	7%	1%
Don't know	0%	1%
Satisfied (Very + Somewhat)	**71%**	**71%**

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Elexicon Customer Feedback Survey
Rates 101

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How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 41% ($62.38) of a typical seasonal electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

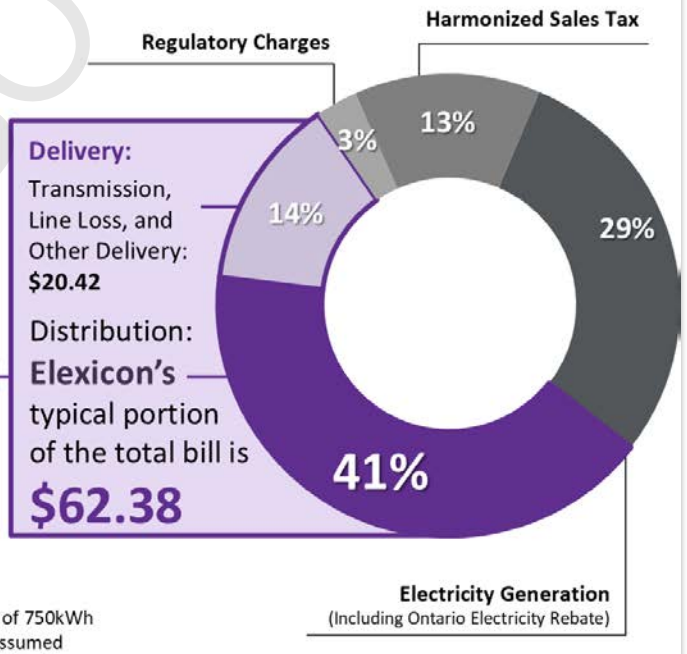
Typical Seasonal Bill

Sample Elexicon Monthly Bill
(based on consumption of 750kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges	
Electricity	
TOU – Off Peak @ 7.6 ¢/kWh	31.37
TOU – Mid Peak @ 12.2 ¢/kWh	14.16
TOU – On Peak @ 15.8 ¢/kWh	18.34
Delivery	82.80
Regulatory Charges	4.46
Total Electricity Charges	**$151.44**
HST	19.65
Ontario Electricity Rebate	($19.80)
Total Amount	**$150.99**



Note: The sample bill above uses an average consumption level of 750kWh per month, however your usage may vary above or below this assumed level. These types of variations would mostly impact your electricity (On, Mid and Off-Peak) charges. Chart may exceed 100% due to rounding.

WORKBOOK PAGE

Who Holds Elexicon Accountable?

ONTARIO ENERGY BOARD

The **Ontario Energy Board (OEB)** is the public interest regulator responsible for setting electricity distribution rates and charges and for protecting customers in Ontario.

When a distributor, like Elexicon, applies to change its rates, the OEB holds an open hearing. An open hearing is a quasi-judicial process where experts and representatives of different customer and interest groups evaluate the detailed assumptions in a distributor's plan to ensure they are valid and that rates are just and reasonable.

The OEB invites advocates representing a variety of consumer groups, such as:

As a regulator, the OEB holds Elexicon accountable when it comes to:

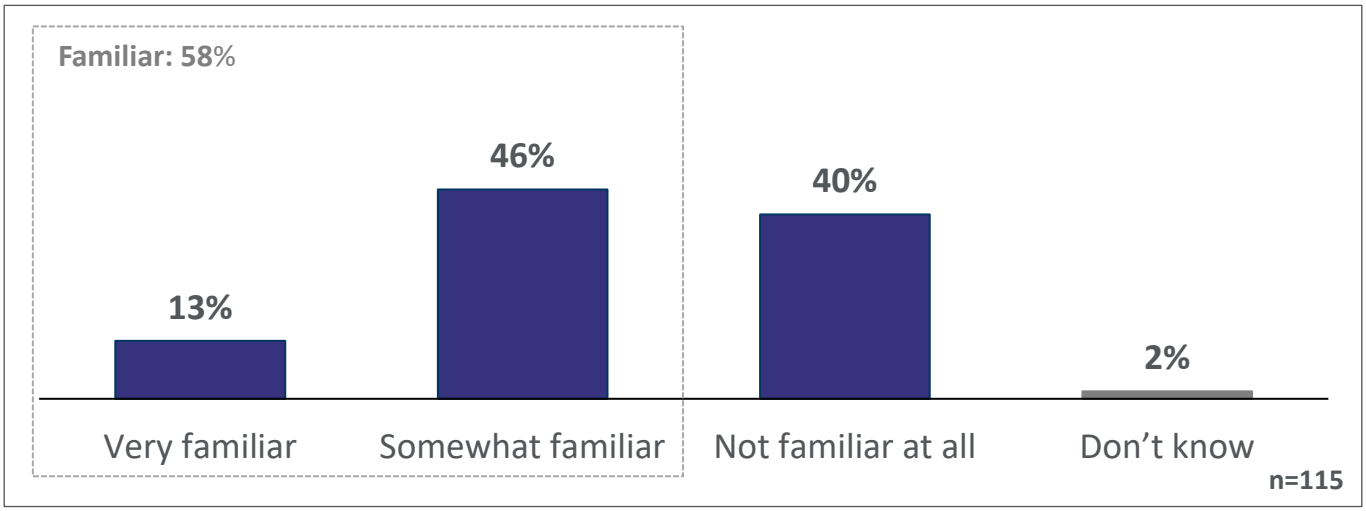
- How it spends your money on current and future infrastructure and services.
- Reporting on key outcomes (e.g. reliability, safety, finances) through an annual scorecard.
- Finding savings and efficiencies to help offset rising costs.

WORKBOOK PAGE

Phase II Online Survey
Familiarity with Electricity Bill

Seasonal

Q Before this survey, how familiar were you with the amount of your electricity bill that went to Elexicon?



	Bill Impact	
	Major Impact	**No Major Impact**
Very familiar	9%	16%
Somewhat familiar	61%	31%
Not familiar at all	30%	49%
Don't know	0%	3%
Familiar (Very + Somewhat)	**70%**	**47%**

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Elexicon Customer Feedback Survey
The Future of the Grid

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Challenges Facing the Grid

Elexicon is facing a number of challenges that will impact the service customers receive. These challenges are putting pressure on the system, requiring more resources, new solutions and growing costs to manage. These challenges include:

- building electrical capacity to enable communities to grow;
- replacing deteriorating infrastructure;
- building a more resilient grid to withstand extreme weather events;
- responding to evolving customer electricity needs; and
- managing rising costs.

Elexicon has prepared its 2027-2031 draft plan to address these existing and emerging challenges head on and continue to deliver safe and reliable electricity at a reasonable cost.

Key Challenges Facing Our System:

To learn more about what Elexicon must consider in preparing its draft plan, click on the key challenges listed below:

- Providing capacity for growing communities
- Fixing and replacing deteriorating infrastructure
- Responding to extreme weather events
- Enhancing cyber security to mitigate threats
- Preparing for changing customer needs
- Responding to rising costs

WORKBOOK PAGE

Learn More

Key Challenges Facing our System:

Providing capacity for growing communities

- Elexicon serves a diverse mix of urban, suburban, and rural areas, each with their own challenges and growth patterns.
- Durham Region is one of the fastest growing regions in Canada. The population is expected to double to 1.3 million over the next 25 years.
- Belleville is also expanding quickly – not only due to new residential growth, but a thriving industrial and manufacturing sector that will require additional electrical capacity for continued growth.
- As Elexicon's service territory continues to grow, there is an increasing need to expand and enhance the capacity of its distribution system to power new residential and commercial buildings, manufacturing facilities and other major projects.

Fixing and replacing deteriorating infrastructure

- Effective management of equipment is critical to the safe, reliable and efficient delivery of electricity to our customers.
- Much of Elexicon's grid was built out in the 1970s and 1980s and needs to be replaced or upgraded.
- For example, nearly 19% of assets have surpassed their expected service life, raising safety, environmental, and reliability concerns. Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- If aging infrastructure is left unaddressed, there will be a higher risk of more frequent and longer unplanned outages caused by equipment failure.

Responding to extreme weather events

- Extreme weather events, such as derechos, extreme winds, high heat, flooding, record-setting snowfalls, and ice storms, are increasingly straining and damaging Elexicon's electricity distribution system.
- Elexicon will need to increasingly invest in resilience through a broad suite of measures, such as hardening assets to withstand extreme weather; reconfiguring networks to add greater redundancy; and enhancing vegetation management in areas with heavy tree coverage.

Enhancing cyber security to mitigate threats

- Cybercrime is on the rise across Canada and around the world. Utilities are high-value targets for malicious actors. Elexicon must enhance the security of its IT systems to mitigate this risk.
- Elexicon continues to invest in cybersecurity to prevent cyberattacks that could compromise operations and put customer data at risk.

WORKBOOK PAGE

Phase II Online Survey
Workbook Page 4 (pop-out)

Seasonal

Preparing for changing customer needs

- Customers are adopting new technologies such as heat pumps, electric vehicles, solar panels, battery storage, and energy efficiency tools.
- Elexicon is upgrading and modernizing the grid so customers – when they are ready – can connect these new technologies, safely and reliably.

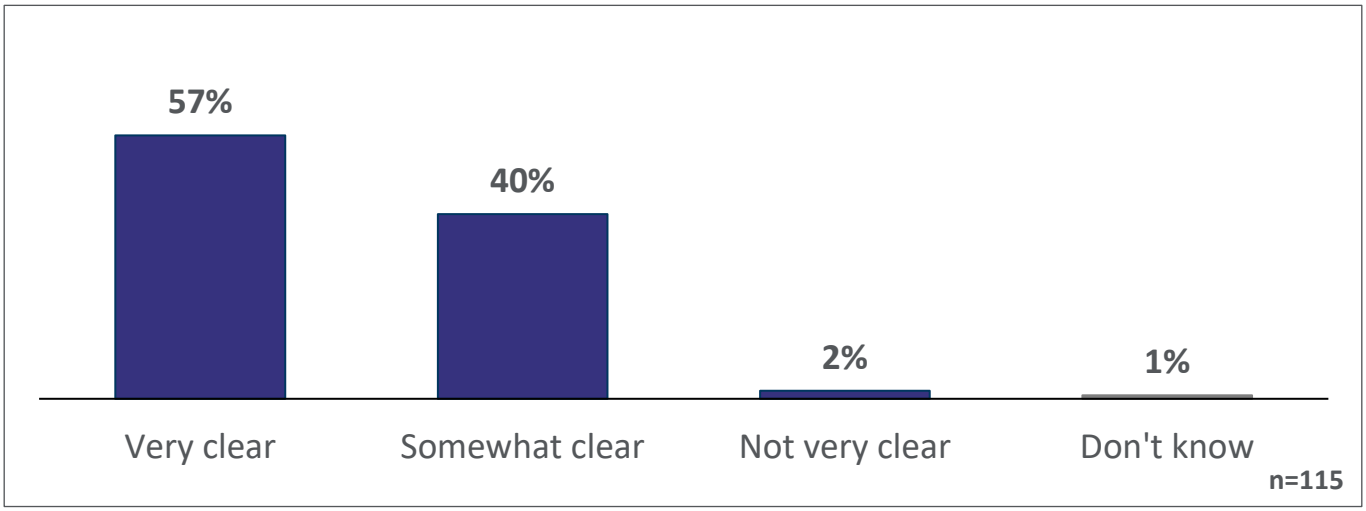
Responding to rising costs

- Customers are concerned about the rising cost of living. Elexicon must find the right balance between the investment needs of the local grid and the financial needs of its customers.
- Elexicon provides information and resources to help customers conserve energy, be more efficient and find incentives that work for them.
- Like many businesses, Elexicon also faces rising costs of purchasing essential equipment for the grid and supporting new construction in the communities it serves.

WORKBOOK PAGE

Phase II Online Survey
Familiarity with Electricity Bill

Q Is it clear what the key challenges facing Elexicon's grid are?



Bill Impact

	Major Impact	No Major Impact
Very clear	48%	66%
Somewhat clear	48%	33%
Not very clear	4%	0%
Don't know	0%	1%

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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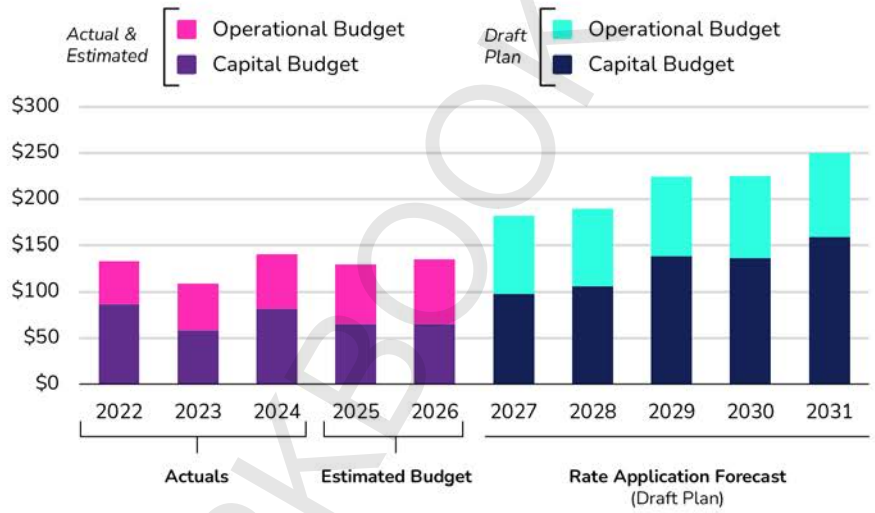
Costs of Running the Local Grid

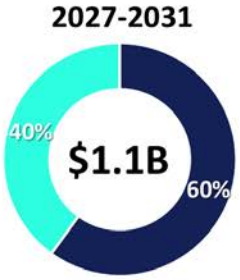
Like most businesses, Elexicon manages both an operating budget and a capital budget.

- The **operating budget** covers recurring expenses, such as the maintenance of assets and tools, customer services, running all business systems and processes, as well as the cost of employees who ensure these activities are completed.
- The **capital budget** includes the costs to build the system, such as the overhead and underground infrastructure, computers and information systems, vehicles and facilities. These items, once purchased, will provide long-term benefits for many years to come.

Actual and Forecasted Budgets per year ($ millions)



The above investments will result in a funding requirement of **$1.1 billion** from 2027-2031. The final budget for 2027-2031 will be adjusted to reflect customer feedback collected through this survey and any necessary adjustments prior to filing with the OEB. The OEB and other stakeholders will complete an extensive review before rates are set for 2027-2031.



WORKBOOK PAGE

Why has Elexicon's Forecasted Budget Increased so Much?

Elexicon is requesting a significant rate increase in 2027 to fund system investments that are needed to maintain the safe and reliable delivery of electricity to its customers.

The municipalities served by Elexicon are growing in both population and electricity usage, and have been for over the past decade. These changes increase the costs of maintaining the grid, requiring changes to current funding levels.

...these challenges include:

Increasing costs of key materials (e.g. poles, transformers) that have exceeded overall levels of inflation.

Increasing investment needed to address deteriorating assets.

Increasing demand from individual customers using more electricity than ever before.

Increasing requests to build new assets to facilitate housing and economic growth.

Every four to five years, most electricity distributors apply to increase their delivery rates by more than inflation to help pay for major capital projects, and operating expenditures. However, Elexicon's rates have been held at inflationary levels for more than decade, although the utility's costs have been increasing to address these challenges previously noted.

Elexicon is operating and maintaining its system with rates based on costs set over a decade ago.

Elexicon's predecessor utilities (*Veridian Connections* and *Whitby Hydro*) had not "rebased" (updated rates) in many years when Elexicon was formed. Veridian last rebased its rates in 2014, while Whitby Hydro last rebased in 2011. Since then, Elexicon's customers have benefited from stable delivery rates that have changed primarily to keep up with inflation.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical seasonal customer would see the distribution portion of their monthly electricity bill increase by **$45.53** from an estimated rate (price) of **$74.15 in 2026** to a proposed rate (price) of **$119.69 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$150.99	$88.61	$62.38	n/a	n/a
BUDGETED	2026	$167.16	$93.01	$74.15	18.9%	$11.77
RATE PERIOD	**2027**	$182.43	$93.44	$88.99	20.0%	$14.84
	2028	$188.37	$94.38	$93.99	5.6%	$5.00
	2029	$196.82	$95.19	$101.64	8.1%	$7.64
	2030	$206.57	$95.95	$110.62	8.8%	$8.98
	2031	$216.56	$96.87	$119.69	8.2%	$9.07
	5 Year Impact			**$45.53**	**61.4%**	**$45.53**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical seasonal customer is assumed to use 680 kWh per month and enrolled under Time-of-Use Regulated Price Plan.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Learn More

2026 Rate Increase

In 2025, Elexicon will be filing a request to the OEB for additional **capital funding** and collection of **tracked costs**.

The **additional capital funding** requested will be used to **pay for urgent projects** including the construction of an additional transformer station to address capacity constraints and the replacement of another critical sub-station.

The **tracked costs** are associated with operational and compliance requirements, or changes to government and OEB policy that impact Elexicon. As utilities set rates for several years, the OEB gives them permission to track certain unexpected costs and recover these costs in future years. Elexicon has accumulated large balances since 2014 due to a variety of operational changes and will be seeking to collect these costs in 2026. **Recovering these costs in 2026 will prevent a larger rate increase in 2027 when Elexicon rebases.**

As with any of the utility's costs, Elexicon must justify they are reasonable before they collect these amounts from customers.

Elexicon's 2026 application is different from the 2027-31 Rate Application (the current *Draft Plan* to which we're asking you to provide feedback) and will be evaluated by the OEB separately in the summer of 2025.

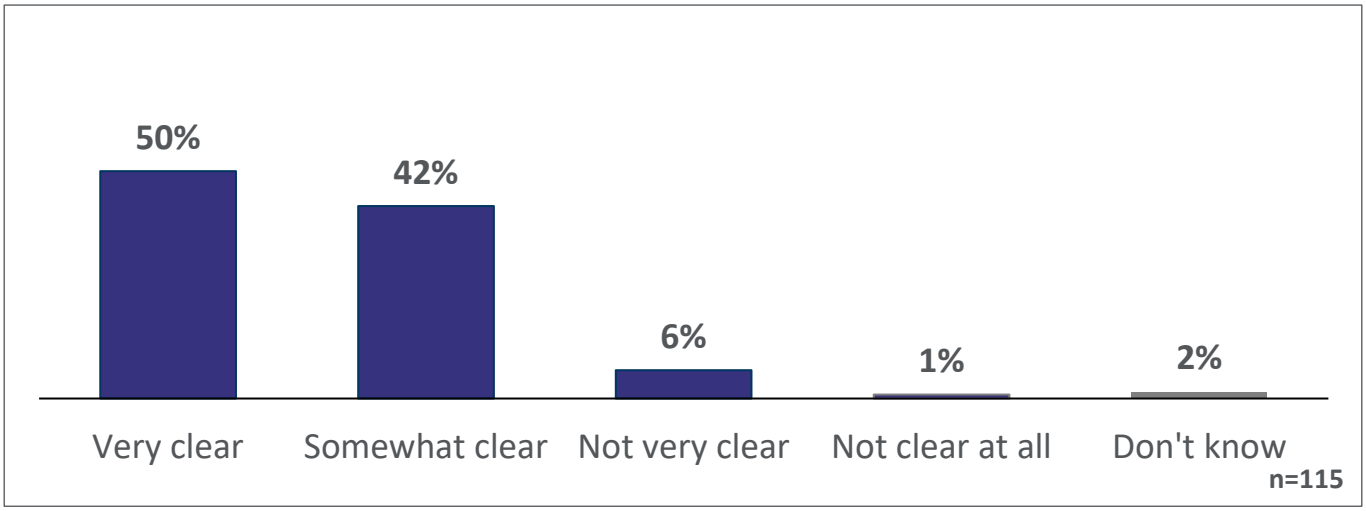
Later in this survey, **we explain the forecasted growth that will impact the local distribution system** in greater detail.

WORKBOOK PAGE

Phase II Online Survey
Cost of the Draft Plan

Seasonal

Q Is it clear how much the draft plan could cost you?



	Bill Impact	
	Major Impact	No Major Impact
Very clear	49%	50%
Somewhat clear	46%	38%
Not very clear	6%	7%
Not clear at all	0%	2%
Don’t know	0%	3%

Elexicon Customer Feedback Survey
Finding Efficiencies

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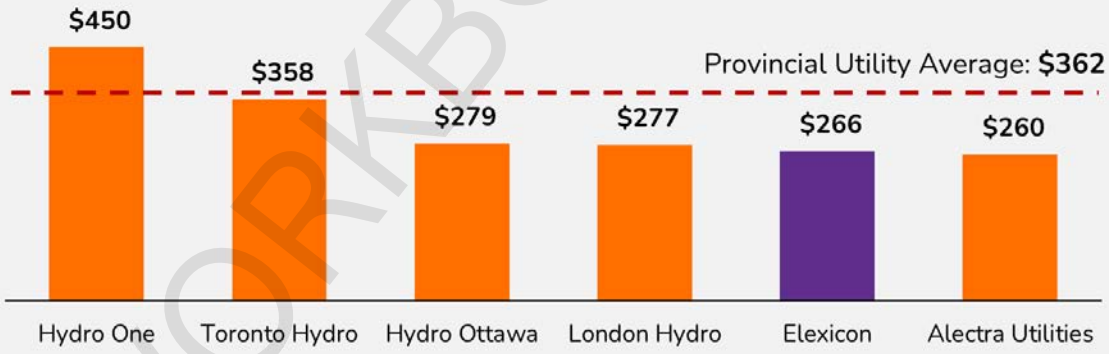
Finding Operating Efficiencies

Elexicon continues to focus on productivity and continuous improvement initiatives to offset rising costs and deliver better performance.

Elexicon's costs are reported every year to the OEB and benchmarked against other distribution companies in Ontario. Based on publicly available data from the OEB, **Elexicon's total cost per customer averaged $266** over the last three years of available data. This was, and historically has been, lower than the **average cost of $362 per customer** across utilities in Ontario.

Six Largest Provincial Electricity Distributors: Operating Cost per Customer
Source: 2021 – 2023 OEB Yearbook of Electricity Distributors (3-year average)



*Want to know more about how Elexicon is finding ways to use customer dollars efficiently? Click **here** to learn more.*

WORKBOOK PAGE

Learn More

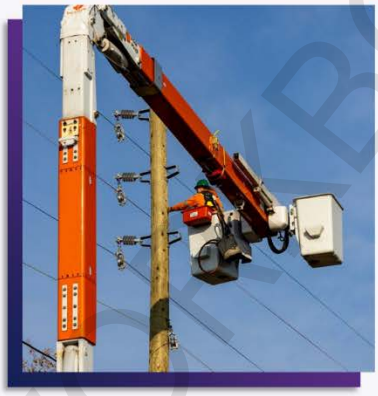
What has Elexicon Done to Become More Efficient?

Elexicon has been working hard to find efficiencies to offset rising costs and continues to do so.

Finding Efficiencies through the Merger

By merging Veridian Connections and Whitby Hydro in 2019, Elexicon has realized millions of cost savings through consolidation synergies, which have helped keep rates in line with inflation despite the challenges noted previously.

As a larger utility, Elexicon can make investments that would have been more expensive per customer for the previous utilities. For example, the merger of Veridian Connections and Whitby Hydro enabled the Smart Grid project in which Elexicon implemented tools to allow for better data acquisition, system monitoring, and grid control. Better system control means Elexicon can respond to outages and restore power faster when equipment is damaged or knocked offline.



As a merged utility, Elexicon has generated approximately $6M in savings related to operational expenses between 2019 and 2024. Elexicon eliminated duplicative service contracts, licensing fees, and memberships. Elexicon also leveraged the internal resources of one entity to serve the needs of the larger entity (e.g. fleet maintenance resources). Furthermore, as a merged utility, Elexicon avoided costs that would have been incurred by both utilities related to new compliance requirements, the adoption of new programs, and the implementation of new tools (e.g. software, websites).

Finding Efficiencies Today

Elexicon is investing in its IT systems not only to protect against cyber security risks, but to also enable ongoing efficiencies that help run the local grid, such as:

- Automating manual processes.
- Improving data availability to better identify opportunities to reduce costs and be more efficient.
- Intelligent planning and better scheduling of work resources.
- Offering additional online self-service tools and better interactions for customers.

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Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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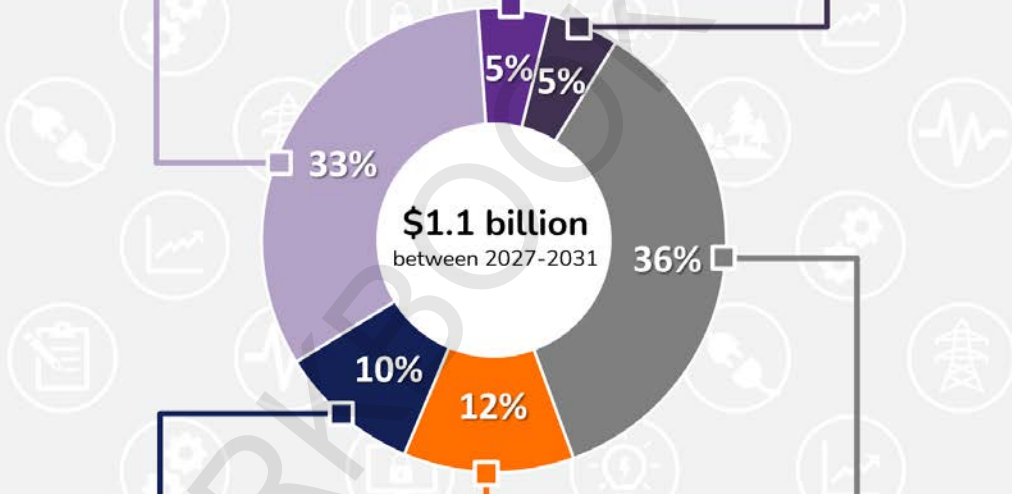
Elexicon's Draft Plan

Elexicon's five-year 2027-2031 draft plan consists of five key investment categories, totaling an estimated $1.1 billion between 2027 and 2031.



Renewing the System

Infrastructure Renewal [33%]

Mitigating safety and reliability risks posed by deteriorated equipment.

Building a Better Grid for the Future

Metering [5%]

Upgrading meter equipment to move towards greater functionality.

Modernization [5%]

Enhancing the grid to increase efficiency and reliability.

Strengthening Grid Resilience

Grid Resilience [10%]

Hardening the grid to better withstand extreme weather events.

Running the Business

General Plant [12%]

Maintaining equipment that enables our crews and employees to work safely and efficiently.

Enabling Growth

Growth [36%]

Ensuring the system has enough electrical capacity to meet future demand.

Note: Chart equals to 101% due to rounding.

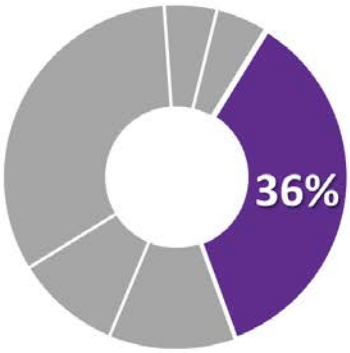
WORKBOOK PAGE

Non-Discretionary Investments

All proposed spending and investments in Elexicon's draft plan are regarded as necessary to provide customers with the services they require today and in the future. However, federal, provincial and municipal governments as well as regulators set requirements and standards that Elexicon is required by law to satisfy.

Ensuring the system has enough electrical capacity to meet future demand is an example of non-discretionary investments.

The Growth investment category represents 36% of Elexicon's 2027-2031 draft plan



Elexicon has a legal obligation to serve customers who want to connect to the grid and to comply with this obligation it must ensure there is sufficient system capacity to support **economic development, transit projects, and new construction**. At the end of the day, Elexicon needs to be ready for when its customers require additional power.

Since the **Growth** investment category consists largely of non-discretionary investments, Elexicon's does not have options to offer customers. The costs are estimated based on what it will be required to build.

The Growth investment category is driven by the following challenges:

Population Growth: The population of some communities in Elexicon's service territory, such as Durham and Belleville, are expected to double to 1.3 million people over the next 25 years.

Economic Growth: New industries, plazas, and small businesses all require additional electrical capacity for their continued success and to enable economic growth in our communities.

Electrification: The adoption of electric devices has increased demand from existing customers, which is expected to rise by 17% between 2025-2031, double the increase of the previous 7 year period.

*Want to know more about Elexicon's Growth investment category? Click **here** to learn more.*

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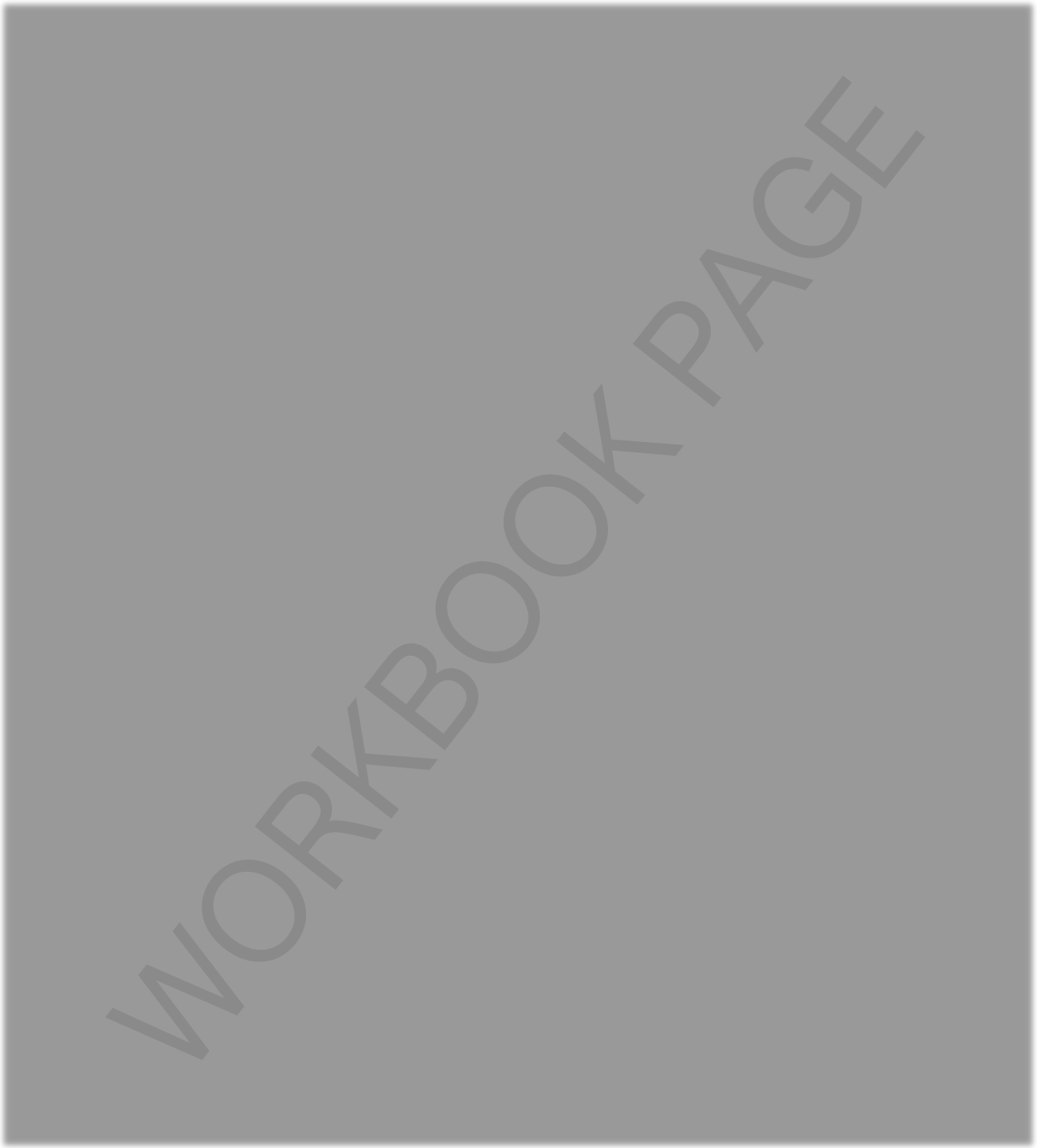
Phase II Online Survey

Workbook Page 8 (pop-out)



Phase II Online Survey

Workbook Page 8 (pop-out)

Seasonal

Building a Bigger Grid Takes Time

It's easy to say our communities need more electricity, but meeting this need requires Elexicon to look to the future and make major investments in the grid, including:

- **Expanding Infrastructure:** New transformer stations, substations, and new lines will be added to ensure there is sufficient capacity in the system to meet customer demand.
- **Connecting Customers**: Elexicon is required by law to connect new customers to the grid when they request new connections or service upgrades, while ensuring the grid can meet future demand. While connecting customers contribute to their cost to connect to the system, regulatory requirements require that some costs are covered by Elexicon.
- **Relocating Infrastructure**: Elexicon is also required by law to relocate its overhead power lines, underground cables, and transformers to accommodate major infrastructure projects such as expanded transit systems, road widening, and water and sewage projects.

This work cannot happen overnight. **Building new power lines and stations takes years of planning and construction**.

There are also **equipment** and **resource constraints** that limit how quickly Elexicon can build out a bigger grid.

WORKBOOK PAGE

Impact on Customers

Failure to invest in necessary energy infrastructure will have a cascading effect, hindering Elexicon's ability to meet the growing electricity demand of its customers.

- **Reliability and Outages:** An overloaded and outdated system will buckle under the pressure of increased demand, leading to frequent and widespread power outages, disrupting daily life, businesses, and essential services.
- **Economic Impacts:** Constraints on new connections and unreliable power will stifle economic growth and development, discouraging businesses and industries from investing in the region, ultimately affecting job creation and prosperity.
- **Environmental Consequences:** An inability to support electrification efforts will hinder the transition away from fossil fuels, resulting in increased greenhouse gas emissions and missed opportunities to embrace renewable energy sources.

Elexicon's *Growth* budget is based on a technical analysis of known system requirements.

Part of the role of the OEB is to assess if Elexicon has accurately and fairly estimated the costs of its non-discretionary work. The review process is open and transparent, and both interest groups and individuals can participate.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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Providing Feedback on Elexicon's Draft Plan

In the next several pages, you will have a chance to provide your input on five key choices that will impact Elexicon's draft plan.

Your time is valuable. While many people find this information interesting, if you would prefer to skip over the background information, you can jump right to the key choices.

How Do I Make Choices?

Each investment choice has up to three options that Elexicon would like you to consider:

Spend More: A higher spending option that makes additional progress towards better outcomes while recognizing practical limits due to resources and construction issues.

Draft Plan: The option currently in the draft plan. This reflects the planning team's assessment of the right balance between competing priorities and is not necessarily the spending mid-point.

Spend Less: A minimum spending option that keeps prices lower and meets the basic requirements but may entail some trade-offs on key performance outcomes, such as reliability.

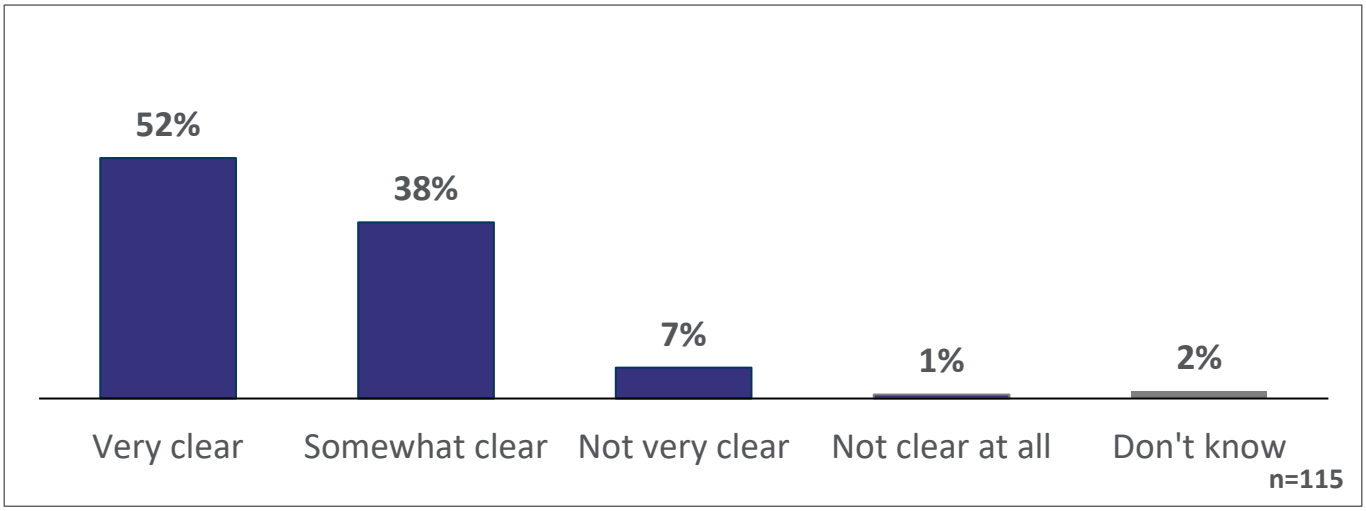
In addition to these options, you are welcome to add additional feedback in the comment boxes below each choice.

WORKBOOK PAGE

Phase II Online Survey
Clarity on Costs and Outcomes

Seasonal

Q Is it clear that you can select the option that best reflects your personal view of the best balance between costs and outcomes?



	Bill Impact	
	Major Impact	No Major Impact
Very clear	54%	51%
Somewhat clear	37%	39%
Not very clear	9%	5%
Not clear at all	0%	2%
Don’t know	0%	3%

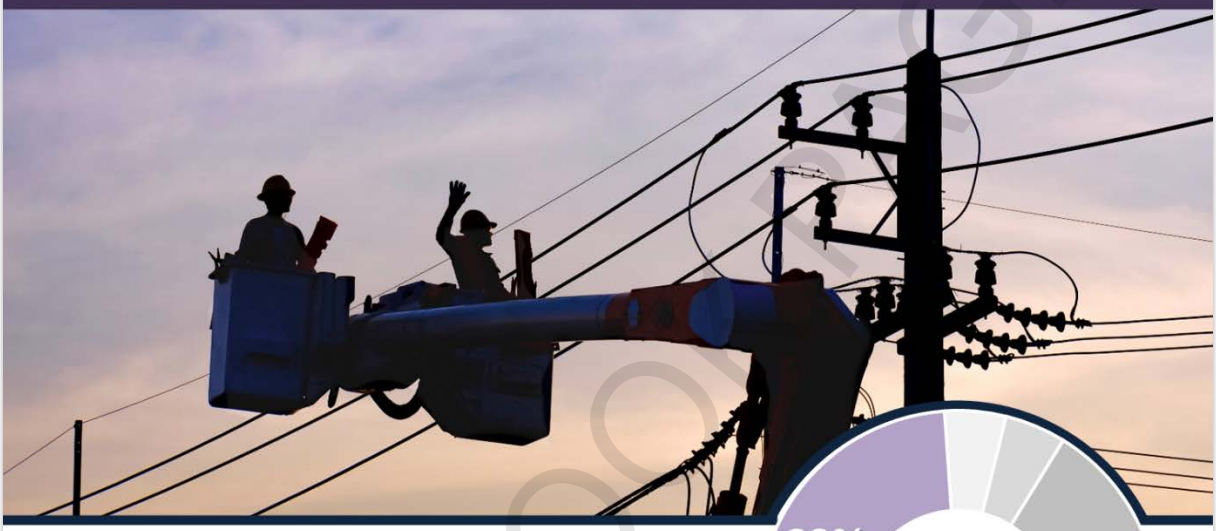
Elexicon Customer Feedback Survey

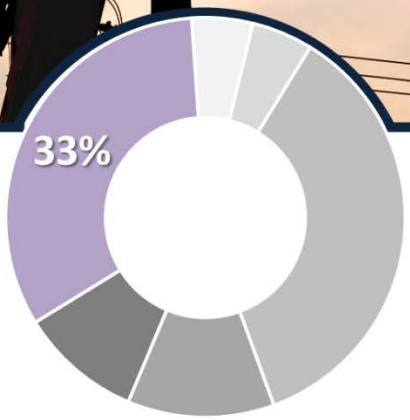
Making Choices: Infrastructure Renewal

elexicon ENERGY

Renewing the System

Replacing and upgrading key assets and infrastructure





What is this Section About?

Mitigating the safety, environmental and reliability risks posed by deteriorating assets and infrastructure at their end of life.

There is **one choice** in this section where Elexicon needs your input:

1 **Infrastructure Renewal**

Renewing the System makes up **33%** of the **draft plan**.
In terms of bill impact, this theme represents an estimated **$16.82** of the proposed $45.53 increase in distribution rates by 2031.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

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1 Infrastructure Renewal

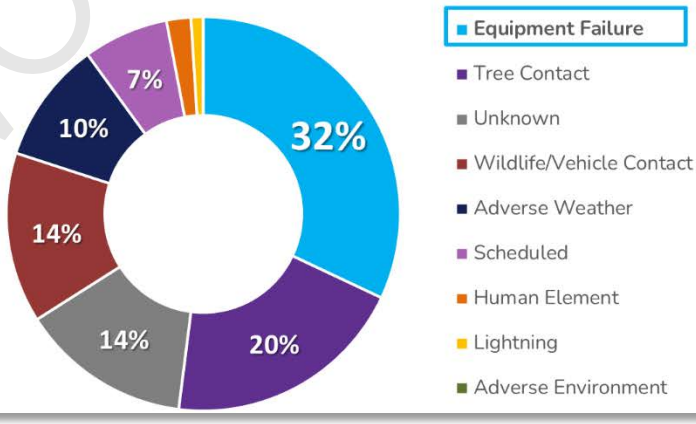
Overview

Elexicon owns many types of wires, conductors, and poles that get power from the transmission system to customers' homes and businesses. Infrastructure renewal addresses the risk posed by these assets when they age, deteriorate and break down. This is an important part of the plan when it comes to maintaining reliability and efficiency in the electrical grid.

- **Nearly 19% of Elexicon's assets have surpassed their expected service life, raising safety, environmental, and reliability concerns.**
- Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- As infrastructures ages and deteriorates, equipment failure is more likely to occur, leading to safety and environmental risks, as well as more frequent and longer power outages.

Roughly **32%** of customer outages are caused by equipment failure. This is the largest single cause of power outages across Elexicon's service territory.

Customer Outage Duration (Hours) 2022-2024

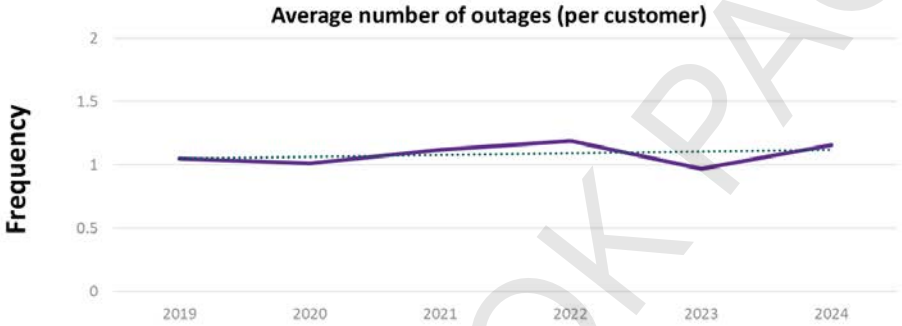


WORKBOOK PAGE

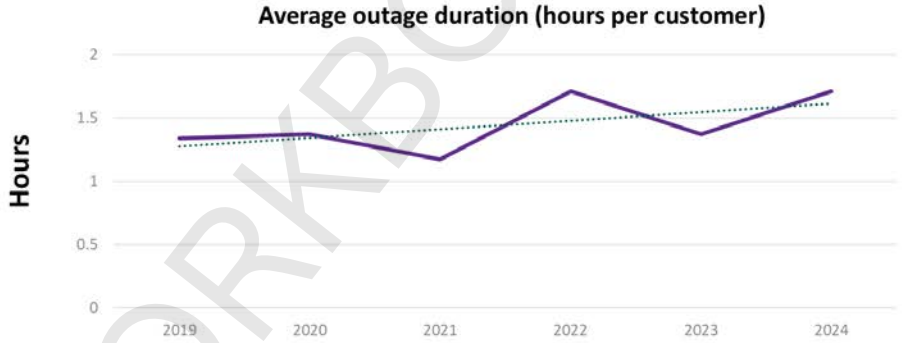
Customer Impact

Elexicon recognizes that power interruptions are inconvenient for residential customers and can be costly for commercial and industrial customers. **As such, a core objective of Elexicon's plan is to restore current levels of reliability to past performance over the 2027-2031 plan period.**

Between 2019 and 2024, the typical Elexicon customer experienced about **one** outage per year.



However, over the same period, the average **length** of time customers are without power has been increasing. In 2024, the typical Elexicon customer was without power for 103 minutes.



Note: It's important to keep in mind that these are system averages, and that your actual experience may be different. Some customers connected to newer lines may not experience any outages, while others are experiencing more than the average number of outages each year.

Delaying the replacement of deteriorating infrastructure and equipment, will likely result in more frequent and longer power outages.

Furthermore, reactive equipment replacement (where equipment has failed and must be replaced immediately) is significantly more expensive than proactive, planned equipment replacement.

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Phase II Online Survey
Workbook Page 11 (cont.)

Seasonal

Choice 1 of 5:

By 2031, Elexicon's draft plan on **infrastructure renewal** would cost the typical seasonal customer **$16.82** more per month on their monthly electricity bill. Elexicon could spend more to reduce the risk of outages and improve reliability, or they could spend less and risk the potential for an increase in power outages over time.

How much do you think Elexicon should invest in infrastructure renewal?

	Spend Less	Draft Plan	Spend More
	Partially address deteriorating assets	*Targeted replacement of deteriorating assets*	*Replace a significant portion of deteriorating assets*
Grid Health	Decline in overall health of the system by 2031	Maintain the overall health of the system by 2031	Improve the overall health of the system by 2031
Reliability	Overall system reliability would likely worsen by 2031	Prevent further decline in reliability and restore performance by 2031	Reduce risk of outages and improve performance by 2031
Future Costs	Higher reactive costs in the future since more assets will be left unaddressed and will need to be replaced reactively when they fail	Lower reactive costs since there will be fewer failures and one-off replacements	Significantly lower reactive costs in the future
Rate Impact *per month by 2031*	$15.87	$16.82	$21.55

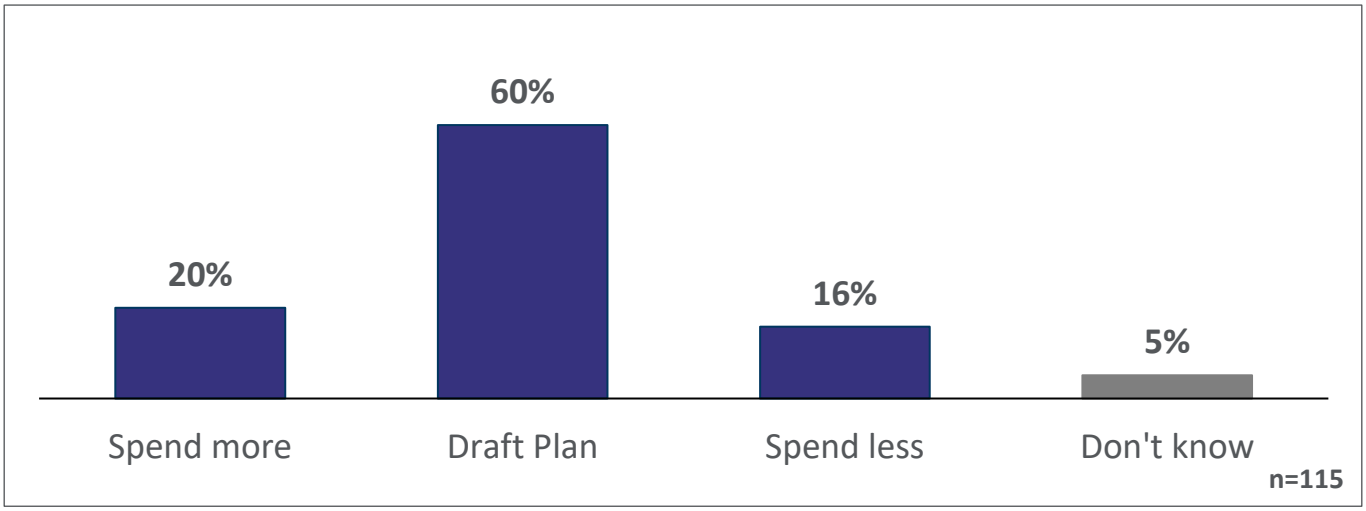
WORKBOOK PAGE

INNOVATIVE RESEARCH GROUP

Phase II Online Survey
Choice 1: Infrastructure Renewal

Seasonal

Q How much do you think Elexicon should invest in infrastructure renewal?



Bill Impact

	Major Impact	No Major Impact
Spend more	9%	30%
Draft Plan	59%	60%
Spend less	24%	8%
Don’t know	9%	1%

Phase II Online Survey
Choice 1: Infrastructure Renewal – Feedback

Seasonal

Q Do you have additional feedback on Elexicon's draft plan for infrastructure renewal? [OPEN]

Response	%
Willing to pay more for improved reliability	4.0%
Urban areas should not be prioritized over Gravenhurst/Rural areas	2.7%
More renewable/innovative sources of energy	2.6%
Need more information/have questions	1.8%
Against increases/costs are too expensive	1.8%
Increase tree trimming to prevent outages	1.7%
General support for the draft plan	0.9%
Invest now to save money later	0.9%
Infrastructure needs to be upgraded	0.9%
Distrust in the engagement/rate increases are inevitable	0.9%
Dissatisfied with current reliability	0.8%
Concerns with severe weather events	0.8%
Focus investments on areas with the most outages first	0.8%
Poor planning from Elexicon	0.8%
None/Don't know	79.0%

491

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Building a Better Grid

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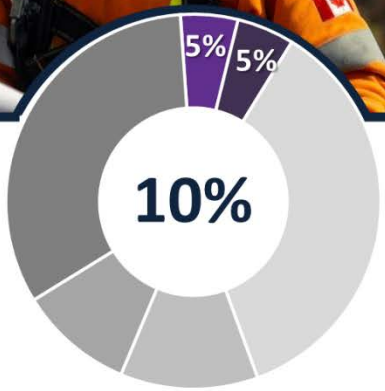
Building a Better Grid for the Future

Replacing Meters and Modernizing the Grid



What is this Section About?

Using new technology to increase efficiency, reliability, and provide greater functionality for customers.

There are **two separate choices** in this section where Elexicon needs your input:

2 Metering

3 Modernization

Building a Better Grid for the Future makes up **10%** of the **draft plan**. In terms of bill impact, this theme represents an estimated **$4.84** of the proposed $45.53 increase in distribution rates by 2031.

WORKBOOK PAGE

Understanding Metering & Modernization: Changing Technology, Changing Needs

For the last 100 years, things have changed relatively slowly in terms of grid technology. Electricity was generated in large power stations and transmitted from around the province to Elexicon's grid, and ultimately to our homes and businesses. Thanks to grid advancement, how we monitor and control the flow of electricity has dramatically improved. With the right investments our customers can benefit from improved reliability, and better service.

Elexicon's 2027-2031 draft plan includes technologies that change how Elexicon operates the grid.

Smart grid technology like sensors, advanced metering, and automation enable Elexicon to monitor key equipment to prevent outages and get better use out of existing equipment.

When outages do occur, this technology can re-route the grid to restore power much more **quickly** and at a **lower cost** than today.

Greater **visibility** means Elexicon can do things like remotely detect variances in voltage, preventing outages and damage to customer equipment.

When these devices signal that a customer has lost power, modern switches allow Elexicon to restore power from the control room without needing to send a truck out to find the fault.

Eventually, customers will have access to a 'two-way system' that allows customers to sell the electricity they generate back to the grid. Grid automation and visibility modernization upgrades are necessary to enable this technology in the future.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Metering

elexicon ENERGY

Overview

Elexicon owns approximately 180,320 customer meters, with 83% operating beyond their service life. As meters break, Elexicon has the option of replacing them with the same meter, or installing an upgraded meter that can enable better reliability and customer features.

Both types of meters rely on communication systems for automatic meter reading and detecting outages. Since the merger, Elexicon has been managing with two legacy communication systems that must soon be replaced. Elexicon's draft plan will replace the meters themselves, as well as upgrade to a centralized metering communication system, which will allow Elexicon to better detect problems and respond to outages.

Metering is a critical component of Elexicon's modernization plan, and our goal to reduce outage times. Elexicon needs to understand the preferences of customers when it comes to the pace of these upgrades.

Why Replace Meters Now?

- The current meters are at risk of failing at increasing rates.
- Elexicon has prepared a plan to address large groups of meters, saving costs on labour and unlocking new benefits for customers like enhanced outage detection.

WORKBOOK PAGE

Customer Impact

Meter Replacement will impact customers in the following ways:

- **Restoration impacts**: Upgraded meters and metering system provides Elexicon with better visibility into where outages are occurring, so that Elexicon can respond faster to resolve the outage.
- **Capacity impacts**: With upgraded technology and new meters, Elexicon can better understand usage patterns and peak times, allowing for smarter planning and ensuring sufficient capacity for the future.
- **Cost considerations:** If Elexicon defers investments in metering, the short-term costs for customers are lower. However, pushing replacements into the future also means less cost certainty and more costly upgrades later.

Elexicon's draft plan spreads out the upgrades over approximately eight-years and prioritizes upgrading those meters at highest risk of failure.

For this choice, Elexicon needs to decide whether to:

a) spend more and complete upgrades by 2031;

b) follow the draft plan and complete upgrades by 2034, or

c) spend less and defer all upgrades until after 2031.

If all upgrades are deferred until after 2031, Elexicon will continue to replace failed meters but will be unable to modernize its grid and reduce outage times for customers.

WORKBOOK PAGE

Choice 2 of 5:

By 2031, Elexicon's draft plan on **metering** would cost the typical seasonal customer **$2.60** more per month on their monthly electricity bill. Elexicon could spend more to replace almost all meters and fully implement the smart grid by the end of 2031, or Elexicon could spend less and only replace meters as they fail, deferring all technological upgrades until after 2031.

How much do you think Elexicon should invest in metering?

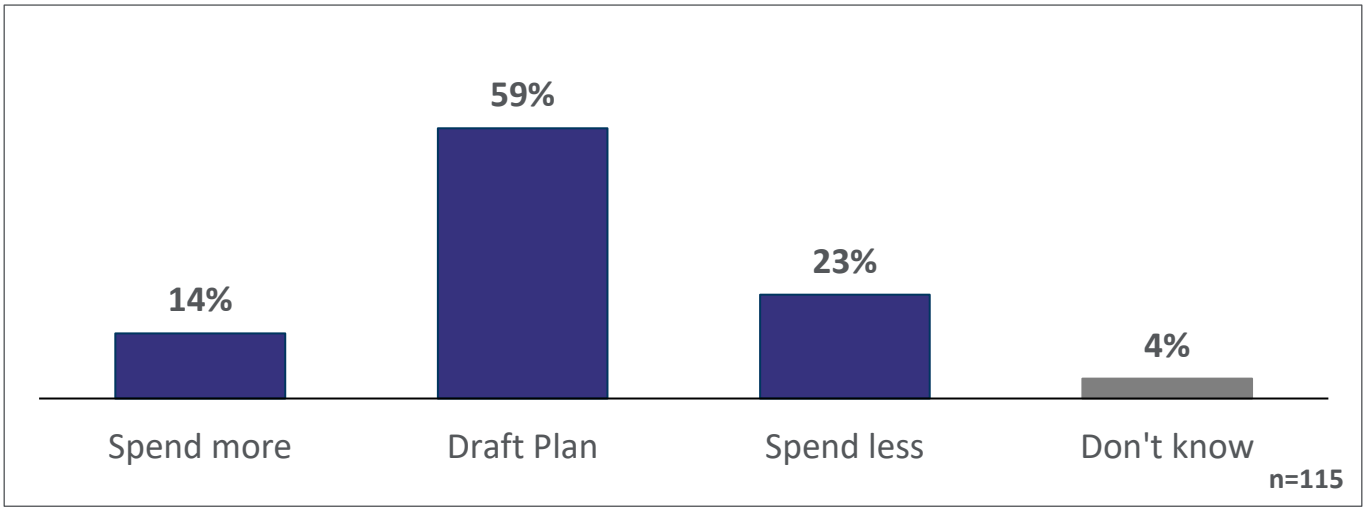
	Spend Less	Draft Plan	Spend More
	Replace meters with the same technology, and only when they fail	*Replace most meters with newer technology by 2034*	*Replace all meters with upgraded technology by 2031*
Future Costs	Lower upfront costs, but upgrading meters in the future will come at a higher cost	Balance upfront costs of large meter replacements by pacing technology upgrades	Invest in upgraded technology at scale, saving labour and material costs
Reliability	No upgrades to customer devices that enable outage detection	Upgrade most meters, and the communication system, allowing for outage detection on most customer devices by 2034	Upgrade all meters, and the communication system, to allow for outage detection on all customer devices by 2031
Rate Impact *per month by 2031*	$1.99	$2.60	$4.81

WORKBOOK PAGE

Phase II Online Survey
Choice 2: Metering

Seasonal

Q How much do you think Elexicon should invest in metering?



Bill Impact

	Major Impact	No Major Impact
Spend more	7%	21%
Draft Plan	55%	62%
Spend less	31%	15%
Don’t know	7%	1%

Phase II Online Survey
Choice 2: Metering – Feedback

Seasonal

Q Do you have additionall feedback on Elexicon's draft plan for metering? [OPEN]

Response	%
Meters need to be upgraded	2.4%
Willing to pay more for improved reliability	1.6%
Need more information/have questions	0.9%
Unsure if benefits of upgraded meters will be realized	0.9%
Invest now to save money later	0.9%
Do not replace meters/unnecessary/recently replaced	0.9%
Phased/balanced approach/proceed with upgrades with minimal cost increases	0.9%
General support for the draft plan	0.8%
Other	0.9%
None/Don't know	89.9%

498

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Modernization

elexicon ENERGY

Overview

Elexicon is proposing to invest in field technology and back-end systems to improve how the grid functions and develop a smarter grid of the future that will benefit all customers.

Elexicon's Grid would:

1. **Reduce duration of outages by quickly identifying the cause and minimizing the number of customers impacted during restoration;**
2. **Ensure customers can connect more local generation;**
3. **Improve visibility into grid operations to ensure crews can operate safely and efficiently.**

Elexicon recognizes that not all technologies and grid upgrades can be deployed immediately, and we need to choose the order and pace of our investments to align with what will bring value to our customers.

Speed Up Power Restoration with Fault Location Isolation and Service Restoration (FLISR)

A "fault" or problem with the flow of electricity can "trip" or "turn off" a large section of Elexicon's grid.

By installing an FLISR system, Elexicon can remotely restore power to areas that may be affected by the outage. This reduces the amount of time customers are without power.

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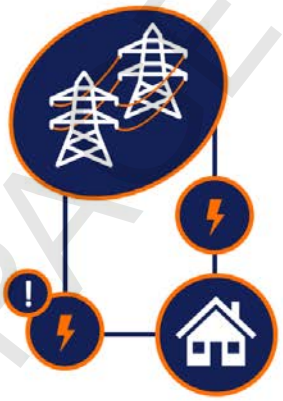
Detecting Faults with Communicating Faulted Circuit Indicators (CFCIs)



CFCIs are intelligent sensors installed along power lines that detect faults and send data to Elexicon's System Control Center.

Elexicon can significantly reduce response times to outages. Advanced warning features also enable crews to perform proactive maintenance, preventing outages before they occur.

By enhancing fault detection and predictive capabilities, CFCIs improve service reliability, reduce outage durations, and strengthen overall grid resilience for customers.

Customer Impact

Elexicon has identified a range of technologies that can optimize our existing assets and infrastructure in the near term and provide customers greater choice to participate in the energy system in the future. Elexicon's draft plan uses a targeted approach, building the foundation for a network that can enable the **Grid of the Future** beyond 2031.

These investments will allow Elexicon to:

- Shorten the length of outages by detecting the source of the problem sooner and often turn the power back on remotely,
- Redirect crews to targeted areas that require manual repairs, rather than sending them out to search for the problem and thereby extending the length of the outage,
- Improve power quality, preventing damage to equipment and ensuring safe operations,
- Eventually, these investments will lay the groundwork to enable greater participation in the grid, connecting residential devices like solar panels, batteries, and electric vehicles to the system.

WORKBOOK PAGE

Choice 3 of 5:

By 2031, Elexicon's draft plan on **modernization** would cost the typical seasonal customer **$2.24** more per month on their monthly electricity bill. Elexicon could spend more to improve reliability and efficiency outcomes faster, or could spend less, deferring investments and improvements to these outcomes into the future.

How much do you think Elexicon should invest in modernization?

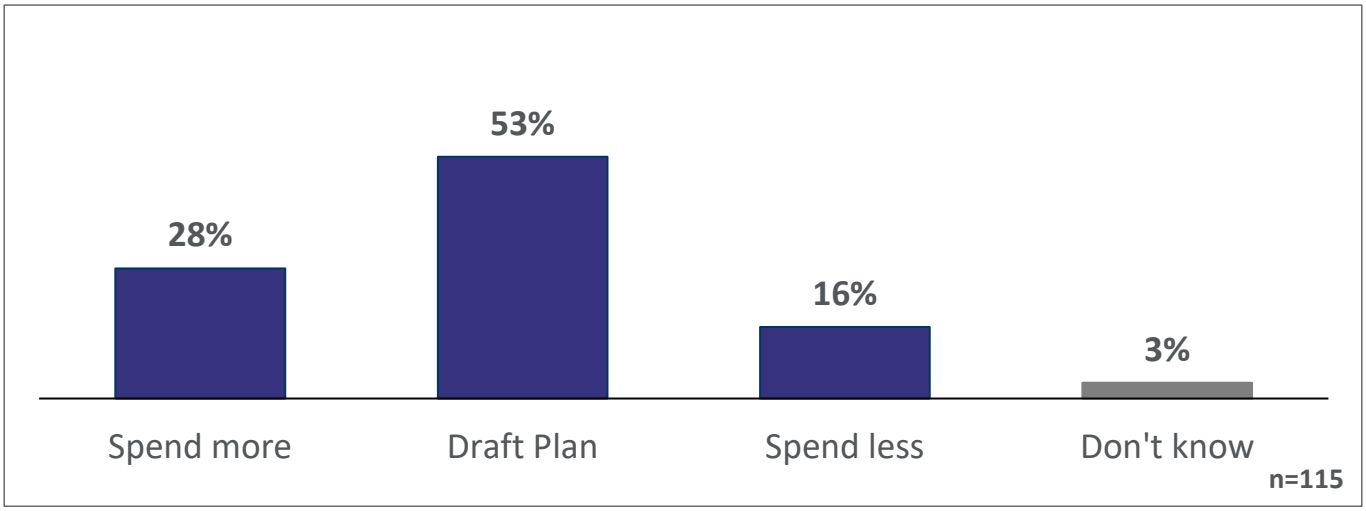
	Spend Less	Draft Plan	Spend More
	Defer investments to remote smart-grid technology	*Targeted investments in specific grid enhancing technology projects*	*Significant investment in smart-grid projects and non-wire solutions*
Reliability	No material improvements to reliability	Improve reliability and slightly reduce outage time	Significantly improve reliability and reduce outage time
Efficiency	Minimal material improvements to grid efficiency	Targeted investments and minor upgrades in grid infrastructure to test new technologies to improve efficiency	Significant upgrades to infrastructure lead to a more efficient grid
Rate Impact *per month by 2031*	$2.00	$2.24	$2.94

WORKBOOK PAGE

Phase II Online Survey
Choice 3: Modernization

Seasonal

Q How much do you think Elexicon should invest in modernization?



Bill Impact

	Major Impact	No Major Impact
Spend more	19%	37%
Draft Plan	52%	53%
Spend less	23%	8%
Don’t know	6%	1%

Phase II Online Survey
Choice 3: Modernization – Feedback

Seasonal

Q Do you have additionall feedback on Elexicon's draft plan for modernization? [OPEN]

Response	%
Dissatisfied with current reliability	2.7%
Willing to pay more for improved reliability	0.9%
Increase is reasonable	0.9%
Need more information/have questions	0.9%
Invest now to save money later	0.9%
General support for the draft plan/modernization	0.9%
Prefer a slower implementation to avoid issues	0.8%
Find efficiencies instead of customers paying more	0.8%
Other	1.8%
None/Don't know	89.6%

503

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

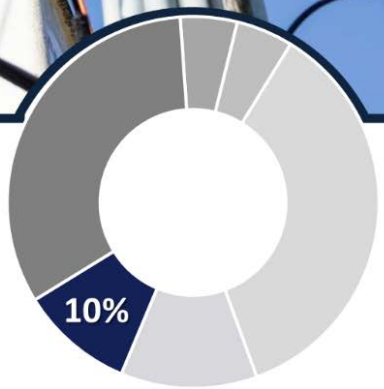
elexicon ENERGY

Strengthening Grid Resilience

Hardening the grid to better withstand extreme weather

What is this Section About?

Building a more resilient grid to better withstand adverse weather events



There is **one choice** in this section where Elexicon needs your input:

4 **Grid Resilience**

Strengthening Grid Resilience makes up **10%** of the **draft plan**.
In terms of bill impact, this theme represents an estimated **$9.23** of the proposed $45.53 increase in distribution rates by 2031.

WORKBOOK IMAGE

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

elexicon ENERGY

4 Grid Resilience

Overview

This section focuses on investments Elexicon will make to improve the resiliency of its system. Resiliency refers to the ability to withstand, adapt to, and recover from disruptions, such as an extreme weather event.

Elexicon aims to improve grid resilience by identifying high risk areas, ensuring critical functions remain intact during a major event, and recovering quickly.

The Impact of Adverse Weather on the Grid

Elexicon has experienced a series of severe weather events that affected a significant portion of its service territory over the years:

- **In May 2022**, 64,000 Elexicon customers lost power due to a severe weather event (a 'derecho' and subsequent tornado). This event resulted in an outage of over 24 hours (in some cases much longer), and required a full rebuild of one of Elexicon's main transformer stations.
- **In December 2022**, a lengthy outage due to wind and ice from a December blizzard affected one-third of our customers.
- **In late November 2024**, Gravenhurst received 140 centimeters of snowfall over two days. The heavy accumulation downed hydro poles and wires, causing widespread outages, affecting all 6,500 customers in the area. In some cases, customers were out of power for as long as a week.

WORKBOOK PAGE

Customer Impact

In anticipation of future extreme weather events, Elexicon can harden the grid in the following ways:

Remove hard to access rear lot connections that pose a higher risk of failure during major weather events, while also taking longer to repair.

Increase tree trimming to reduce likelihood that branches take out lines.

Install the latest standard equipment when replacing end-of-life assets.

Invest in grid monitoring devices and software that allow Elexicon to identify and isolate faults more quickly.

Enhance customer facing tools to improve communication during weather events.

Maintain software and replace of grid control equipment at its end-of-life.

WORKBOOK PAGE

Choice 4 of 5:

By 2031, Elexicon's draft plan on **resilience** would cost the typical seasonal customer **$9.23** more per month on their monthly electricity bill. Elexicon could spend more to materially reduce the duration and frequency of outages, or Elexicon could spend less, which risks increasing restoration times following a major outage.

How much do you think Elexicon should invest in grid resilience?

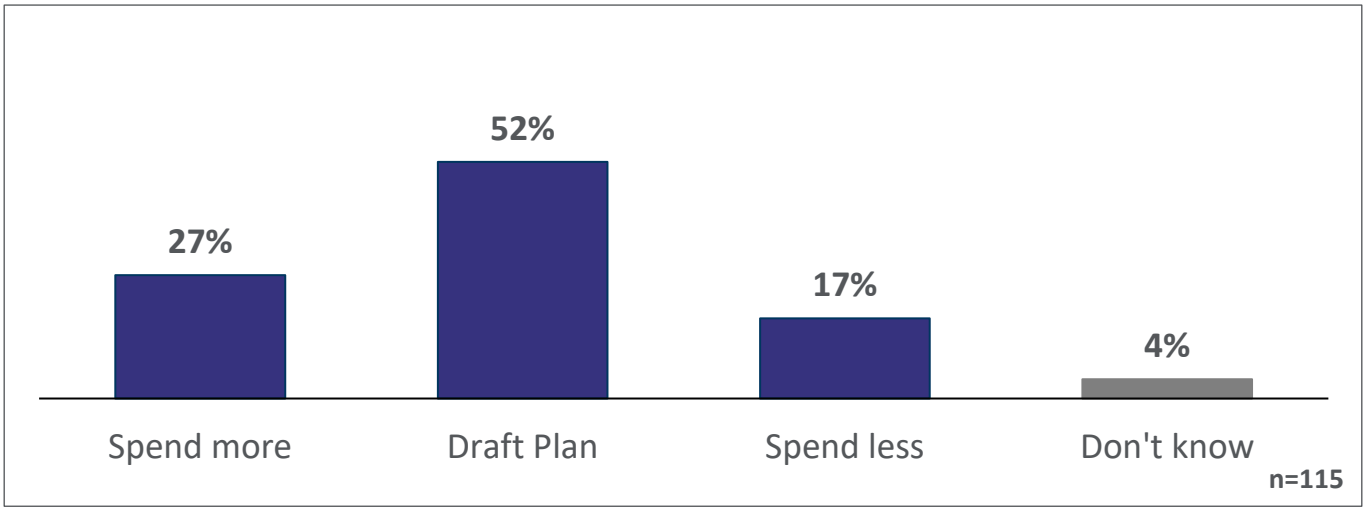
	Spend Less	Draft Plan	Spend More
	Minimal investment in grid resiliency initiatives	*Targeted investment in grid resiliency initiatives in highest risk areas*	*Increased investment in grid resiliency initiatives*
Reliability	Minimal improvement in outage duration after extreme weather events	Moderate improvement in reliability, with some improved restoration time after extreme weather events	Significantly reduce outages and improve outage restoration time after extreme weather events across the grid
Future Costs	Higher reactive costs when a major storm or weather event occurs, increasing spending on crew time and materials to restore power	Some reactive costs to cover crew time and materials when an extreme weather event occurs	Reduced reactive costs, as crews will have to respond to fewer restoration calls after extreme weather events
Rate Impact *per month by 2031*	$8.42	$9.23	$11.47

WORKBOOK PAGE

Phase II Online Survey
Choice 4: Grid Resilience

Seasonal

Q How much do you think Elexicon should invest in grid resilience?



	Bill Impact	
	Major Impact	No Major Impact
Spend more	15%	38%
Draft Plan	56%	47%
Spend less	22%	14%
Don’t know	7%	1%

Phase II Online Survey
Choice 4: Grid Resilience – Feedback

Seasonal

Q Do you have additionall feedback on Elexicon's draft plan for grid resilience? [OPEN]

Response	%
Prefer a quicker/proactive implementation	1.8%
Willing to pay more for improved reliability	1.7%
Invest now to prepare for the future	1.7%
Increase tree trimming to prevent outages	1.7%
Invest now to save money later	1.7%
Dissatisfied with current reliability	0.9%
Find efficiencies instead of customers paying more	0.8%
Other	1.7%
None/Don't know	88.9%

509

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

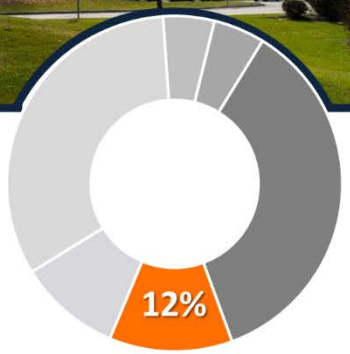
Running the Business

Investments in backbone systems that keep the grid running

What is this Section About?

Investments that maintain and upgrade essential systems like billing, outage management, asset planning, health and safety, and cyber security.

This section also includes investments in operational technology that allow us to better plan and execute projects, understand our customers, and better serve our communities.



There is **one choice** in this section where Elexicon needs your input:

5 General Plant

Running the Business makes up **12%** of the **draft plan**.
In terms of bill impact, this theme represents an estimated **$3.62** of the proposed $45.53 increase in distribution rates by 2031.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

Overview

Elexicon's daily operations require IT systems for all aspects of its business, including billing, operating the grid, responding to outages, planning projects and communicating with customers.

Since the merger in 2019, Elexicon has operated its business with legacy software and systems, which now require necessary IT infrastructure replacements. **Elexicon has prioritized cyber security investments in the draft plan, and because these systems are essential, there is no *spend less* option for this choice.**

However, Elexicon planners have identified additional infrastructure upgrades that are required in order to improve processes and modernize the grid. These investments are included in the *spend more* option.

Customer Impact

By upgrading Elexicon's operational technology, in addition to its IT systems, Elexicon can deliver a better customer experience:

- Improve the grid's ability to connect customer-owned solar panels, EVs and power walls.
- Improve visibility into the grid to enable operators to detect faults, prevent outages, and restore power remotely.
- Provide customers data and tools to access new programs to save on electricity or sell energy back to the grid.

WORKBOOK PAGE

Choice 5 of 5:

By 2031, Elexicon's draft plan on **general plant** would cost the typical seasonal customer **$3.62** more per month on their monthly electricity bill. Elexicon could spend more to deploy new technologies and modernize its operations.

How much do you think Elexicon should invest in general plant?

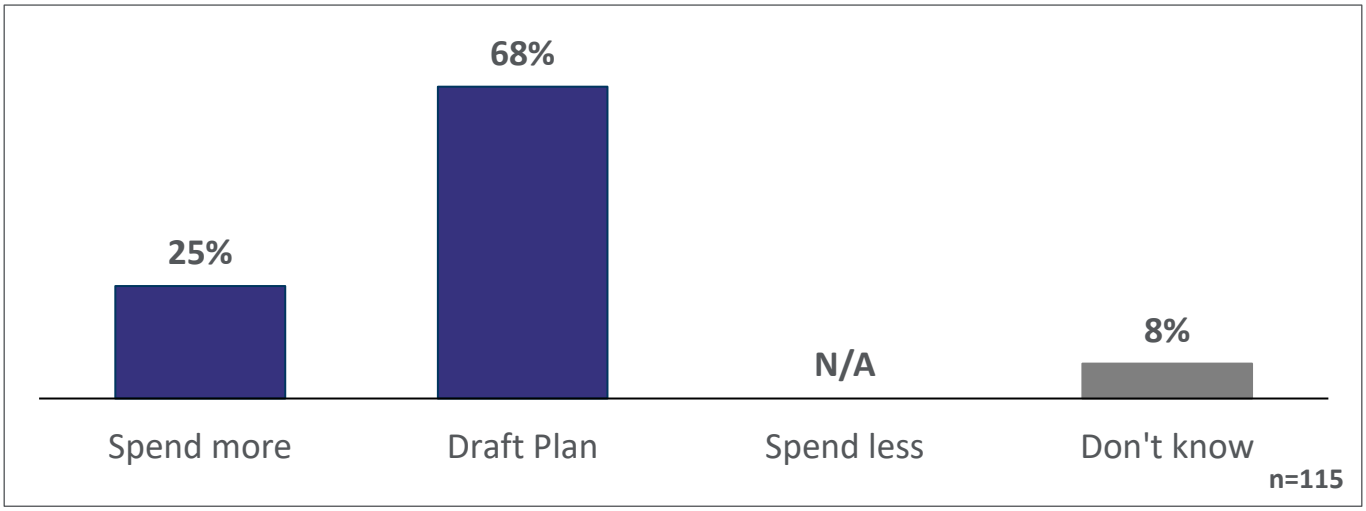
	Draft Plan	Spend More
	Targeted investment in operational technology with additional pilot projects	*Investment in operational technology to enhance the grid*
IT Security	Upgrade IT systems to reduce the risk of a cyber attack	Same as Draft Plan
Technology	Maintain existing operational technology, with limited upgrades for the grid	Deploy new technology at a greater scale to prepare for a modernized grid
Efficiency	Invest in small pilot projects to explore new operational technology	Significantly modernize grid operations to enable better planning and outage management
Rate Impact *per month by 2031*	$3.62	$4.39

WORKBOOK PAGE

Phase II Online Survey
Choice 5: General Plant

Seasonal

Q How much do you think Elexicon should invest in general plant?



Bill Impact

	Major Impact	No Major Impact
Spend more	19%	30%
Draft Plan	72%	64%
Spend less	N/A	N/A
Don’t know	9%	6%

Phase II Online Survey
Choice 5: General Plant – Feedback

Seasonal

Q Do you have additionall feedback on Elexicon's draft plan for general plant? [OPEN]

Response	%
Cost of living pressure/financial strain	1.7%
Need more information/have questions	0.9%
Support the spend more option	0.9%
Distrust in the engagement/rate increases are inevitable	0.9%
Missing a spend less option	0.9%
None/Don't know	94.8%

Note: Only responses >0.1% shown

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$15.87	$16.82	$21.55	Don't know
Metering	$1.99	$2.60	$4.81	Don't know
Modernization	$2.00	$2.24	$2.94	Don't know
Grid Resilience	$8.42	$9.23	$11.47	Don't know
General Plant		$3.62	$4.39	Don't know
Growth		$11.02		

Between $130.34 and $117.08

The total impact of your choices would result in an estimated distribution charge of $119.69 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$45.53 between 2026 and 2031.**

Between $56.18 and $42.92

Click 'Submit' after you have finalized your choices above. Submit

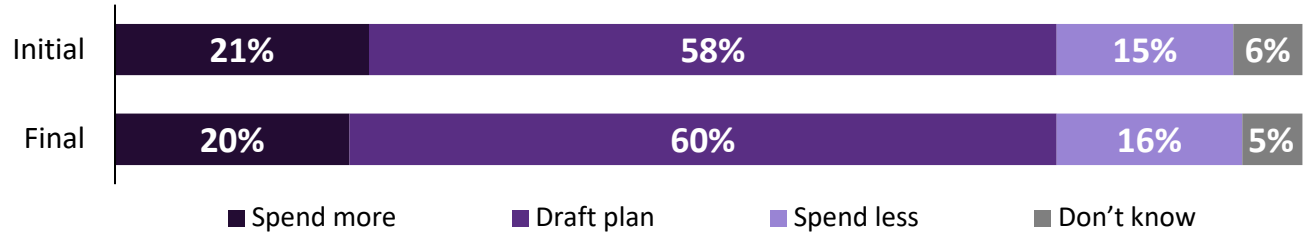
WORKBOOK PAGE

Phase II Online Survey
Finalizing Choices

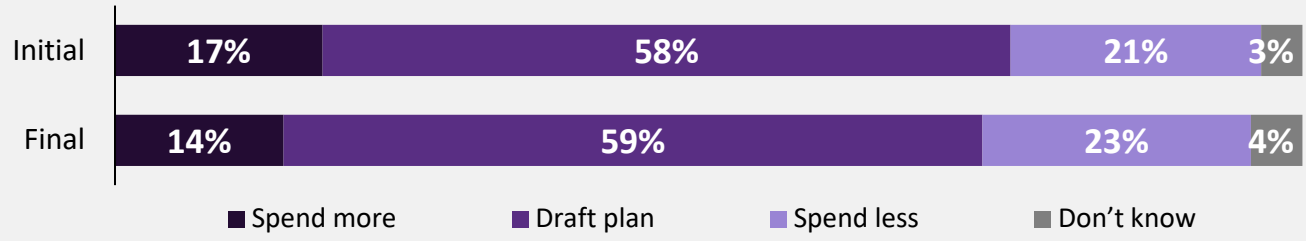
Seasonal

Comparing the choices before (Initial) and after (Final) the calculator page.

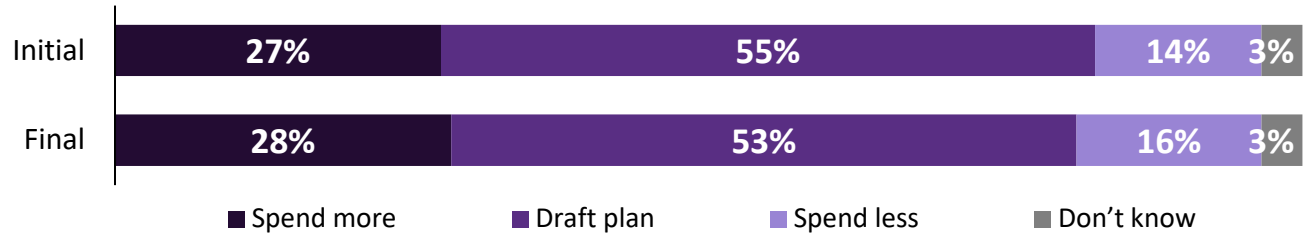
Infrastructure Renewal



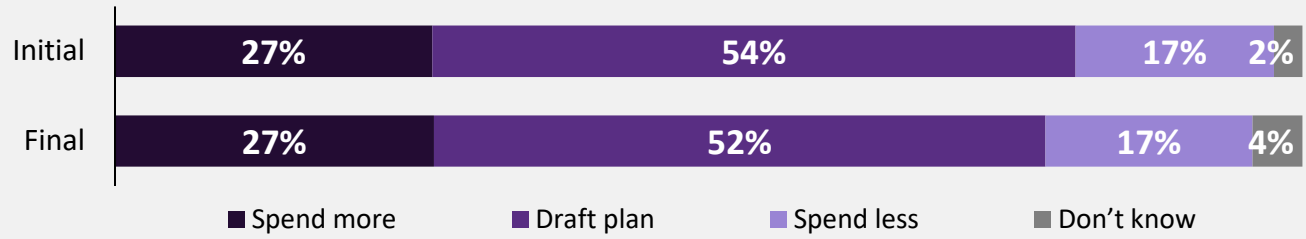
Metering



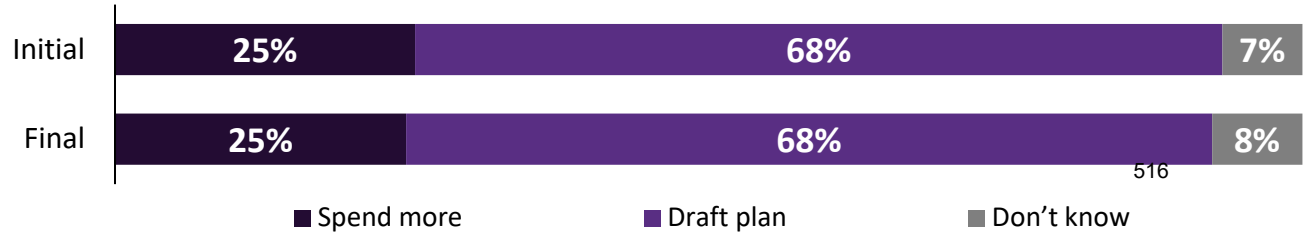
Modernization



Grid Resilience



General Plant



Phase II Online Survey
Workbook Page 20 – VRZ Version

Seasonal

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$150.99	$88.61	$62.38	n/a	n/a
BUDGETED	2026	$167.16	$93.01	$74.15	18.9%	$11.77
RATE PERIOD	**2027**	$182.43	$93.44	$88.99	20.0%	$14.84
	2028	$188.37	$94.38	$93.99	5.6%	$5.00
	2029	$196.82	$95.19	$101.64	8.1%	$7.64
	2030	$206.57	$95.95	$110.62	8.8%	$8.98
	2031	$216.56	$96.87	$119.69	8.2%	$9.07
	5 Year Impact			**$45.53**	**61.4%**	**$45.53**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical seasonal customer is assumed to use 680 kWh per month and enrolled under Time-of-Use Regulated Price Plan.

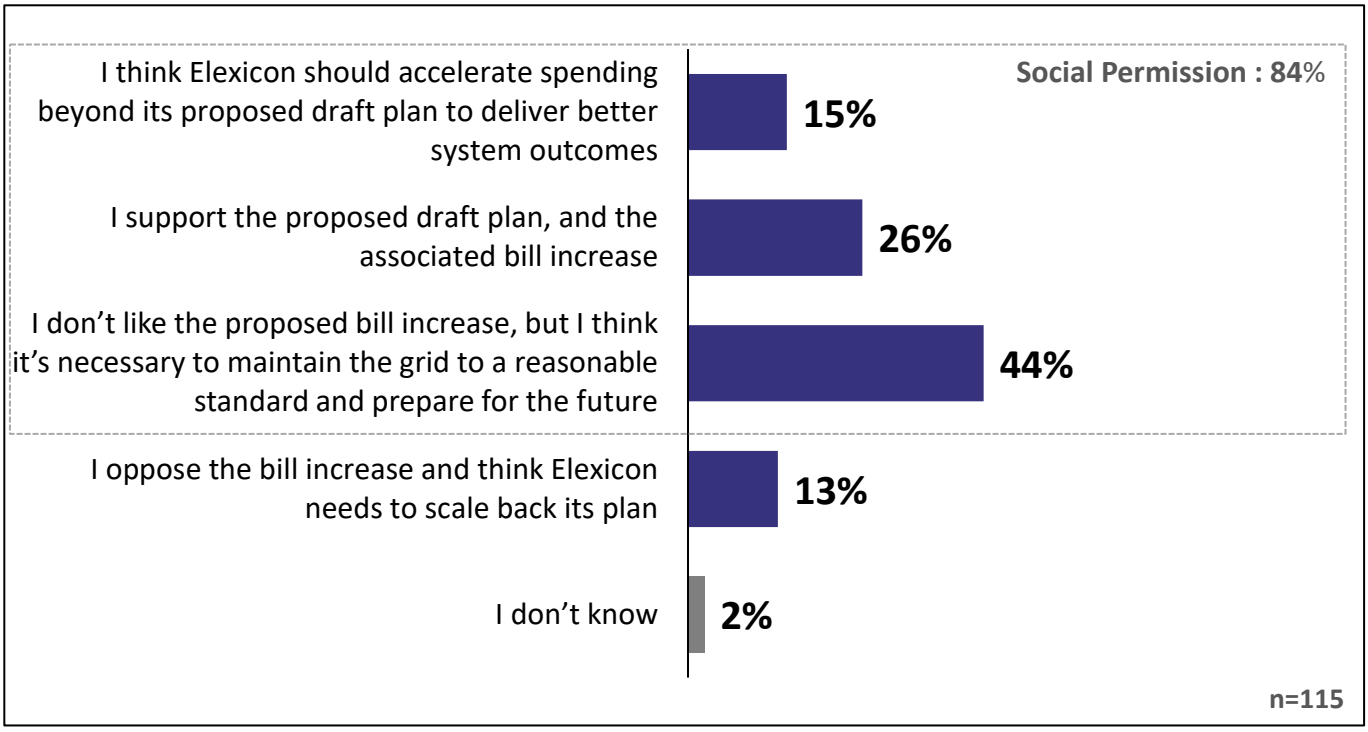
The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Phase II Online Survey
Social Permission

Seasonal

Q Considering what you have learned about Elexicon's 2027–2031 draft plan and that this may result in a $45.53 increase in the distribution portion of your monthly electricity bill between 2026 and 2031, which of the following best represents your point of view?



Bill Impact

	Major Impact	No Major Impact
Accelerate spending	10%	19%
Support draft plan	25%	27%
Maintain the grid	45%	43%
Oppose increase	18%	9%
Don't know	2%	3%
Social Permission	**80%**	**88%**

Phase II Online Survey
Social Permission – Feedback

Seasonal

Q Do you have any final comments regarding Elexicon's draft plan and the proposed rate increase? [OPEN]

Response	%
Increase should be more gradual/initial increase is too high	3.6%
Lower rates/focus on affordability	3.5%
Satisfied with the service/pleased with Elexicon	3.3%
Financial strain on seniors/fixed-income individuals	1.8%
Be transparent/communicative with customers about the proposed rate increases	1.7%
Be proactive to improve reliability/minimize outages	1.7%
Need more information/have questions	1.7%
General dissatisfaction with the increase	0.9%
Prefer a quicker/proactive implementation	0.9%
Customers should pay for new technology/EV integration when they adopt it	0.9%
Customers shouldn't pay for investments	0.9%
Distrust in the engagement/rate increases are inevitable	0.9%
Concerns of increases due to the high cost of living/inflation	0.9%
Support the draft plan/find it reasonable	0.9%
Other	3.6%
None/Don't know	72.9%

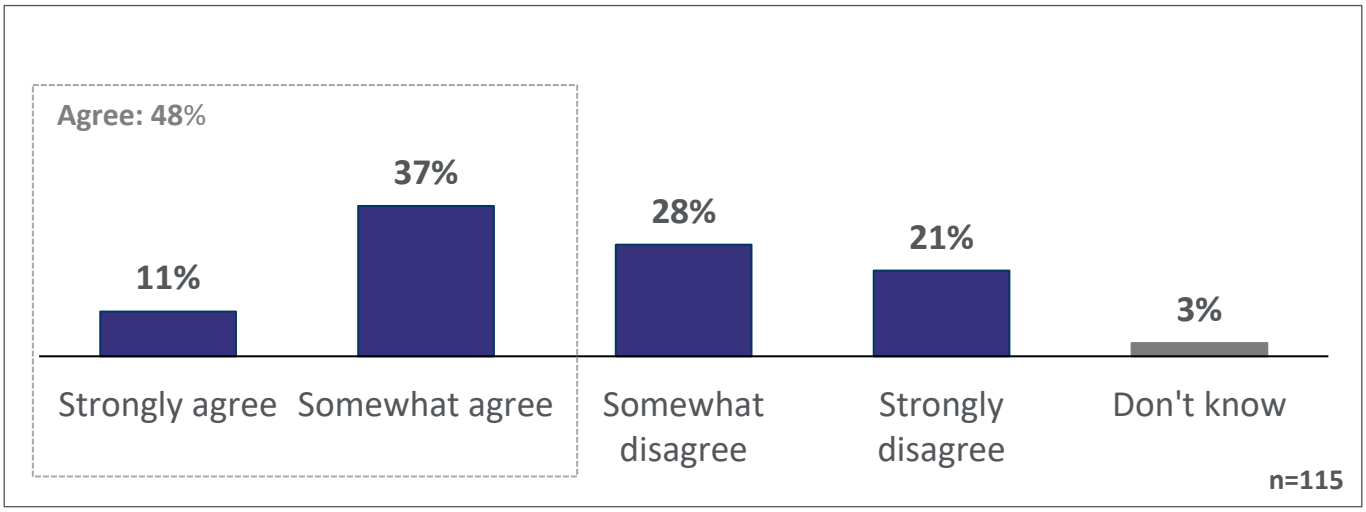
519

Note: Only responses >0.1% shown

Phase II Online Survey
Impact on Finances

Seasonal

Please agree or disagree with the following statement:
The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.



Bill Impact

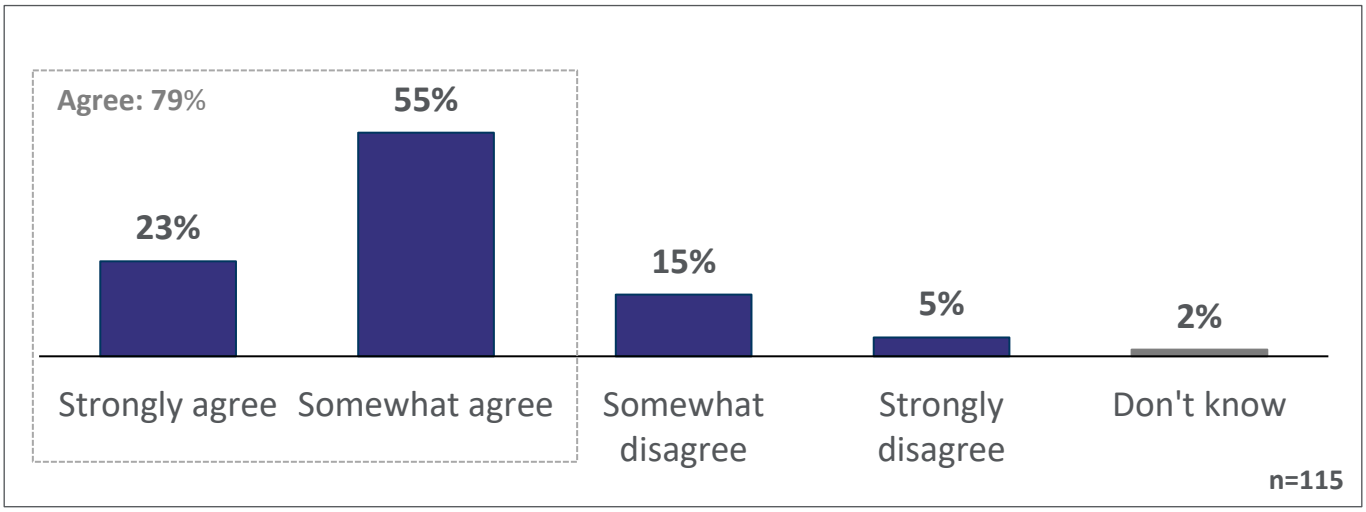
	Major Impact	No Major Impact
Strongly agree	23%	-
Somewhat agree	77%	-
Somewhat disagree	-	53%
Strongly disagree	-	41%
Don’t know	-	-
Agree (Strongly + Somewhat)	**100%**	**-**

520

Phase II Online Survey
Ontario Electricity System

Seasonal

Please agree or disagree with the following statement:
Customers are well served by the electricity system on Ontario



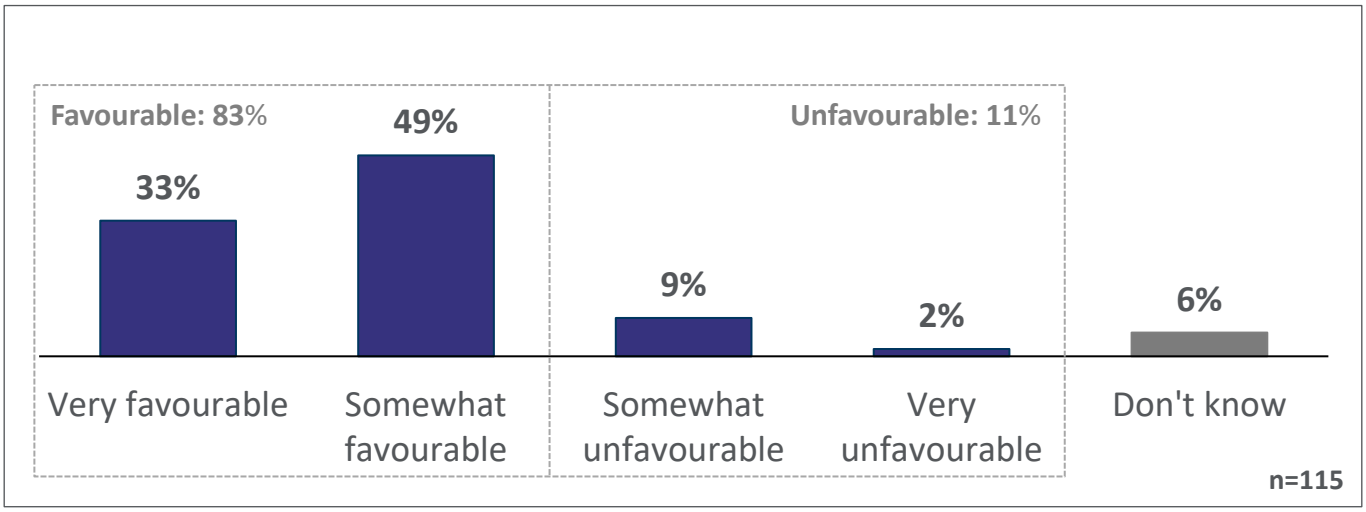
Bill Impact

	Major Impact	No Major Impact
Strongly agree	22%	25%
Somewhat agree	52%	58%
Somewhat disagree	21%	10%
Strongly disagree	3%	6%
Don't know	2%	1%
Agree (Strongly + Somewhat)	**74%**	**83%**

Phase II Online Survey
Survey Impression

Seasonal

Q Overall, do you have a favourable or unfavourable impression of the survey you just completed?



Bill Impact

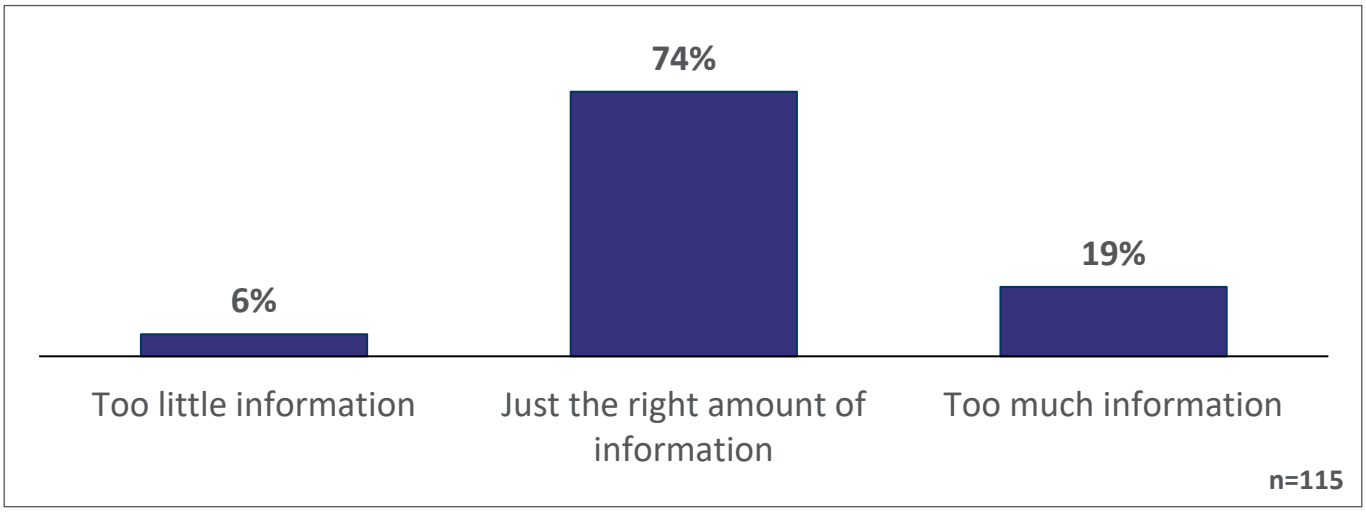
	Major Impact	No Major Impact
Very favourable	25%	41%
Somewhat favourable	52%	47%
Somewhat unfavourable	14%	5%
Very unfavourable	4%	0%
Don't know	5%	6%
Favourable (Very + Somewhat)	**77%**	**89%**
Unfavourable (Very + Somewhat)	**18%**	**5%**

522

Phase II Online Survey
Survey Information

Seasonal

Q In this survey, do you feel that Elexicon Energy provided too much information, not enough, or just the right amount?



Bill Impact

	Major Impact	No Major Impact
Too little	8%	5%
Just right	73%	76%
Too much	20%	19%

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Q Was there any content missing that you would have liked to have seen included in this survey? [OPEN]

Response	%
Transparency on internal operations/finances/management salaries	5.0%
More information on the impact to specific regions	3.6%
Better outage communication/information	1.8%
More information/details about the upgrade plan	0.9%
Plans to reduce/lower customer cost	0.9%
Survey was educational/informative/good	0.9%
More information on billing/Time-of-Use/other rate options	0.9%
How growth/new rate payers will impact costs	0.9%
Historical data	0.9%
Government/other entities' contributions	0.9%
Impact of electric vehicles	0.8%
None/Don’t know	82.6%

524

Note: Only responses >0.1% shown

Phase II Online Survey
Additional Questions

Seasonal

Q Is there anything that you would still like answered? [OPEN]

Response	%
Transparency on internal operations/finances/management salaries	3.6%
More information/details about the draft plan	0.9%
Help for seniors/fixed-income individuals	0.9%
Better outage communication/information	0.9%
Plans to reduce the frequency of outages	0.9%
More clarity on the engagement/rate increases	0.9%
Survey was educational/informative/good	0.9%
Good work/satisfied with the service	0.9%
Other	3.3%
None/Don't know	87.0%

525

Note: Only responses >0.1% shown

Building Understanding.

Personalized research to connect you and your audiences.

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APPENDIX 13

GS>50 kW Trade-off Survey

Phase II Customer Engagement
2027-2031 Cost of Service Rate Application

June 25, 2025

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This report and all of the information and data contained within it may not be released, shared or otherwise disclosed to any other party, without the prior, written consent of Elexicon Energy.

Report Navigation

Combined Report

- APPENDIX.00 – Customer Engagement Executive Summary

PHASE I: Needs & Preferences

- APPENDIX.01 – Low-Volume Customer Needs & Preference Focus Groups
- APPENDIX.02 – C&I Customer Needs & Preference Interviews
- APPENDIX.03 – Key Account Needs & Preference Interviews
- APPENDIX.04 – Customer Sample Validation
- APPENDIX.05 – Residential Needs & Preferences Survey
- APPENDIX.06 – Small Business Needs & Preferences Survey
- APPENDIX.07 – Seasonal Needs & Preferences Survey
- APPENDIX.08 – Key Accounts Need & Preferences Survey
- APPENDIX.09 – Needs & Preferences Planning Placemat

PHASE II: Trade-offs

- APPENDIX.10 – Residential Trade-off Survey
- APPENDIX.11 – Small Business Trade-off Survey
- APPENDIX.12 – Seasonal Trade-off Survey
- APPENDIX.13 – GS>50 & Key Accounts Trade-off Survey

Field Dates

An invitation to complete the **GS>50 kW Trade-off Survey** was sent to all Elexicon GS>50 kW customers who provided the utility with an email address as well as customers who receive paper bills. Customers had an opportunity to complete the survey between **April 2nd and May 14th, 2025.**

Customers with an email address on file received a unique URL that could be linked back to their region and rate class. Customers who completed the survey through the bill insert URL were able to verify their region and rate class by providing their account number and the first 3 characters of their postal code.

In terms of online invitations, the GS>50 kW survey was sent to **626** customers from customerexperience@elexiconenergy.com. Reminder emails were sent out periodically to those who had not yet completed the survey.

GS>50 kW Online Survey Completes

A total of **33** (unweighted) GS>50 kW organizations completed the survey.

Sample Weighting

The GS>50 kW online survey sample was not weighted.

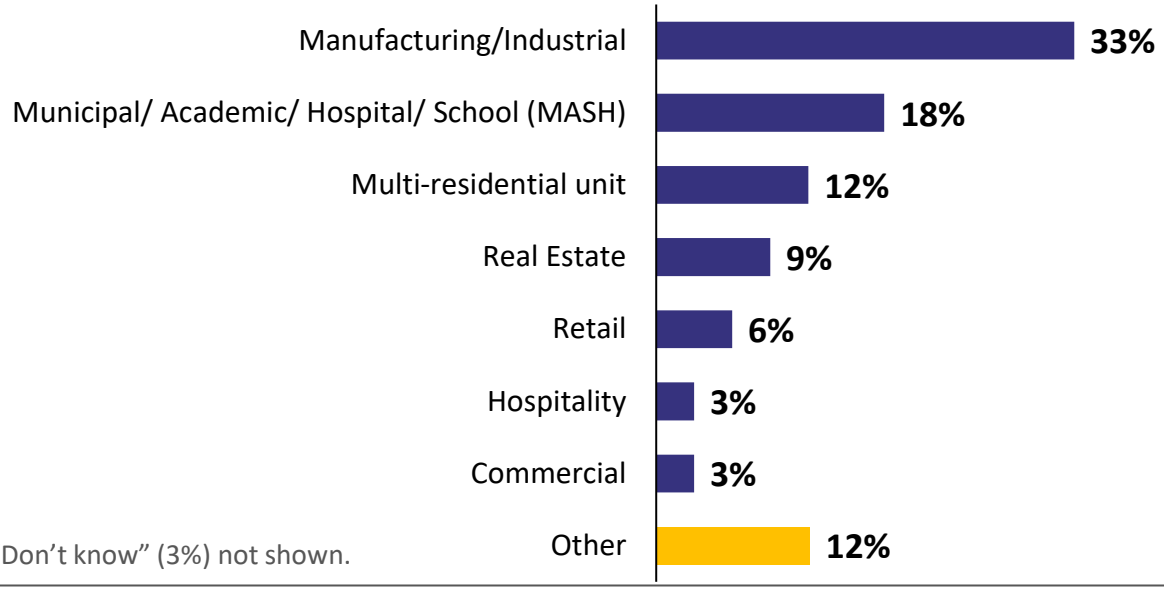
Incentives

Organizations who completed the survey were entered into a draw to win one of two prizes. Each prize consisted of a $500 donation towards a charity of their choice.

Phase II Online Survey
Firmographic Breakdown

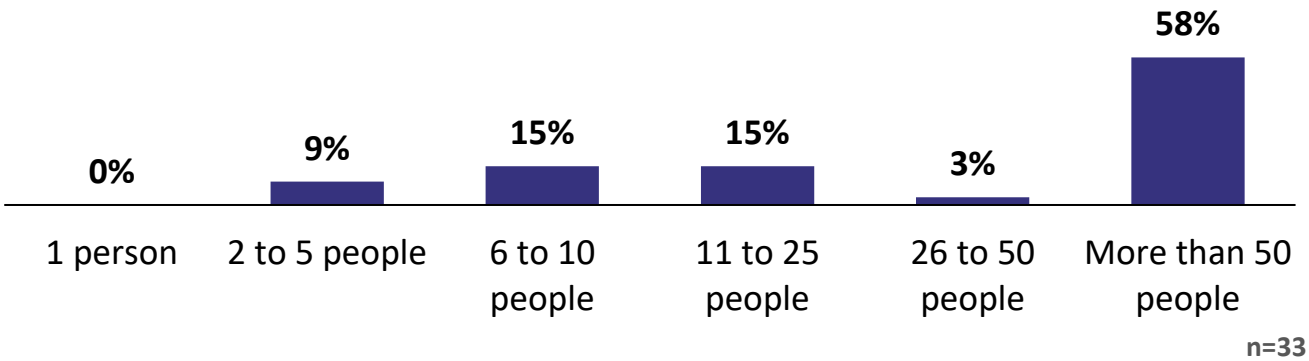
GS>50 kW

Q Sector



"Don't know" (3%) not shown.

Q Number of Employees



n=33

Note: *In this report graphs and tables may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers. Caution interpreting results with small n-sizes.*

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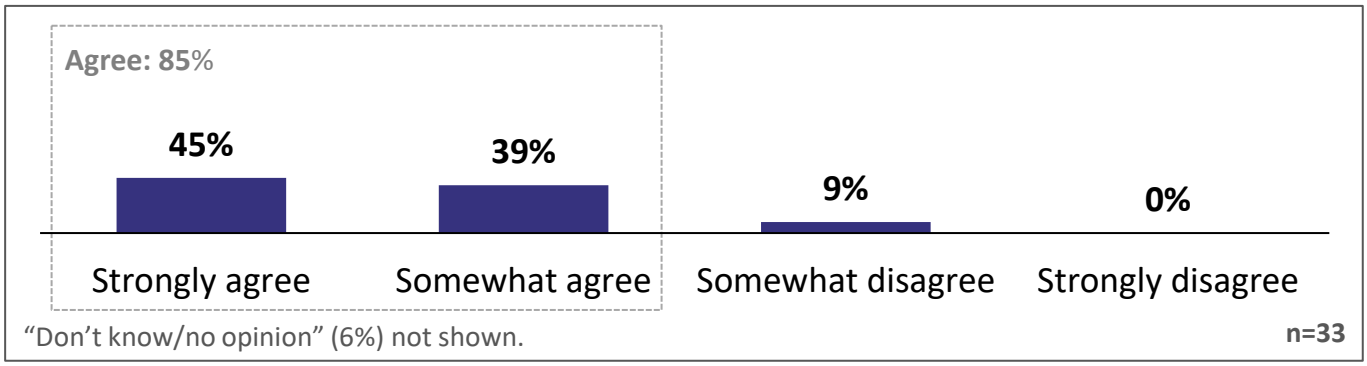
Phase II Online Survey
Firmographic Breakdown

GS>50 kW

To what extent do you agree or disagree with the following statements?

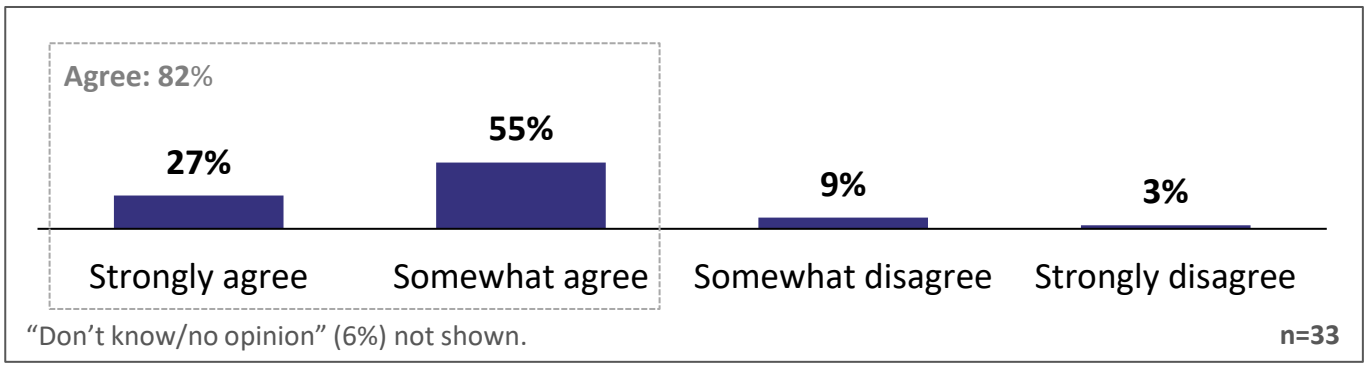
Q The cost of my organization's electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off



"Don't know/no opinion" (6%) not shown.

n=33

Q Customers are well-served by the electricity system in Ontario.



"Don't know/no opinion" (6%) not shown.

n=33

Welcome to Elexicon's Customer Feedback Survey!

Elexicon Energy ("Elexicon") needs your input on choices that will impact the services you receive and the rates that you pay.

Land Acknowledgement: Elexicon Energy acknowledges the land on which we conduct our work, and where our staff and customers gather. For millennia, it has been the traditional territory of the Mississaugas of the Credit, as well as the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat Peoples. We are grateful for Indigenous Peoples who have cared for these lands and waters since time immemorial, as they guide us to operate in harmony with our natural environment for generations to come.

The purpose of this survey is to get your feedback on the draft 2027-2031 investment plan. Your feedback will help Elexicon align this plan with customer needs and preferences.

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- Your views are important because this investment plan is paid for by your electricity rates.
- **You don't need to be an electricity expert to participate.** This survey is focused on basic choices and provides the background information you need to answer the questions.
- Depending on how much feedback you wish to provide, the survey will take approximately **20-30 minutes to complete.** If you need to pause and return later to finish the survey, your progress will be saved.
- If you are reading this on a mobile device, you may want to consider switching to a tablet or laptop so that it is easier for you to read.

Organizations who complete the survey will be invited to enter into a draw for 1 of 2 donations of $500 to a charity of their choice!

All individual responses will be kept confidential.
Innovative Research Group (www.innovativeresearch.ca), an independent research company, has been hired by Elexicon to gather your feedback, while protecting your confidentiality. Your individual answers will not be shared with Elexicon in any identifiable way.

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What is this Survey About?

The goal of this survey is to share **Elexicon's draft five-year investment plan** for the future of its electrical grid with customers like you and collect your feedback.

Your feedback will help Elexicon confirm the level of spending and investments in equipment and infrastructure, the services provided, and the rates that you pay.

Every five years, Elexicon is required to submit a plan for its proposed rates and spending to the Ontario Energy Board (OEB) for approval.

In early 2024, thousands of Elexicon customers responded to an initial engagement to support the preparation of Elexicon's draft investment plan.

Elexicon is now looking for your input on this draft plan to ensure they understood what customer priorities are when deciding on future investments.

At the end of 2025, **Elexicon will present its proposed plan and the input provided by customers to the independent regulator, the OEB.**

How Does this Survey Work?

- The survey explains how much of your electricity bill goes to Elexicon, how that money is spent and the impact of the draft plan on your 2027– 2031 rates.
- The survey asks for your input on five key choices that will affect the services you receive and the rates that you pay from 2027-2031.

Once you have finished giving feedback on the key choices, **you will have an opportunity to review and change your responses** until you feel you have found the right balance.

*Want to know more about Elexicon's customer engagement process? Click **here** to learn more.*

Note: The estimates throughout this survey are for illustrative purposes only and may not reflect the actual size of your organization's monthly electricity bill.

For the purposes of this exercise the estimates are based on a customer with the average monthly demand of 175 kW and average monthly consumption of 75,000 kWh.

WORKBOOK PAGE

WORKBOOK PAGE

Learn More

How Customer Input Guides Elexicon's Planning Process:

✓ **1. Customers Identify Needs, Preferences and Priorities**
In early 2024, customers provided initial input on their needs, preferences, and priorities to Elexicon through a series of interviews, focus groups, and surveys.

✓ **2. Use Customer Feedback to Guide the Draft Plan**
Elexicon's planners reviewed and incorporated the initial customer feedback into the design of their draft plan.

3. Customers Provide Feedback on the Draft Plan
Elexicon is now asking customers to provide additional feedback on the draft plan to ensure it has the right balance between priority investments and services, and costs.

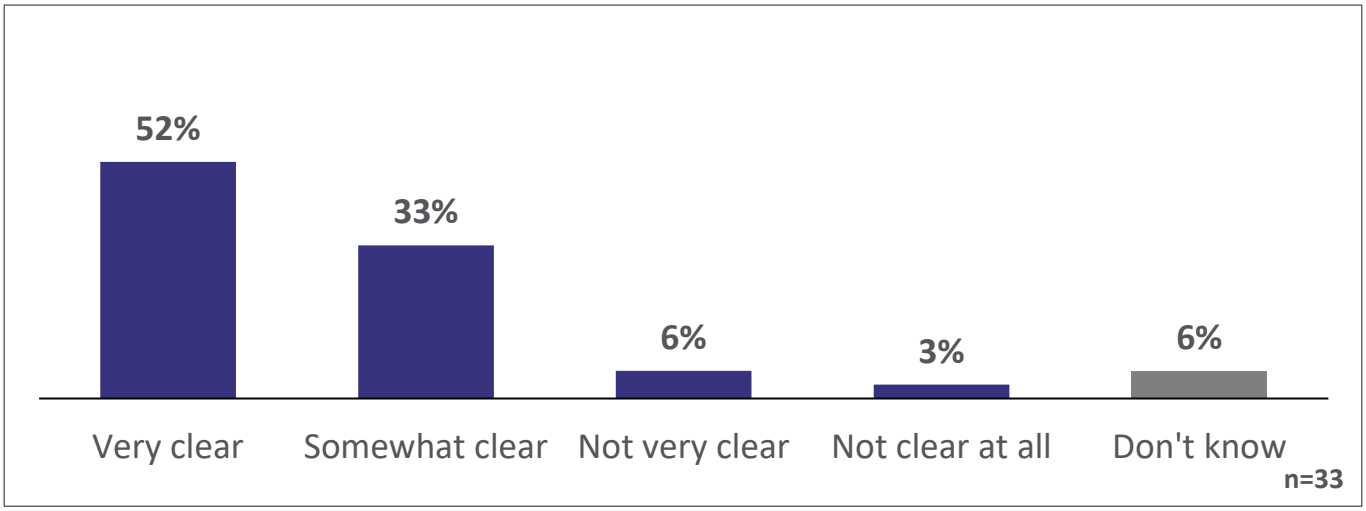
4. Use Customer Feedback to Finalize the Plan
Elexicon's planners re-examine and make appropriate changes to the plan based on the feedback provided by customers in this engagement.

5. Submit the Plan to the OEB
Elexicon will file its detailed investment plan with the OEB along with a report summarizing the results of its customer engagement. The OEB will examine the plan and make a decision in an open and transparent public process, with input from consumer advocates and other groups.

Phase II Online Survey
Familiarity with the Electricity System

GS>50 kW

Q Do you feel the purpose of Elexicon's customer engagement is…



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Elexicon Customer Feedback Survey
Ontario's Electricity System

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Elexicon's Role in Ontario's Electricity System

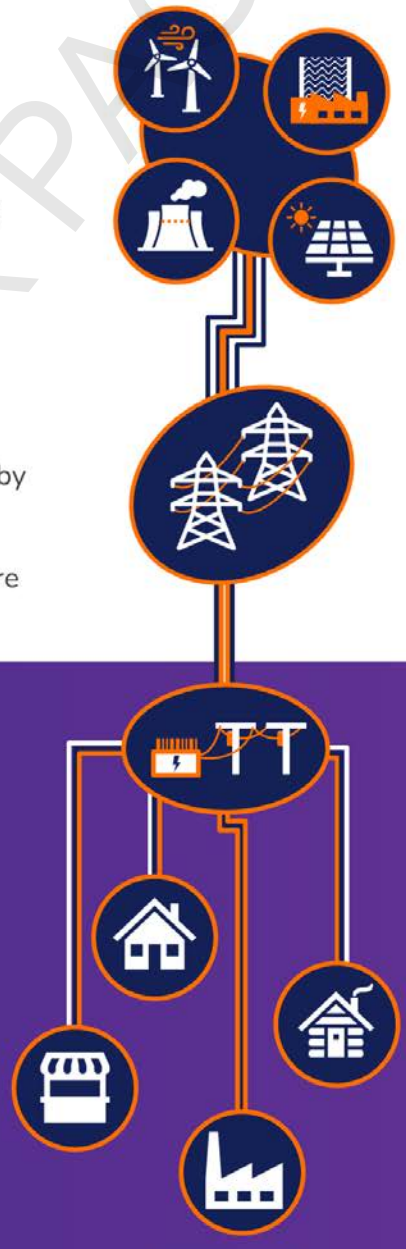
Ontario's electricity system is owned and operated by public, private and municipal corporations across the province. It is made up of three key components: **generation**, **transmission** and **distribution**.

Generation
Where electricity comes from

Ontario gets its electricity from a mix of energy sources. About a third comes from nuclear power. The remainder comes from a mix of hydroelectric, natural gas, wind and solar.

Transmission
How electricity travels across Ontario

Once electricity is generated, it must be transported to urban and rural areas across the province. This happens by way of high voltage transmission lines that serve as highways for electricity. The province has more than 30,000 kilometres of transmission lines, most of which are owned and operated by Hydro One.



Local Distribution
How electricity is delivered to you

Elexicon is responsible for the last step of the journey: distributing electricity to customers' homes and businesses.

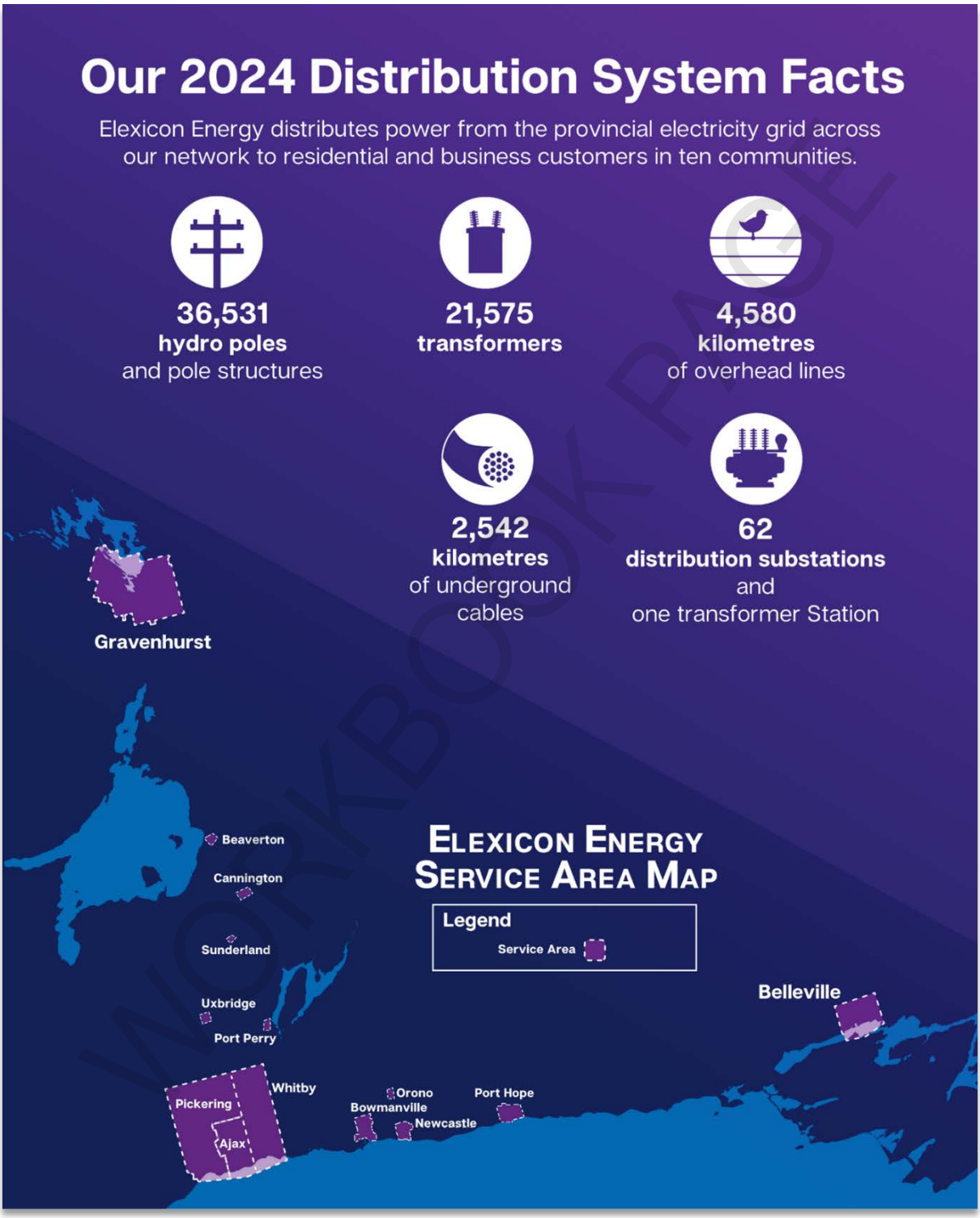
- Elexicon does <u>not</u> transmit or generate electricity.
- It operates the local distribution system, which is connected to the transmission grid through distribution stations. These stations and transformers decrease the voltage so electricity can be safely delivered to homes and businesses across Elexicon's service territory.

WORKBOOK PAGE

Phase II Online Survey

Workbook Page 2 (cont.)

GS>50 kW



Background on Elexicon

- Elexicon delivers electricity to more than 180,000 homes and businesses across ten municipalities in Ontario.
- Formed in early 2019 through a merger between Veridian Connections and Whitby Hydro.
- Fourth largest municipally owned electricity distributor in Ontario.
- Elexicon is owned 100% by its five municipal shareholders: 1. Town of Whitby, 2. City of Pickering, 3. Town of Ajax, 4. Municipality of Clarington, and the 5. City of Belleville.
- It does **not** receive taxpayer money to fund its operations or its investments in the distribution system.
- Elexicon is a for-profit company. Any profit that is not reinvested in the business is issued as a dividend to its municipal shareholders.

Elexicon is entirely funded by the distribution electricity rates its customers pay.

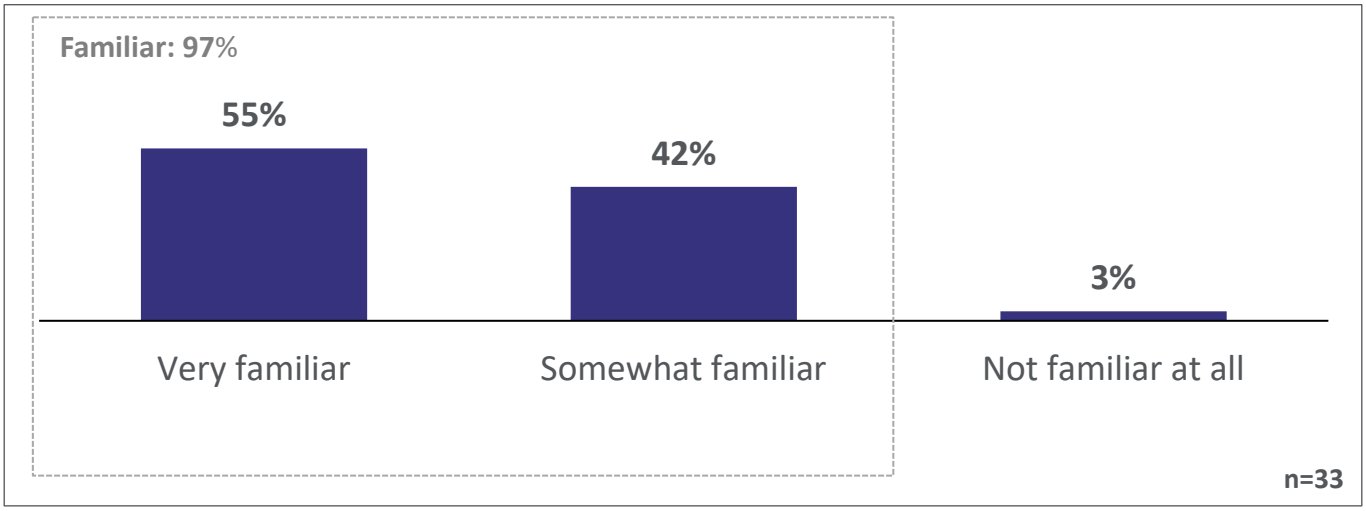
*Click on the video below to learn about **Elexicon's role in the electricity system***

WORKBOOK PAGE

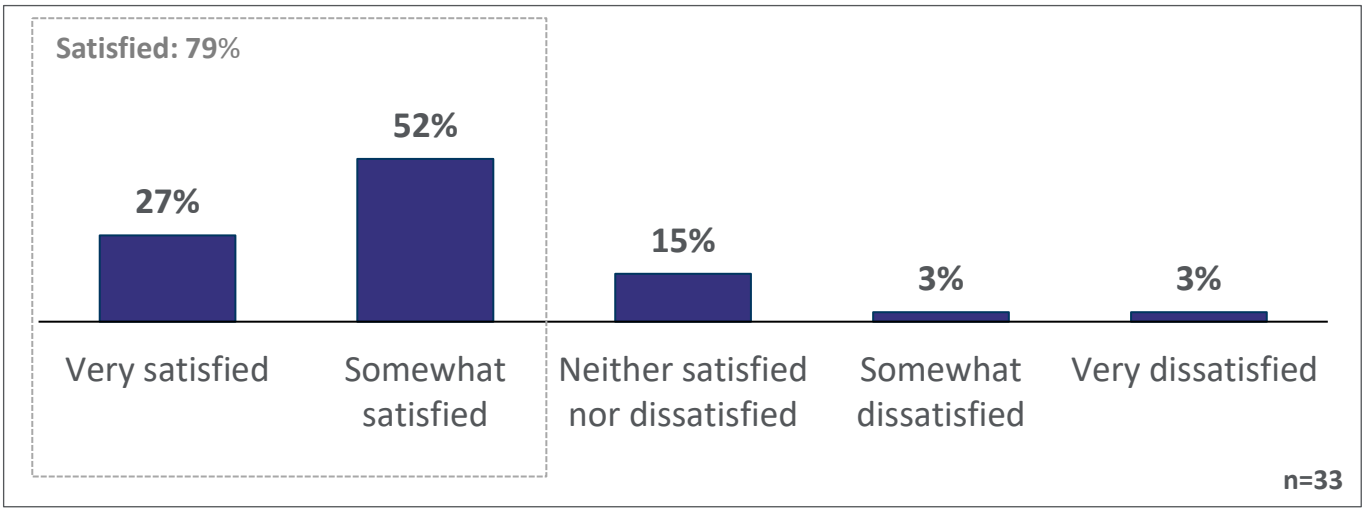
Phase II Online Survey
Satisfaction with Elexicon

GS>50 kW

Q How familiar are you with Elexicon, which operates the electricity distribution system in your community?



Q Generally, how satisfied or dissatisfied are you with the services you receive from Elexicon?



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Elexicon Customer Feedback Survey
Rates 101

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How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 7% ($931.24) of a typical large business electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

Typical Large Business Bill

Sample Elexicon Monthly Bill
(based on consumption of 75,000 kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

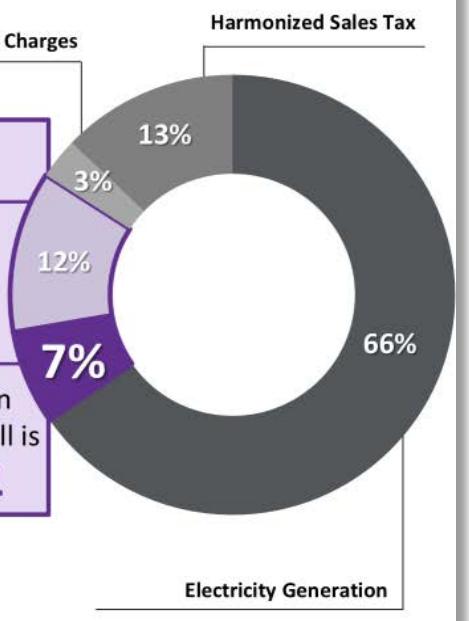
Meter Number:
00000000

Your Electricity Charges	
Electricity	8,458.97
Delivery	2,505.05
Regulatory Charges	464.08
Total Electricity Charges	**$11,428.11**
HST	1,485.65
Total Amount	**$12,913.76**

Note: The sample bill above uses an average consumption level of 75,000 kWh and 175kW demand per month, however your usage may vary above or below this assumed level. Chart may exceed 100% due to rounding.

Delivery:
Transmission, Line Loss, and Other Delivery: **$1,573.81**

Distribution: **Elexicon's** typical portion of the total bill is **$931.24**



WORKBOOK PAGE

Elexicon Customer Feedback Survey
Rates 101

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How Much of my Electricity Bill goes to Elexicon?

Every item and charge on your bill is mandated by the provincial government, or regulated by the OEB.

Elexicon collects payment for the entire electricity system, but only keeps the distribution portion of the **"Delivery"** charge. The delivery charge pays for both Elexicon's distribution system and the transmission system (run by other utilities), as well as other charges such as line losses (power that is lost when electricity travels across the wires).

About 9% ($1,180.39) of a typical large business electricity bill goes to Elexicon to pay for the local distribution grid. The remaining portion of the bill goes to generation companies, transmission companies, the federal and provincial governments, and regulatory agencies.

Typical Large Business Bill

Sample Elexicon Monthly Bill
(based on consumption of 75,000 kWh as of Jan. 1, 2025)

Account Number:
000 000 000 000 0000

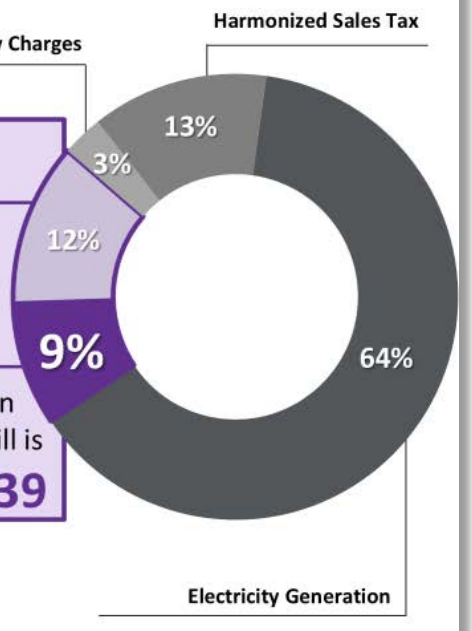
Meter Number:
00000000

Your Electricity Charges	
Electricity	8,436.38
Delivery	2,724.47
Regulatory Charges	462.84
Total Electricity Charges	**$11,623.69**
HST	1,511.08
Total Amount	**$13,134.76**

Note: The sample bill above uses an average consumption level of 75,000 kWh and 175kW demand per month, however your usage may vary above or below this assumed level. Chart may exceed 100% due to rounding.

Delivery:
Transmission, Line Loss, and Other Delivery: **$1,544.08**

Distribution: **Elexicon's** typical portion of the total bill is **$1,180.39**



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Who Holds Elexicon Accountable?

ONTARIO ENERGY BOARD

The **Ontario Energy Board (OEB)** is the public interest regulator responsible for setting electricity distribution rates and charges and for protecting customers in Ontario.

When a distributor, like Elexicon, applies to change its rates, the OEB holds an open hearing. An open hearing is a quasi-judicial process where experts and representatives of different customer and interest groups evaluate the detailed assumptions in a distributor's plan to ensure they are valid and that rates are just and reasonable.

The OEB invites advocates representing a variety of consumer groups, such as:

As a regulator, the OEB holds Elexicon accountable when it comes to:

- How it spends your money on current and future infrastructure and services.
- Reporting on key outcomes (e.g. reliability, safety, finances) through an annual scorecard.
- Finding savings and efficiencies to help offset rising costs.

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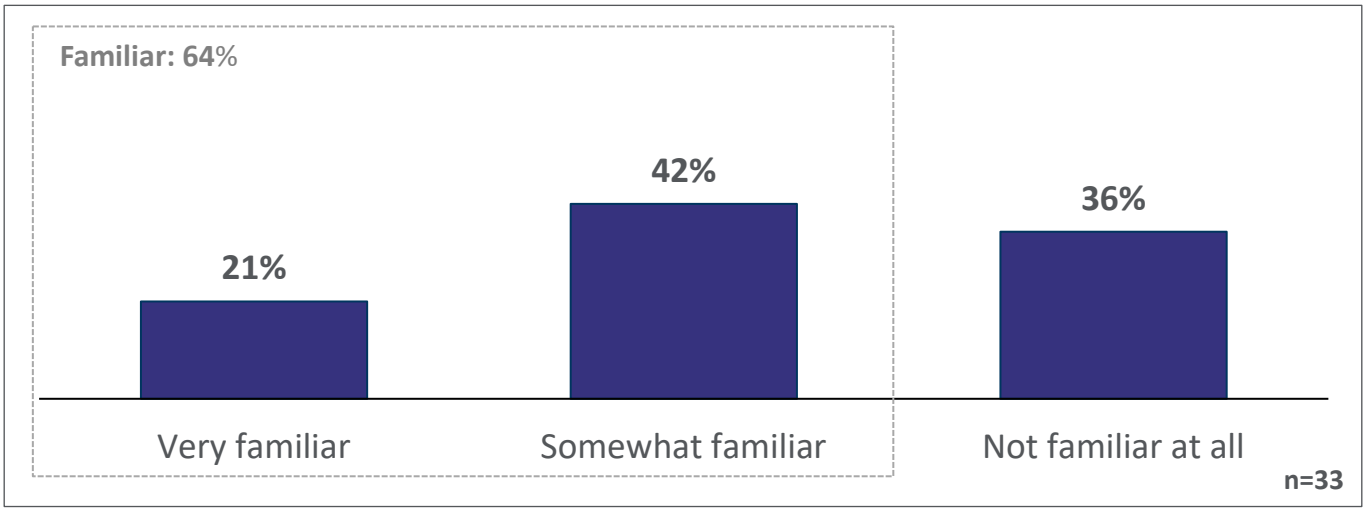
Phase II Online Survey
Familiarity with Electricity Bill

GS>50 kW

Q Before this survey, how familiar were you with the amount of your electricity bill that went to Elexicon?



Elexicon Customer Feedback Survey
The Future of the Grid

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Challenges Facing the Grid

Elexicon is facing a number of challenges that will impact the service customers receive. These challenges are putting pressure on the system, requiring more resources, new solutions and growing costs to manage. These challenges include:

- building electrical capacity to enable communities to grow;
- replacing deteriorating infrastructure;
- building a more resilient grid to withstand extreme weather events;
- responding to evolving customer electricity needs; and
- managing rising costs.

Elexicon has prepared its 2027-2031 draft plan to address these existing and emerging challenges head on and continue to deliver safe and reliable electricity at a reasonable cost.

Key Challenges Facing Our System:

To learn more about what Elexicon must consider in preparing its draft plan, click on the key challenges listed below:

- Providing capacity for growing communities
- Fixing and replacing deteriorating infrastructure
- Responding to extreme weather events
- Enhancing cyber security to mitigate threats
- Preparing for changing customer needs
- Responding to rising costs

WORKBOOK PAGE

Learn More

Key Challenges Facing our System:

Providing capacity for growing communities

- Elexicon serves a diverse mix of urban, suburban, and rural areas, each with their own challenges and growth patterns.
- Durham Region is one of the fastest growing regions in Canada. The population is expected to double to 1.3 million over the next 25 years.
- Belleville is also expanding quickly – not only due to new residential growth, but a thriving industrial and manufacturing sector that will require additional electrical capacity for continued growth.
- As Elexicon's service territory continues to grow, there is an increasing need to expand and enhance the capacity of its distribution system to power new residential and commercial buildings, manufacturing facilities and other major projects.

Fixing and replacing deteriorating infrastructure

- Effective management of equipment is critical to the safe, reliable and efficient delivery of electricity to our customers.
- Much of Elexicon's grid was built out in the 1970s and 1980s and needs to be replaced or upgraded.
- For example, nearly 19% of assets have surpassed their expected service life, raising safety, environmental, and reliability concerns. Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- If aging infrastructure is left unaddressed, there will be a higher risk of more frequent and longer unplanned outages caused by equipment failure.

Responding to extreme weather events

- Extreme weather events, such as derechos, extreme winds, high heat, flooding, record-setting snowfalls, and ice storms, are increasingly straining and damaging Elexicon's electricity distribution system.
- Elexicon will need to increasingly invest in resilience through a broad suite of measures, such as hardening assets to withstand extreme weather; reconfiguring networks to add greater redundancy; and enhancing vegetation management in areas with heavy tree coverage.

Enhancing cyber security to mitigate threats

- Cybercrime is on the rise across Canada and around the world. Utilities are high-value targets for malicious actors. Elexicon must enhance the security of its IT systems to mitigate this risk.
- Elexicon continues to invest in cybersecurity to prevent cyberattacks that could compromise operations and put customer data at risk.

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Preparing for changing customer needs

- Customers are adopting new technologies such as heat pumps, electric vehicles, solar panels, battery storage, and energy efficiency tools.
- Elexicon is upgrading and modernizing the grid so customers – when they are ready – can connect these new technologies, safely and reliably.

Responding to rising costs

- Customers are concerned about the rising cost of living. Elexicon must find the right balance between the investment needs of the local grid and the financial needs of its customers.
- Elexicon provides information and resources to help customers conserve energy, be more efficient and find incentives that work for them.
- Like many businesses, Elexicon also faces rising costs of purchasing essential equipment for the grid and supporting new construction in the communities it serves.

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Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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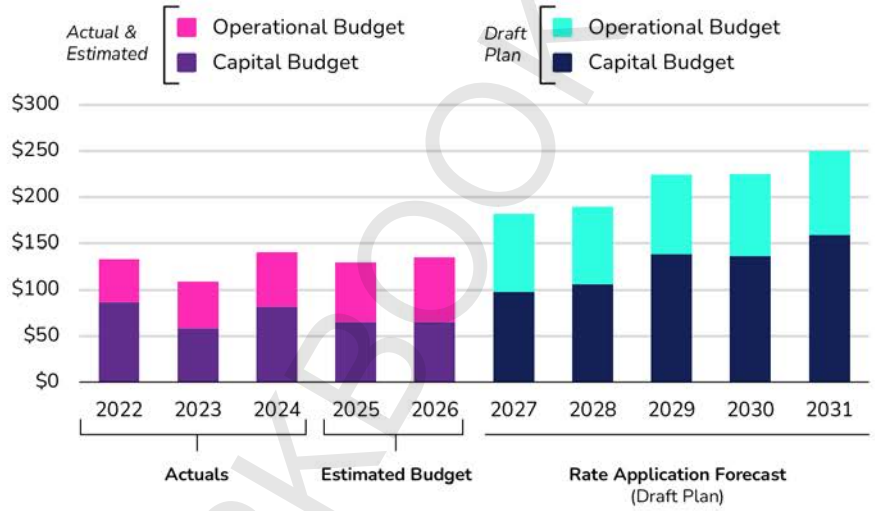
Costs of Running the Local Grid

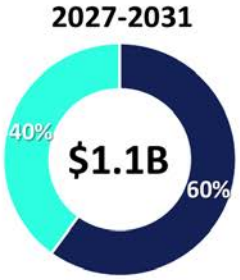
Like most businesses, Elexicon manages both an operating budget and a capital budget.

- The **operating budget** covers recurring expenses, such as the maintenance of assets and tools, customer services, running all business systems and processes, as well as the cost of employees who ensure these activities are completed.
- The **capital budget** includes the costs to build the system, such as the overhead and underground infrastructure, computers and information systems, vehicles and facilities. These items, once purchased, will provide long-term benefits for many years to come.

Actual and Forecasted Budgets per year ($ millions)



The above investments will result in a funding requirement of **$1.1 billion** from 2027-2031. The final budget for 2027-2031 will be adjusted to reflect customer feedback collected through this survey and any necessary adjustments prior to filing with the OEB. The OEB and other stakeholders will complete an extensive review before rates are set for 2027-2031.



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Why has Elexicon's Forecasted Budget Increased so Much?

Elexicon is requesting a significant rate increase in 2027 to fund system investments that are needed to maintain the safe and reliable delivery of electricity to its customers.

The municipalities served by Elexicon are growing in both population and electricity usage, and have been for over the past decade. These changes increase the costs of maintaining the grid, requiring changes to current funding levels.

...these challenges include:

Increasing costs of key materials (e.g. poles, transformers) that have exceeded overall levels of inflation.

Increasing investment needed to address deteriorating assets.

Increasing demand from individual customers using more electricity than ever before.

Increasing requests to build new assets to facilitate housing and economic growth.

Every four to five years, most electricity distributors apply to increase their delivery rates by more than inflation to help pay for major capital projects, and operating expenditures. However, Elexicon's rates have been held at inflationary levels for more than decade, although the utility's costs have been increasing to address these challenges previously noted.

Elexicon is operating and maintaining its system with rates based on costs set over a decade ago.

Elexicon's predecessor utilities (*Veridian Connections* and *Whitby Hydro*) had not "rebased" (updated rates) in many years when Elexicon was formed. Veridian last rebased its rates in 2014, while Whitby Hydro last rebased in 2011. Since then, Elexicon's customers have benefited from stable delivery rates that have changed primarily to keep up with inflation.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical large business customer would see the distribution portion of their monthly electricity bill increase by **$447.96** from an estimated rate (price) of **$1,312.11 in 2026** to a proposed rate (price) of **$1,760.07 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$12,913.76	$11,982.52	$931.24	n/a	n/a
BUDGETED	2026	$13,444.81	$12,132.70	$1,312.11	40.9%	$380.87
RATE PERIOD	**2027**	$13,465.70	$12,226.94	$1,238.76	-5.6%	-$73.35
	2028	$13,718.21	$12,390.96	$1,327.26	7.1%	$88.50
	2029	$14,017.78	$12,562.94	$1,454.85	9.6%	$127.59
	2030	$14,355.56	$12,750.60	$1,604.97	10.3%	$150.12
	2031	$14,693.89	$12,933.82	$1,760.07	9.7%	$155.11
	5 Year Impact			**$447.96**	**34.1%**	**$447.96**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical large business customer is assumed to use 75,000 kWh per month and a demand of 175 kW.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

elexicon ENERGY

How Much will Elexicon's Draft Plan Cost Me?

At the end of the five-year plan (2031), the typical large business customer would see the distribution portion of their monthly electricity bill increase by **$418.86** from an estimated rate (price) of **$1,341.22 in 2026** to a proposed rate (price) of **$1,760.07 by 2031**.

				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$13,134.76	$11,954.37	$1,180.39	n/a	n/a
BUDGETED	2026	$13,415.20	$12,073.98	$1,341.22	13.6%	$160.83
RATE PERIOD	**2027**	$13,806.60	$12,242.33	$1,564.28	16.6%	$223.06
	2028	$13,983.14	$12,397.60	$1,585.54	1.4%	$21.26
	2029	$14,201.57	$12,560.25	$1,641.33	3.5%	$55.78
	2030	$14,443.47	$12,736.88	$1,706.60	4.0%	$65.27
	2031	$14,666.96	$12,906.89	$1,760.07	3.1%	$53.48
	5 Year Impact			**$418.86**	**31.2%**	**$418.86**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical large business customer is assumed to use 75,000 kWh per month and a demand of 175 kW.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

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Learn More

2026 Rate Increase

In 2025, Elexicon will be filing a request to the OEB for additional **capital funding** and collection of **tracked costs**.

The **additional capital funding** requested will be used to **pay for urgent projects** including the construction of an additional transformer station to address capacity constraints and the replacement of another critical sub-station.

The **tracked costs** are associated with operational and compliance requirements, or changes to government and OEB policy that impact Elexicon. As utilities set rates for several years, the OEB gives them permission to track certain unexpected costs and recover these costs in future years. Elexicon has accumulated large balances since 2014 due to a variety of operational changes and will be seeking to collect these costs in 2026. **Recovering these costs in 2026 will prevent a larger rate increase in 2027 when Elexicon rebases.**

As with any of the utility's costs, Elexicon must justify they are reasonable before they collect these amounts from customers.

Elexicon's 2026 application is different from the 2027-31 Rate Application (the current *Draft Plan* to which we're asking you to provide feedback) and will be evaluated by the OEB separately in the summer of 2025.

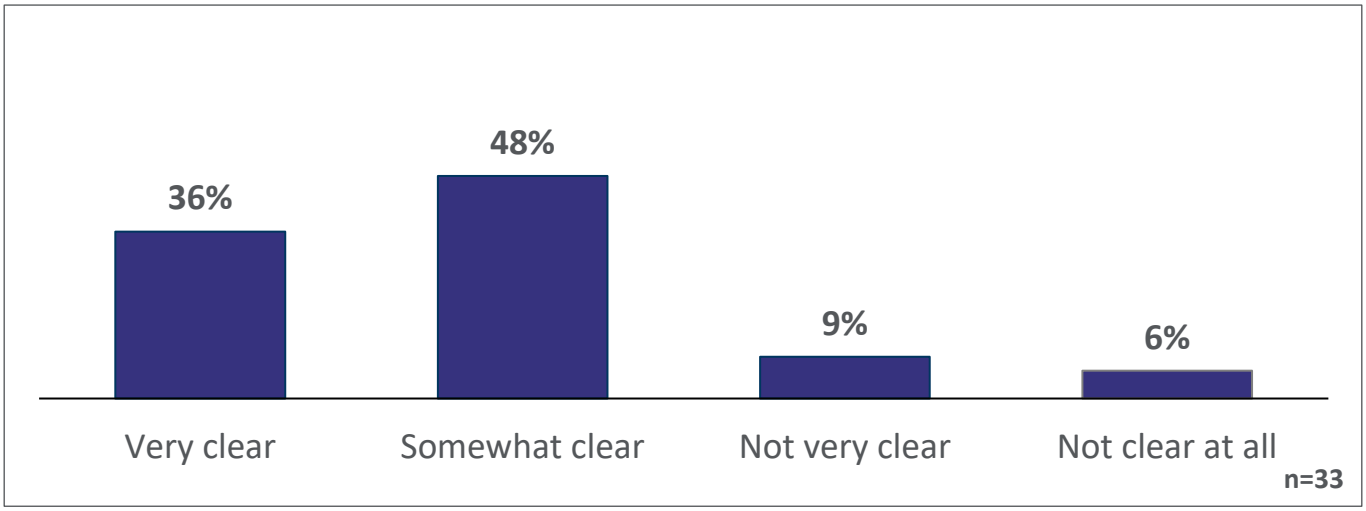
Later in this survey, **we explain the forecasted growth that will impact the local distribution system** in greater detail.

WORKBOOK PAGE

Phase II Online Survey
Cost of the Draft Plan

GS>50 kW

Q Is it clear how much the draft plan could cost you?



Elexicon Customer Feedback Survey
Finding Efficiencies

elexicon ENERGY

Finding Operating Efficiencies

Elexicon continues to focus on productivity and continuous improvement initiatives to offset rising costs and deliver better performance.

Elexicon's costs are reported every year to the OEB and benchmarked against other distribution companies in Ontario. Based on publicly available data from the OEB, **Elexicon's total cost per customer averaged $266** over the last three years of available data. This was, and historically has been, lower than the **average cost of $362 per customer** across utilities in Ontario.

Six Largest Provincial Electricity Distributors: Operating Cost per Customer
Source: 2021 – 2023 OEB Yearbook of Electricity Distributors (3-year average)

*Want to know more about how Elexicon is finding ways to use customer dollars efficiently? Click **here** to learn more.*

WORKBOOK PAGE

Learn More

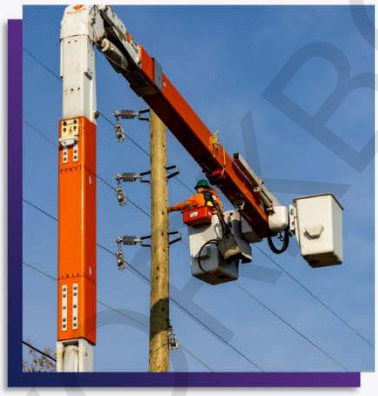
What has Elexicon Done to Become More Efficient?

Elexicon has been working hard to find efficiencies to offset rising costs and continues to do so.

Finding Efficiencies through the Merger

By merging Veridian Connections and Whitby Hydro in 2019, Elexicon has realized millions of cost savings through consolidation synergies, which have helped keep rates in line with inflation despite the challenges noted previously.

As a larger utility, Elexicon can make investments that would have been more expensive per customer for the previous utilities. For example, the merger of Veridian Connections and Whitby Hydro enabled the Smart Grid project in which Elexicon implemented tools to allow for better data acquisition, system monitoring, and grid control. Better system control means Elexicon can respond to outages and restore power faster when equipment is damaged or knocked offline.



As a merged utility, Elexicon has generated approximately $6M in savings related to operational expenses between 2019 and 2024. Elexicon eliminated duplicative service contracts, licensing fees, and memberships. Elexicon also leveraged the internal resources of one entity to serve the needs of the larger entity (e.g. fleet maintenance resources). Furthermore, as a merged utility, Elexicon avoided costs that would have been incurred by both utilities related to new compliance requirements, the adoption of new programs, and the implementation of new tools (e.g. software, websites).

Finding Efficiencies Today

Elexicon is investing in its IT systems not only to protect against cyber security risks, but to also enable ongoing efficiencies that help run the local grid, such as:

- Automating manual processes.
- Improving data availability to better identify opportunities to reduce costs and be more efficient.
- Intelligent planning and better scheduling of work resources.
- Offering additional online self-service tools and better interactions for customers.

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Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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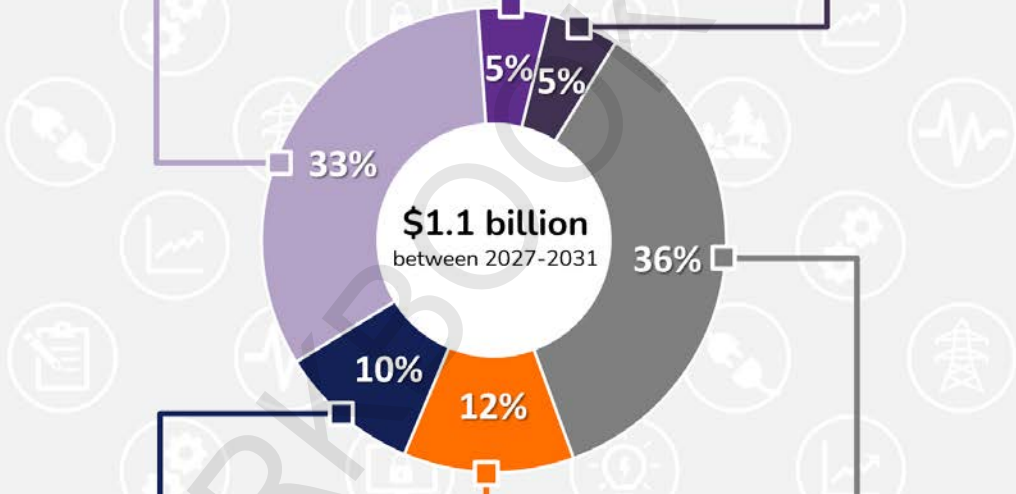
Elexicon's Draft Plan

Elexicon's five-year 2027-2031 draft plan consists of five key investment categories, totaling an estimated $1.1 billion between 2027 and 2031.



Renewing the System

Infrastructure Renewal [33%]

Mitigating safety and reliability risks posed by deteriorated equipment.

Building a Better Grid for the Future

Metering [5%]

Upgrading meter equipment to move towards greater functionality.

Modernization [5%]

Enhancing the grid to increase efficiency and reliability.

Strengthening Grid Resilience

Grid Resilience [10%]

Hardening the grid to better withstand extreme weather events.

Running the Business

General Plant [12%]

Maintaining equipment that enables our crews and employees to work safely and efficiently.

Enabling Growth

Growth [36%]

Ensuring the system has enough electrical capacity to meet future demand.

Note: Chart equals to 101% due to rounding.

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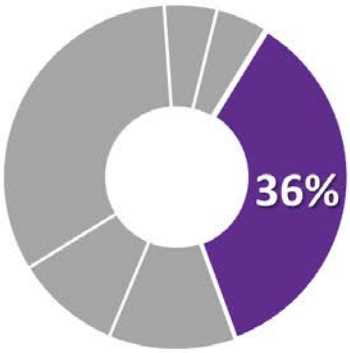
Non-Discretionary Investments

All proposed spending and investments in Elexicon's draft plan are regarded as necessary to provide customers with the services they require today and in the future. However, federal, provincial and municipal governments as well as regulators set requirements and standards that Elexicon is required by law to satisfy.

Ensuring the system has enough electrical capacity to meet future demand is an example of non-discretionary investments.

The Growth investment category represents 36% of Elexicon's 2027-2031 draft plan



Elexicon has a legal obligation to serve customers who want to connect to the grid and to comply with this obligation it must ensure there is sufficient system capacity to support **economic development, transit projects, and new construction**. At the end of the day, Elexicon needs to be ready for when its customers require additional power.

Since the **Growth** investment category consists largely of non-discretionary investments, Elexicon's does not have options to offer customers. The costs are estimated based on what it will be required to build.

The Growth investment category is driven by the following challenges:

Population Growth: The population of some communities in Elexicon's service territory, such as Durham and Belleville, are expected to double to 1.3 million people over the next 25 years.

Economic Growth: New industries, plazas, and small businesses all require additional electrical capacity for their continued success and to enable economic growth in our communities.

Electrification: The adoption of electric devices has increased demand from existing customers, which is expected to rise by 17% between 2025-2031, double the increase of the previous 7 year period.

*Want to know more about Elexicon's Growth investment category? Click **here** to learn more.*

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Phase II Online Survey

Workbook Page 8 (pop-out)

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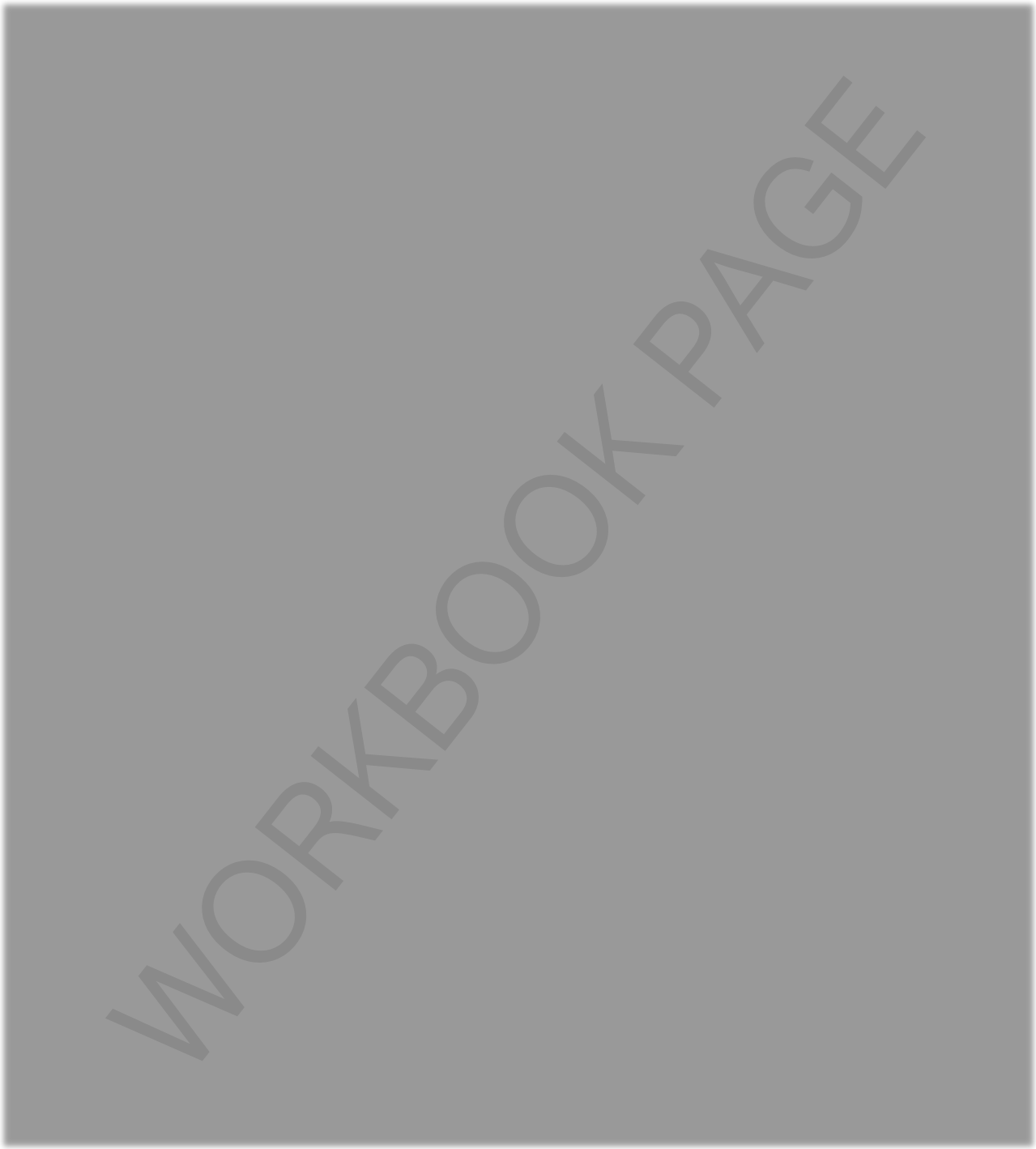

Phase II Online Survey

Workbook Page 8 (pop-out)

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Building a Bigger Grid Takes Time

It's easy to say our communities need more electricity, but meeting this need requires Elexicon to look to the future and make major investments in the grid, including:

- **Expanding Infrastructure:** New transformer stations, substations, and new lines will be added to ensure there is sufficient capacity in the system to meet customer demand.
- **Connecting Customers**: Elexicon is required by law to connect new customers to the grid when they request new connections or service upgrades, while ensuring the grid can meet future demand. While connecting customers contribute to their cost to connect to the system, regulatory requirements require that some costs are covered by Elexicon.
- **Relocating Infrastructure**: Elexicon is also required by law to relocate its overhead power lines, underground cables, and transformers to accommodate major infrastructure projects such as expanded transit systems, road widening, and water and sewage projects.

This work cannot happen overnight. **Building new power lines and stations takes years of planning and construction**.

There are also **equipment** and **resource constraints** that limit how quickly Elexicon can build out a bigger grid.

WORKBOOK PAGE

Impact on Customers

Failure to invest in necessary energy infrastructure will have a cascading effect, hindering Elexicon's ability to meet the growing electricity demand of its customers.

- **Reliability and Outages:** An overloaded and outdated system will buckle under the pressure of increased demand, leading to frequent and widespread power outages, disrupting daily life, businesses, and essential services.
- **Economic Impacts:** Constraints on new connections and unreliable power will stifle economic growth and development, discouraging businesses and industries from investing in the region, ultimately affecting job creation and prosperity.
- **Environmental Consequences:** An inability to support electrification efforts will hinder the transition away from fossil fuels, resulting in increased greenhouse gas emissions and missed opportunities to embrace renewable energy sources.

Elexicon's *Growth* budget is based on a technical analysis of known system requirements.

Part of the role of the OEB is to assess if Elexicon has accurately and fairly estimated the costs of its non-discretionary work. The review process is open and transparent, and both interest groups and individuals can participate.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Elexicon's Draft Plan

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Providing Feedback on Elexicon's Draft Plan

In the next several pages, you will have a chance to provide your input on five key choices that will impact Elexicon's draft plan.

Your time is valuable. While many people find this information interesting, if you would prefer to skip over the background information, you can jump right to the key choices.

How Do I Make Choices?

Each investment choice has up to three options that Elexicon would like you to consider:

Spend More: A higher spending option that makes additional progress towards better outcomes while recognizing practical limits due to resources and construction issues.

Draft Plan: The option currently in the draft plan. This reflects the planning team's assessment of the right balance between competing priorities and is not necessarily the spending mid-point.

Spend Less: A minimum spending option that keeps prices lower and meets the basic requirements but may entail some trade-offs on key performance outcomes, such as reliability.

In addition to these options, you are welcome to add additional feedback in the comment boxes below each choice.

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Phase II Online Survey
Clarity on Costs and Outcomes

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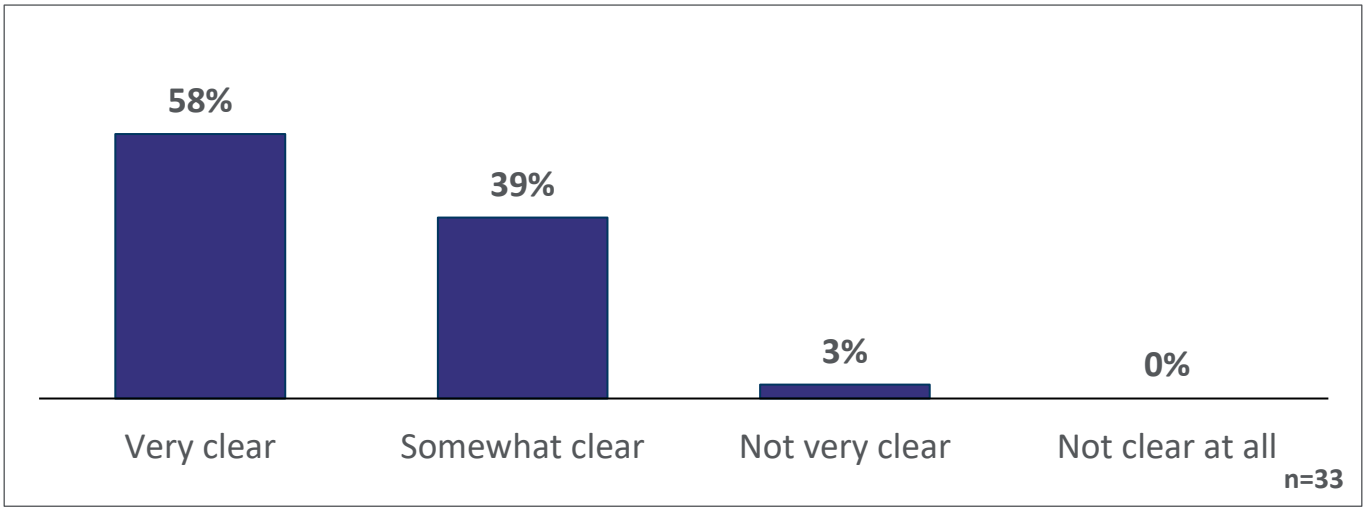
Q Is it clear that you can select the option that best reflects your personal view of the best balance between costs and outcomes?

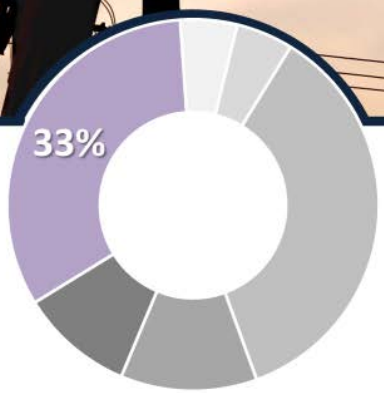


Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

elexicon ENERGY

Renewing the System

Replacing and upgrading key assets and infrastructure



What is this Section About?

Mitigating the safety, environmental and reliability risks posed by deteriorating assets and infrastructure at their end of life.

There is **one choice** in this section where Elexicon needs your input:

1 Infrastructure Renewal

Renewing the System makes up 33% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $165.51 of the proposed $447.96 increase in distribution rates by 2031.

VRZ: $447.96
WRZ: $418.86

VRZ: $165.51
WRZ: $154.75

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Infrastructure Renewal

elexicon ENERGY

1 Infrastructure Renewal

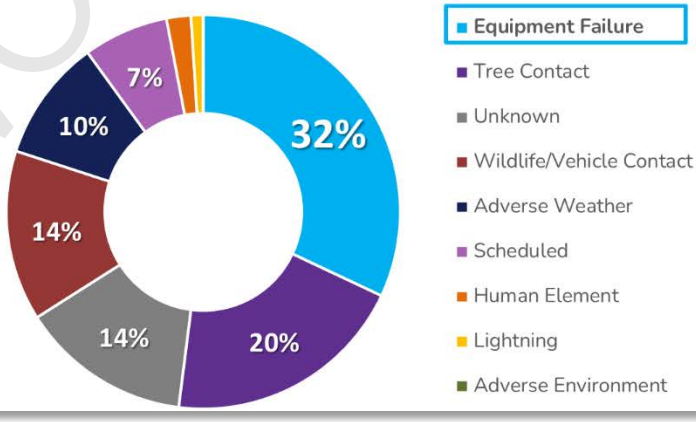
Overview

Elexicon owns many types of wires, conductors, and poles that get power from the transmission system to customers' homes and businesses. Infrastructure renewal addresses the risk posed by these assets when they age, deteriorate and break down. This is an important part of the plan when it comes to maintaining reliability and efficiency in the electrical grid.

- **Nearly 19% of Elexicon's assets have surpassed their expected service life, raising safety, environmental, and reliability concerns.**
- Over the next five to ten years this will rise to nearly 28% if proactive replacement is not taken today.
- As infrastructures ages and deteriorates, equipment failure is more likely to occur, leading to safety and environmental risks, as well as more frequent and longer power outages.

Roughly **32%** of customer outages are caused by equipment failure. This is the largest single cause of power outages across Elexicon's service territory.

Customer Outage Duration (Hours) 2022-2024

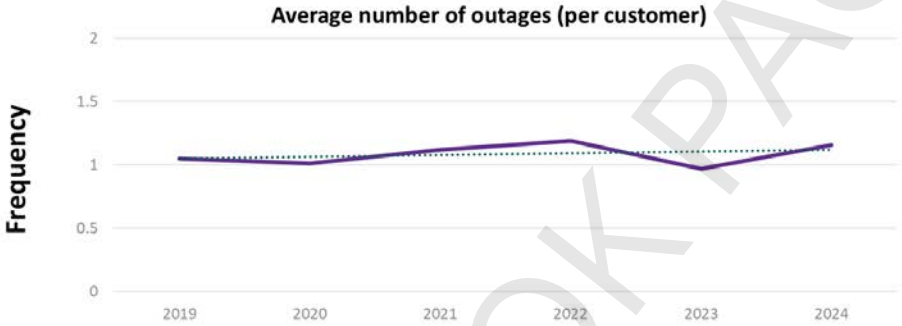


WORKBOOK PAGE

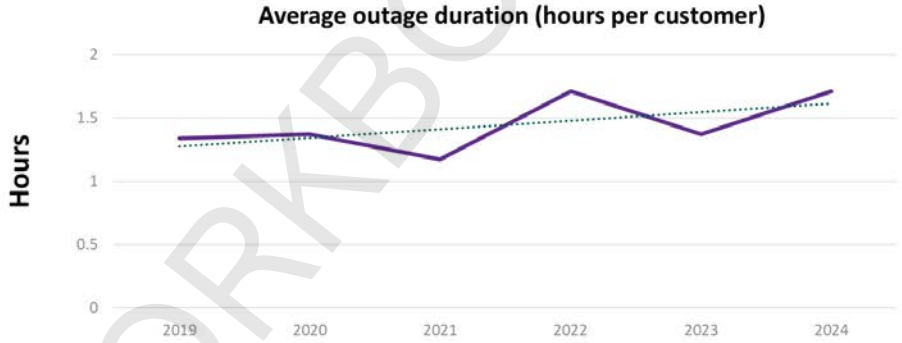
Customer Impact

Elexicon recognizes that power interruptions are inconvenient for residential customers and can be costly for commercial and industrial customers. **As such, a core objective of Elexicon's plan is to restore current levels of reliability to past performance over the 2027-2031 plan period.**

Between 2019 and 2024, the typical Elexicon customer experienced about **one** outage per year.



However, over the same period, the average **length** of time customers are without power has been increasing. In 2024, the typical Elexicon customer was without power for 103 minutes.



Note: It's important to keep in mind that these are system averages, and that your actual experience may be different. Some customers connected to newer lines may not experience any outages, while others are experiencing more than the average number of outages each year.

Delaying the replacement of deteriorating infrastructure and equipment, will likely result in more frequent and longer power outages.

Furthermore, reactive equipment replacement (where equipment has failed and must be replaced immediately) is significantly more expensive than proactive, planned equipment replacement.

WORKBOOK PAGE

VRZ: $165.51
WRZ: $154.75

Choice 1 of 5:

By 2031, Elexicon's draft plan on **infrastructure renewal** would cost the typical large business customer **$165.51** more per month on their monthly electricity bill. Elexicon could spend more to reduce the risk of outages and improve reliability, or they could spend less and risk the potential for an increase in power outages over time.

How much do you think Elexicon should invest in infrastructure renewal?

	Spend Less	Draft Plan	Spend More
	Partially address deteriorating assets	*Targeted replacement of deteriorating assets*	*Replace a significant portion of deteriorating assets*
Grid Health	Decline in overall health of the system by 2031	Maintain the overall health of the system by 2031	Improve the overall health of the system by 2031
Reliability	Overall system reliability would likely worsen by 2031	Prevent further decline in reliability and restore performance by 2031	Reduce risk of outages and improve performance by 2031
Future Costs	Higher reactive costs in the future since more assets will be left unaddressed and will need to be replaced reactively when they fail	Lower reactive costs since there will be fewer failures and one-off replacements	Significantly lower reactive costs in the future
Rate Impact *per month by 2031*	$156.13	$165.51	$212.01
	VRZ: $156.13 WRZ: $145.99	VRZ: $165.51 WRZ: $154.75	VRZ: $212.01 WRZ: $198.23

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Phase II Online Survey

Choice 1: Infrastructure Renewal

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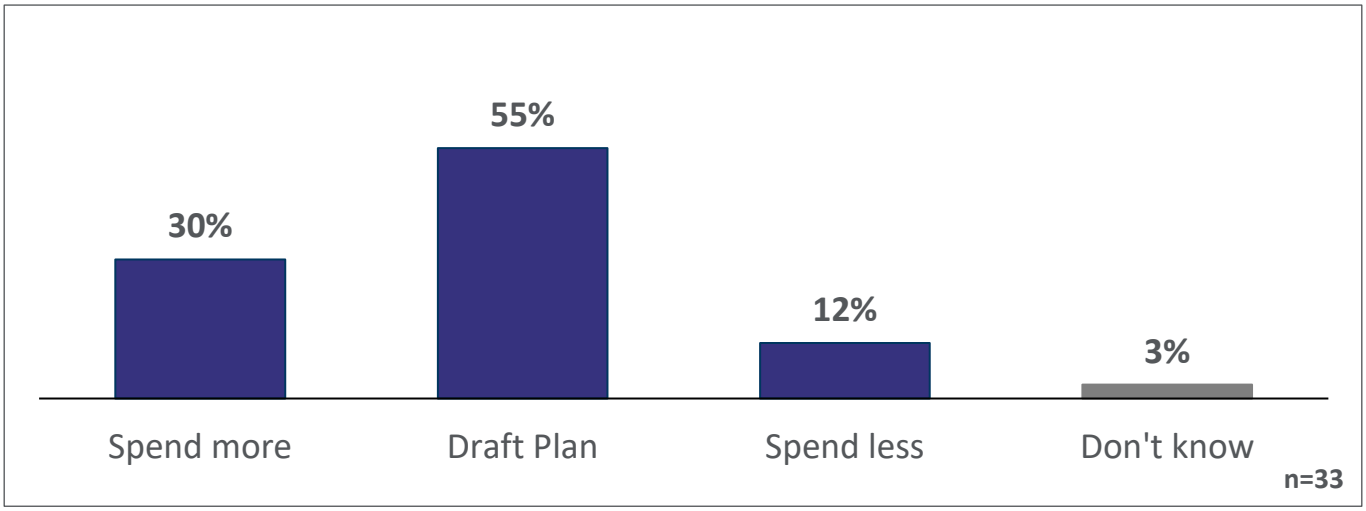
Q How much do you think Elexicon should invest in infrastructure renewal?



Phase II Online Survey

Choice 1: Infrastructure Renewal – Feedback

GS>50 kW

Q Do you have additional feedback on Elexicon's draft plan for infrastructure renewal? [OPEN]

Response	Frequency
Willing to pay more for improved reliability	2
Customers shouldn't pay for investments	1
Find efficiencies instead of customers paying more	1
Distrust in the engagement/rate increases are inevitable	1
Concerns over impacts of tariffs	1
Invest now to save money later	1
Poor planning from Elexicon	1
Not interested in subsidizing improvements/only customers affected should pay	1
None/Don't know	24

Understanding Metering & Modernization: Changing Technology, Changing Needs

For the last 100 years, things have changed relatively slowly in terms of grid technology. Electricity was generated in large power stations and transmitted from around the province to Elexicon's grid, and ultimately to our homes and businesses. Thanks to grid advancement, how we monitor and control the flow of electricity has dramatically improved. With the right investments our customers can benefit from improved reliability, and better service.

Elexicon's 2027-2031 draft plan includes technologies that change how Elexicon operates the grid.

Smart grid technology like sensors, advanced metering, and automation enable Elexicon to monitor key equipment to prevent outages and get better use out of existing equipment.

When outages do occur, this technology can re-route the grid to restore power much more **quickly** and at a **lower cost** than today.

Greater **visibility** means Elexicon can do things like remotely detect variances in voltage, preventing outages and damage to customer equipment.

When these devices signal that a customer has lost power, modern switches allow Elexicon to restore power from the control room without needing to send a truck out to find the fault.

Eventually, customers will have access to a 'two-way system' that allows customers to sell the electricity they generate back to the grid. Grid automation and visibility modernization upgrades are necessary to enable this technology in the future.

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Metering

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Overview

Elexicon owns approximately 180,320 customer meters, with 83% operating beyond their service life. As meters break, Elexicon has the option of replacing them with the same meter, or installing an upgraded meter that can enable better reliability and customer features.

Both types of meters rely on communication systems for automatic meter reading and detecting outages. Since the merger, Elexicon has been managing with two legacy communication systems that must soon be replaced. Elexicon's draft plan will replace the meters themselves, as well as upgrade to a centralized metering communication system, which will allow Elexicon to better detect problems and respond to outages.

Metering is a critical component of Elexicon's modernization plan, and our goal to reduce outage times. Elexicon needs to understand the preferences of customers when it comes to the pace of these upgrades.

Why Replace Meters Now?

- The current meters are at risk of failing at increasing rates.
- Elexicon has prepared a plan to address large groups of meters, saving costs on labour and unlocking new benefits for customers like enhanced outage detection.

WORKBOOK PAGE

Customer Impact

Meter Replacement will impact customers in the following ways:

- **Restoration impacts**: Upgraded meters and metering system provides Elexicon with better visibility into where outages are occurring, so that Elexicon can respond faster to resolve the outage.
- **Capacity impacts**: With upgraded technology and new meters, Elexicon can better understand usage patterns and peak times, allowing for smarter planning and ensuring sufficient capacity for the future.
- **Cost considerations:** If Elexicon defers investments in metering, the short-term costs for customers are lower. However, pushing replacements into the future also means less cost certainty and more costly upgrades later.

Elexicon's draft plan spreads out the upgrades over approximately eight-years and prioritizes upgrading those meters at highest risk of failure.

For this choice, Elexicon needs to decide whether to:

a) spend more and complete upgrades by 2031;

b) follow the draft plan and complete upgrades by 2034, or

c) spend less and defer all upgrades until after 2031.

If all upgrades are deferred until after 2031, Elexicon will continue to replace failed meters but will be unable to modernize its grid and reduce outage times for customers.

WORKBOOK PAGE

VRZ: $25.59
WRZ: $23.92

Choice 2 of 5:

By 2031, Elexicon's draft plan on **metering** would cost the typical large business customer **$25.59** more per month on their monthly electricity bill. Elexicon could spend more to replace almost all meters and fully implement the smart grid by the end of 2031, or Elexicon could spend less and only replace meters as they fail, deferring all technological upgrades until after 2031.

How much do you think Elexicon should invest in metering?

	Spend Less	Draft Plan	Spend More
	Replace meters with the same technology, and only when they fail	*Replace most meters with newer technology by 2034*	*Replace all meters with upgraded technology by 2031*
Future Costs	Lower upfront costs, but upgrading meters in the future will come at a higher cost	Balance upfront costs of large meter replacements by pacing technology upgrades	Invest in upgraded technology at scale, saving labour and material costs
Reliability	No upgrades to customer devices that enable outage detection	Upgrade most meters, and the communication system, allowing for outage detection on most customer devices by 2034	Upgrade all meters, and the communication system, to allow for outage detection on all customer devices by 2031
Rate Impact *per month by 2031*	$19.57	$25.59	$47.34
	VRZ: $19.57 WRZ: $18.30	VRZ: $25.59 WRZ: $23.92	VRZ: $47.34 WRZ: $44.27

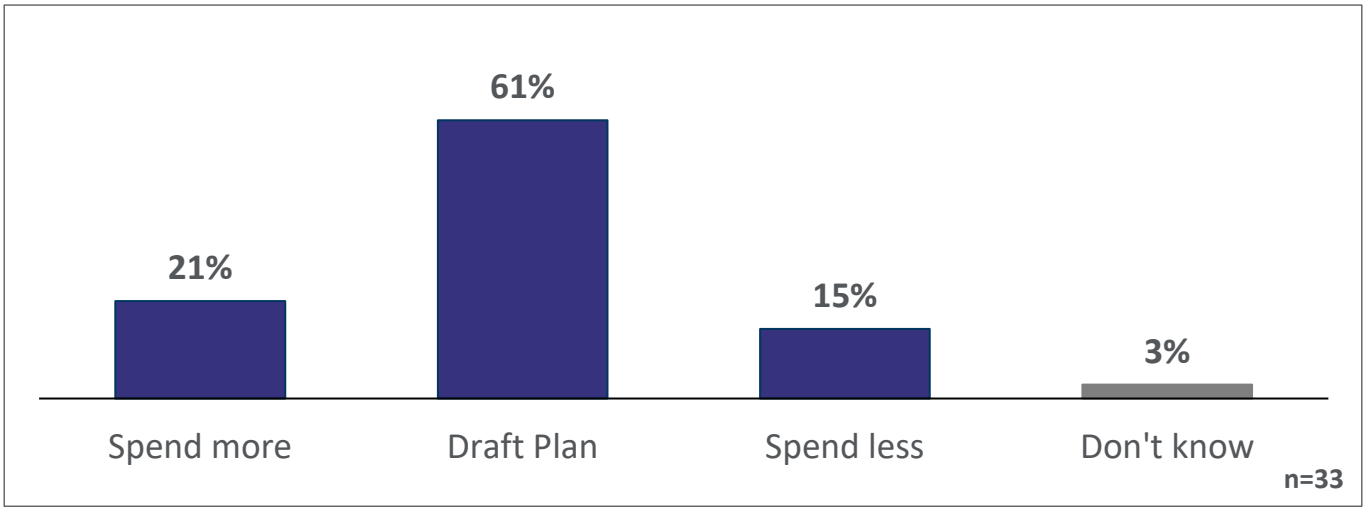
WORKBOOK PAGE

Phase II Online Survey

Choice 2: Metering

GS>50 kW

Q How much do you think Elexicon should invest in metering?



Phase II Online Survey

Choice 2: Metering – Feedback

GS>50 kW

Q Do you have additionall feedback on Elexicon's draft plan for metering? [OPEN]

Response	Frequency
Willing to pay more for improved reliability	1
Financial strain/tariff concerns	1
Skeptical of smart meters	1
Offer alternative/more innovative energy solutions	1
None/Don't know	29

Elexicon Customer Feedback Survey
Making Choices: Modernization

elexicon ENERGY

Overview

Elexicon is proposing to invest in field technology and back-end systems to improve how the grid functions and develop a smarter grid of the future that will benefit all customers.

Elexicon's Grid would:

1. **Reduce duration of outages by quickly identifying the cause and minimizing the number of customers impacted during restoration;**
2. **Ensure customers can connect more local generation;**
3. **Improve visibility into grid operations to ensure crews can operate safely and efficiently.**

Elexicon recognizes that not all technologies and grid upgrades can be deployed immediately, and we need to choose the order and pace of our investments to align with what will bring value to our customers.

Speed Up Power Restoration with Fault Location Isolation and Service Restoration (FLISR)

A "fault" or problem with the flow of electricity can "trip" or "turn off" a large section of Elexicon's grid.

By installing an FLISR system, Elexicon can remotely restore power to areas that may be affected by the outage. This reduces the amount of time customers are without power.

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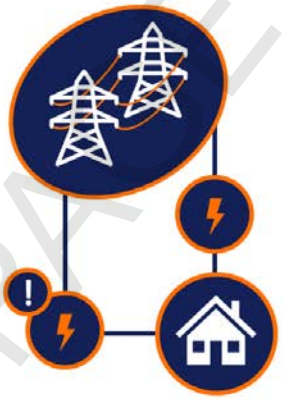
Detecting Faults with Communicating Faulted Circuit Indicators (CFCIs)



CFCIs are intelligent sensors installed along power lines that detect faults and send data to Elexicon's System Control Center.

Elexicon can significantly reduce response times to outages. Advanced warning features also enable crews to perform proactive maintenance, preventing outages before they occur.

By enhancing fault detection and predictive capabilities, CFCIs improve service reliability, reduce outage durations, and strengthen overall grid resilience for customers.

Customer Impact

Elexicon has identified a range of technologies that can optimize our existing assets and infrastructure in the near term and provide customers greater choice to participate in the energy system in the future. Elexicon's draft plan uses a targeted approach, building the foundation for a network that can enable the **Grid of the Future** beyond 2031.

These investments will allow Elexicon to:

- Shorten the length of outages by detecting the source of the problem sooner and often turn the power back on remotely,
- Redirect crews to targeted areas that require manual repairs, rather than sending them out to search for the problem and thereby extending the length of the outage,
- Improve power quality, preventing damage to equipment and ensuring safe operations,
- Eventually, these investments will lay the groundwork to enable greater participation in the grid, connecting residential devices like solar panels, batteries, and electric vehicles to the system.

WORKBOOK PAGE

Choice 3 of 5:

VRZ: $22.03
WRZ: $20.60

By 2031, Elexicon's draft plan on **modernization** would cost the typical large business customer **$22.03** more per month on their monthly electricity bill. Elexicon could spend more to improve reliability and efficiency outcomes faster, or could spend less, deferring investments and improvements to these outcomes into the future.

How much do you think Elexicon should invest in modernization?

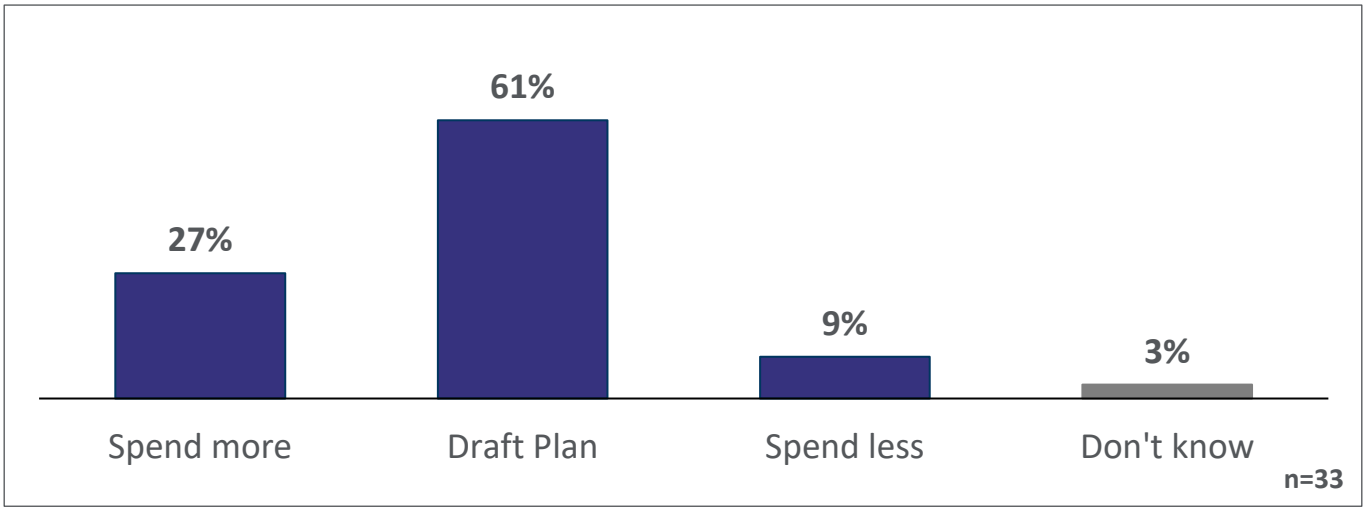
	Spend Less	Draft Plan	Spend More
	Defer investments to remote smart-grid technology	*Targeted investments in specific grid enhancing technology projects*	*Significant investment in smart-grid projects and non-wire solutions*
Reliability	No material improvements to reliability	Improve reliability and slightly reduce outage time	Significantly improve reliability and reduce outage time
Efficiency	Minimal material improvements to grid efficiency	Targeted investments and minor upgrades in grid infrastructure to test new technologies to improve efficiency	Significant upgrades to infrastructure lead to a more efficient grid
Rate Impact *per month by 2031*	$19.64	$22.03	$29.89
	VRZ: $19.64 WRZ: $18.37	VRZ: $22.03 WRZ: $20.60	VRZ: $29.89 WRZ: $27.01

WORKBOOK PAGE

Phase II Online Survey
Choice 3: Modernization

GS>50 kW

Q How much do you think Elexicon should invest in modernization?



Phase II Online Survey

Choice 3: Modernization – Feedback

GS>50 kW

Q Do you have additional feedback on Elexicon's draft plan for modernization? [OPEN]

Response	Frequency
Need more information/have questions	1
Invest now to save money later	1
Other	1
None/Don't know	30

Phase II Online Survey
Workbook Page 15

GS>50 kW

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

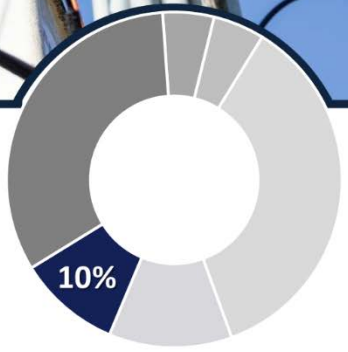
elexicon ENERGY

Strengthening Grid Resilience

Hardening the grid to better withstand extreme weather

What is this Section About?

Building a more resilient grid to better withstand adverse weather events



There is **one choice** in this section where Elexicon needs your input:

4 Grid Resilience

Strengthening Grid Resilience makes up 10% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $90.78 of the proposed $447.96 increase in distribution rates by 2031.

VRZ: $447.96
WRZ: $418.86

VRZ: $90.78
WRZ: $84.88

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: Grid Resilience

elexicon ENERGY

Overview

This section focuses on investments Elexicon will make to improve the resiliency of its system. Resiliency refers to the ability to withstand, adapt to, and recover from disruptions, such as an extreme weather event.

Elexicon aims to improve grid resilience by identifying high risk areas, ensuring critical functions remain intact during a major event, and recovering quickly.

The Impact of Adverse Weather on the Grid

Elexicon has experienced a series of severe weather events that affected a significant portion of its service territory over the years:

- **In May 2022**, 64,000 Elexicon customers lost power due to a severe weather event (a 'derecho' and subsequent tornado). This event resulted in an outage of over 24 hours (in some cases much longer), and required a full rebuild of one of Elexicon's main transformer stations.
- **In December 2022**, a lengthy outage due to wind and ice from a December blizzard affected one-third of our customers.
- **In late November 2024**, Gravenhurst received 140 centimeters of snowfall over two days. The heavy accumulation downed hydro poles and wires, causing widespread outages, affecting all 6,500 customers in the area. In some cases, customers were out of power for as long as a week.

WORKBOOK PAGE

Customer Impact

In anticipation of future extreme weather events, Elexicon can harden the grid in the following ways:

Remove hard to access rear lot connections that pose a higher risk of failure during major weather events, while also taking longer to repair.

Increase tree trimming to reduce likelihood that branches take out lines.

Install the latest standard equipment when replacing end-of-life assets.

Invest in grid monitoring devices and software that allow Elexicon to identify and isolate faults more quickly.

Enhance customer facing tools to improve communication during weather events.

Maintain software and replace of grid control equipment at its end-of-life.

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VRZ: $90.78
WRZ: $84.88

Choice 4 of 5:

By 2031, Elexicon's draft plan on **resilience** would cost the typical large business customer **$90.78** more per month on their monthly electricity bill. Elexicon could spend more to materially reduce the duration and frequency of outages, or Elexicon could spend less, which risks increasing restoration times following a major outage.

How much do you think Elexicon should invest in grid resilience?

	Spend Less	Draft Plan	Spend More
	Minimal investment in grid resiliency initiatives	*Targeted investment in grid resiliency initiatives in highest risk areas*	*Increased investment in grid resiliency initiatives*
Reliability	Minimal improvement in outage duration after extreme weather events	Moderate improvement in reliability, with some improved restoration time after extreme weather events	Significantly reduce outages and improve outage restoration time after extreme weather events across the grid
Future Costs	Higher reactive costs when a major storm or weather event occurs, increasing spending on crew time and materials to restore power	Some reactive costs to cover crew time and materials when an extreme weather event occurs	Reduced reactive costs, as crews will have to respond to fewer restoration calls after extreme weather events
Rate Impact *per month by 2031*	$82.85	$90.78	$112.86
	VRZ: $82.85 **WRZ: $77.47**	**VRZ: $90.78** **WRZ: $84.88**	**VRZ: $112.86** **WRZ: $105.52**

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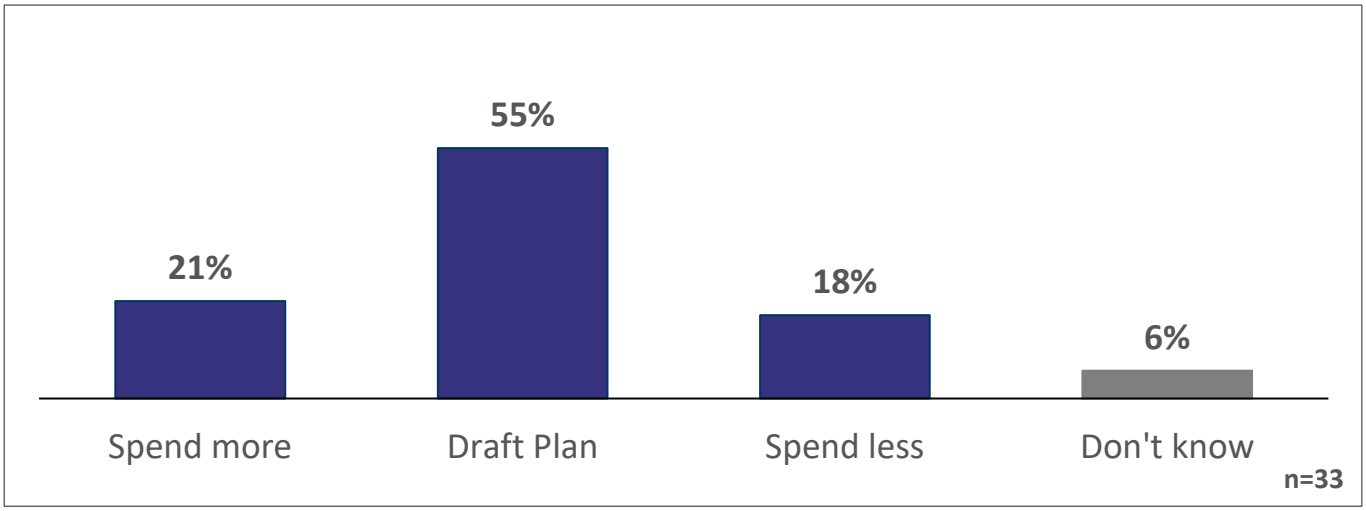
Phase II Online Survey

Choice 4: Grid Resilience

GS>50 kW

Q How much do you think Elexicon should invest in grid resilience?



Phase II Online Survey

Choice 4: Grid Resilience – Feedback

GS>50 kW

Q Do you have additional feedback on Elexicon's draft plan for grid resilience? [OPEN]

Response	Frequency
Willing to pay more for improved reliability	1
Find efficiencies instead of customers paying more	1
Current level of service is acceptable	1
Some weather events are unavoidable/unpredictable	1
None/Don't know	29

Phase II Online Survey
Workbook Page 17

GS>50 kW

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

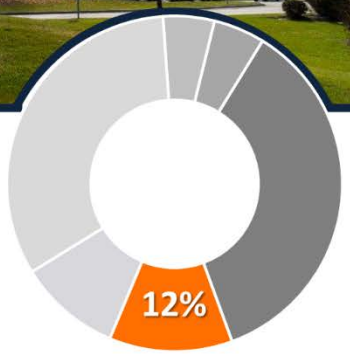
Running the Business

Investments in backbone systems that keep the grid running

What is this Section About?

Investments that maintain and upgrade essential systems like billing, outage management, asset planning, health and safety, and cyber security.

This section also includes investments in operational technology that allow us to better plan and execute projects, understand our customers, and better serve our communities.



There is **one choice** in this section where Elexicon needs your input:

5 General Plant

Running the Business makes up 12% of the **draft plan**.
In terms of bill impact, this theme represents an estimated $35.61 of the proposed $447.96 increase in distribution rates by 2031.

VRZ: $447.96
WRZ: $418.86

VRZ: $35.61
WRZ: $33.29

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices: General Plant

elexicon ENERGY

Overview

Elexicon's daily operations require IT systems for all aspects of its business, including billing, operating the grid, responding to outages, planning projects and communicating with customers.

Since the merger in 2019, Elexicon has operated its business with legacy software and systems, which now require necessary IT infrastructure replacements. **Elexicon has prioritized cyber security investments in the draft plan, and because these systems are essential, there is no *spend less* option for this choice.**

However, Elexicon planners have identified additional infrastructure upgrades that are required in order to improve processes and modernize the grid. These investments are included in the *spend more* option.

Customer Impact

By upgrading Elexicon's operational technology, in addition to its IT systems, Elexicon can deliver a better customer experience:

- Improve the grid's ability to connect customer-owned solar panels, EVs and power walls.
- Improve visibility into the grid to enable operators to detect faults, prevent outages, and restore power remotely.
- Provide customers data and tools to access new programs to save on electricity or sell energy back to the grid.

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VRZ: $35.61
WRZ: $33.29

Choice 5 of 5:

By 2031, Elexicon's draft plan on **general plant** would cost the typical large business customer **$35.61** more per month on their monthly electricity bill. Elexicon could spend more to deploy new technologies and modernize its operations.

How much do you think Elexicon should invest in general plant?

	Draft Plan	Spend More
	Targeted investment in operational technology with additional pilot projects	*Investment in operational technology to enhance the grid*
IT Security	Upgrade IT systems to reduce the risk of a cyber attack	Same as Draft Plan
Technology	Maintain existing operational technology, with limited upgrades for the grid	Deploy new technology at a greater scale to prepare for a modernized grid
Efficiency	Invest in small pilot projects to explore new operational technology	Significantly modernize grid operations to enable better planning and outage management
Rate Impact *per month by 2031*	$35.61	$43.19

VRZ: $35.61
WRZ: $33.29

VRZ: $43.19
WRZ: $40.38

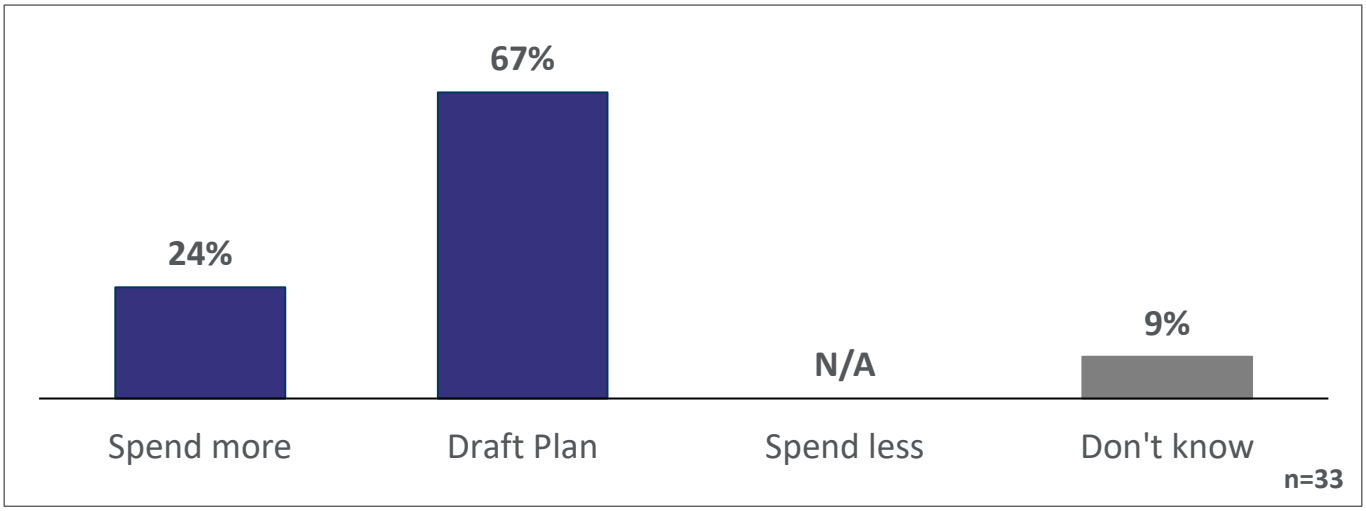
WORKBOOK PAGE

Phase II Online Survey

Choice 5: General Plant

GS>50 kW

Q How much do you think Elexicon should invest in general plant?



Phase II Online Survey

Choice 5: General Plant – Feedback

GS>50 kW

Q Do you have additionall feedback on Elexicon's draft plan for general plant? [OPEN]

Response	Frequency
Missing a spend less option	2
Willing to pay more for improved reliability	1
Against increases/costs are too expensive	1
None/Don't know	29

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$156.13	$165.51	$212.01	Don't know
Metering	$19.57	$25.59	$47.34	Don't know
Modernization	$19.64	$22.03	$29.89	Don't know
Grid Resilience	$82.85	$90.78	$112.86	Don't know
General Plant		$35.61	$43.19	Don't know
Growth		$108.45		

Between $1734.36 and $1864.84

The total impact of your choices would result in an estimated distribution charge of $1760.07 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$447.96 between 2026 and 2031.**

Between $422.25 and $552.73

Click 'Submit' after you have finalized your choices above. Submit

WORKBOOK PAGE

Elexicon Customer Feedback Survey
Making Choices

elexicon ENERGY

Choices Calculator

Throughout this workbook, you have been asked about five key choices from that could impact your rates. Below is a summary of your choices.

At the bottom of this page, you will find the total bill impact of all your answers.

Please review your answers and change your responses if you desire, and your potential rate impact will be re-calculated. You can adjust your answers until you reach the best balance for you.

	Spend less	Draft Plan	Spend more	
Infrastructure Renewal	$145.99	$154.75	$198.23	Don't know
Metering	$18.30	$23.92	$44.27	Don't know
Modernization	$18.37	$20.60	$27.01	Don't know
Grid Resilience	$77.47	$84.88	$105.52	Don't know
General Plant		$33.92	$40.38	Don't know
Growth		$101.41		

Between $1736.03 and $1858.03

The total impact of your choices would result in an estimated distribution charge of $1760.07 by the end of 2031.

This translates to a distribution rate increase for the typical residential customer of: **$418.86 between 2026 and 2031.**

Between $394.82 and $516.82

Click 'Submit' after you have finalized your choices above. Submit

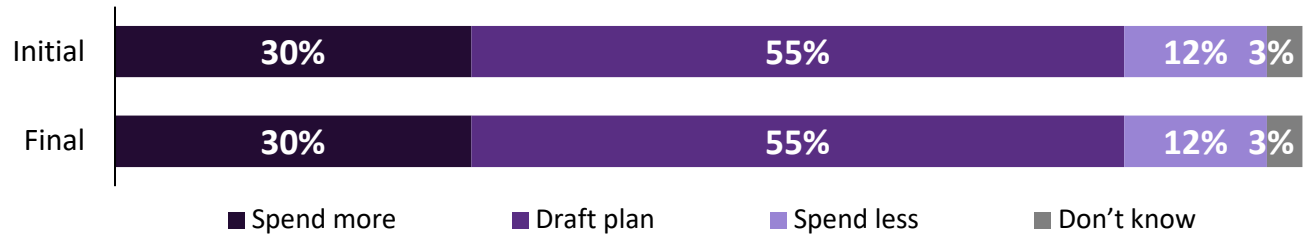
WORKBOOK PAGE

Phase II Online Survey
Finalizing Choices

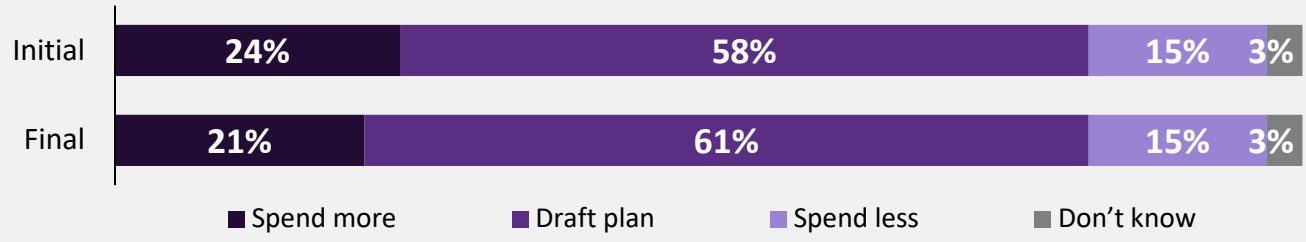
GS>50 kW

Comparing the choices before (Initial) and after (Final) the calculator page.

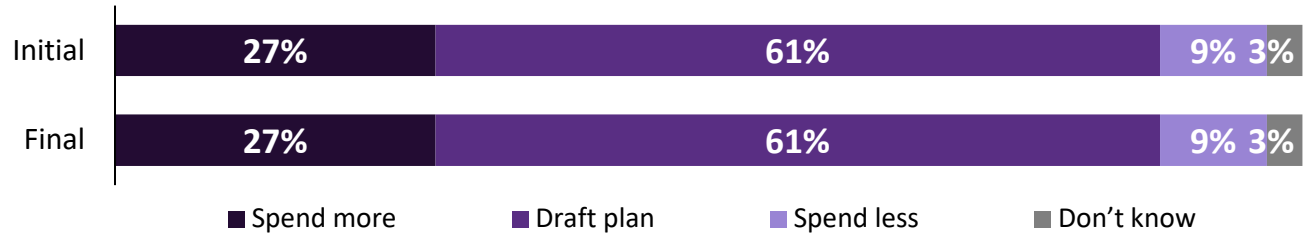
Infrastructure Renewal



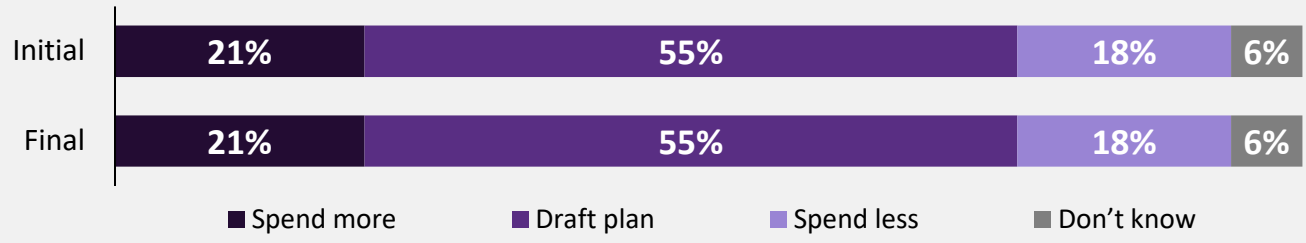
Metering



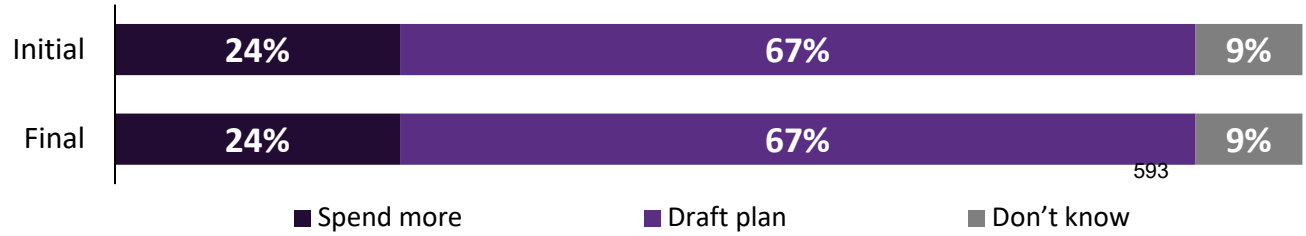
Modernization



Grid Resilience



General Plant



				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	2025	$12,913.76	$11,982.52	$931.24	n/a	n/a
BUDGETED	2026	$13,444.81	$12,132.70	$1,312.11	40.9%	$380.87
RATE PERIOD	**2027**	$13,465.70	$12,226.94	$1,238.76	-5.6%	-$73.35
	2028	$13,718.21	$12,390.96	$1,327.26	7.1%	$88.50
	2029	$14,017.78	$12,562.94	$1,454.85	9.6%	$127.59
	2030	$14,355.56	$12,750.60	$1,604.97	10.3%	$150.12
	2031	$14,693.89	$12,933.82	$1,760.07	9.7%	$155.11
	5 Year Impact			**$447.96**	**34.1%**	**$447.96**

Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical large business customer is assumed to use 75,000 kWh per month and a demand of 175 kW.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

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				Elexicon's Portion of your Monthly Bill		
	Year	Avg. Monthly Bill*	Non-Distribution Component	Distribution Component	Annual Increase to Monthly Bill (%)	Annual Increase to Monthly Bill ($)
CURRENT	*2025*	$13,134.76	$11,954.37	$1,180.39	n/a	n/a
BUDGETED	*2026*	$13,415.20	$12,073.98	$1,341.22	13.6%	$160.83
RATE PERIOD	**2027**	$13,806.60	$12,242.33	$1,564.28	16.6%	$223.06
	2028	$13,983.14	$12,397.60	$1,585.54	1.4%	$21.26
	2029	$14,201.57	$12,560.25	$1,641.33	3.5%	$55.78
	2030	$14,443.47	$12,736.88	$1,706.60	4.0%	$65.27
	2031	$14,666.96	$12,906.89	$1,760.07	3.1%	$53.48
	5 Year Impact			**$418.86**	**31.2%**	**$418.86**

*Note: Average monthly bill includes taxes and the Ontario Electricity Rebate.

These estimated rate increases are preliminary and are subject to change based on customer feedback, regulatory approval and other factors. A typical large business customer is assumed to use 75,000 kWh per month and a demand of 175 kW.

The distribution increase in 2026 is due to a proposed funding increase by the OEB. Click here to learn more.

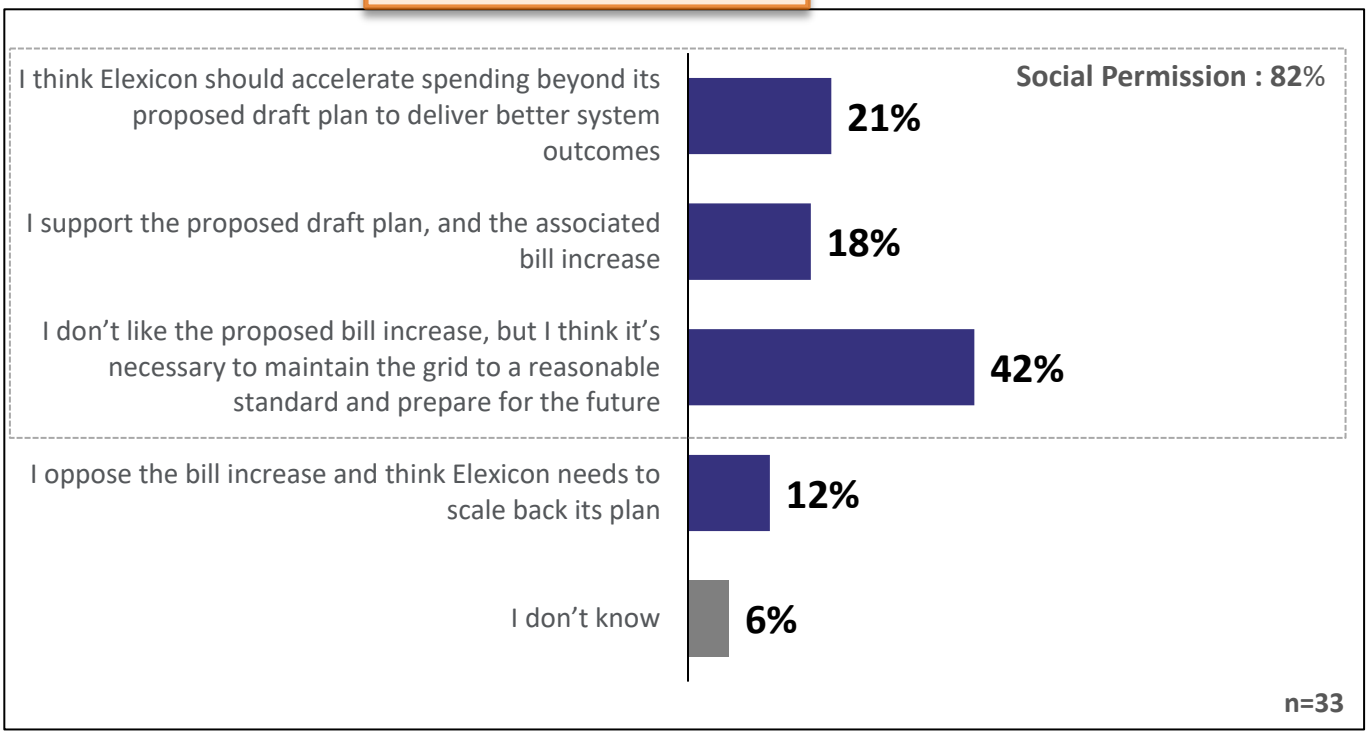
WORKBOOK PAGE

Phase II Online Survey
Social Permission

GS>50 kW

Q Considering what you have learned about Elexicon's 2027–2031 draft plan and that this may result in a $447.96 increase in the distribution portion of your monthly electricity bill between 2026 and 2031, which of the following best represents your point of view?

VRZ: $447.96 / WRZ: $418.86



Phase II Online Survey
Social Permission – Feedback

GS>50 kW

Q Do you have any final comments regarding Elexicon's draft plan and the proposed rate increase? [OPEN]

Response	Frequency
Lower rates/focus on affordability	2
Concerns over impacts of the tariff war	2
Increase should be more gradual/initial increase is too high	2
Reduce management costs/salaries	1
Be proactive to improve reliability/minimize outages	1
Need more information/have questions	1
Prefer a quicker/proactive implementation	1
Invest now to save money later	1
None/Don't know	22

Elexicon Customer Feedback Survey
Rate Harmonization

elexicon ENERGY

Rate Harmonization

A key principle for rates in Ontario is that similar customers pay similar charges wherever they are located within a utility. This is not the case in Elexicon's service territory currently due to the way Elexicon was formed in 2019.

As mentioned earlier in the survey, Elexicon is the result of the merger of two former utilities, Veridian Connections and Whitby Hydro. You might not know it, but the rates you pay today still depend on which utility served your area prior to the merger.

Impact on Customers

Rate harmonization is when rates are equalized for the same kinds of customers throughout the service area of a utility. Elexicon has the option of harmonizing rates in 2027, or gradually harmonizing over five years ending in 2031.

Harmonize by 2031 (Option A)

Harmonize rates gradually between 2027 and 2031, all customers will pay the same rates on January 1st 2031.

Whitby customers will pay more than Veridian customers in the first year, but their annual rate increases will be lower. For Veridian customers, their rate increase will be lower in the first year, while the following yearly increases will be higher than Whitby customers.

Harmonize in 2027 (Option B)

When rates are harmonized in the first year (2027), all customers will pay the same rates on January 1st 2027.

Veridian customers would pay $2.00 more in 2027 compared to Option A, while Whitby customers would pay $5.00 less in 2027 compared to Option A. However, under Option B, Whitby and Veridian customers pay the same rates, and their yearly rate increases will be the same going forward.

Regardless of what option Elexicon decides to take, Elexicon customers of the same size and consumption level will pay the same rates by January 1st 2031.

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Phase II Online Survey

Workbook Page 21 (cont.)

GS>50 kW

Year	Option A Harmonize by 2031		Option B Harmonize in 2027	
	Whitby	Veridian	Whitby	Veridian
2027	$1,564.28	$1,238.76	$1,325.25	$1,325.25
2028	$1,585.54	$1,327.26	$1,395.83	$1,395.83
2029	$1,641.33	$1,454.85	$1,504.31	$1,504.31
2030	$1,706.60	$1,604.97	$1,631.90	$1,631.90
2031	$1,760.07	$1,760.07	$1,760.07	$1,760.07
Total Impact 2027-2031	+$418.86	+$447.96	+$418.86	+$447.96

Note: You are currently in the former **Veridian** Rate Zone.

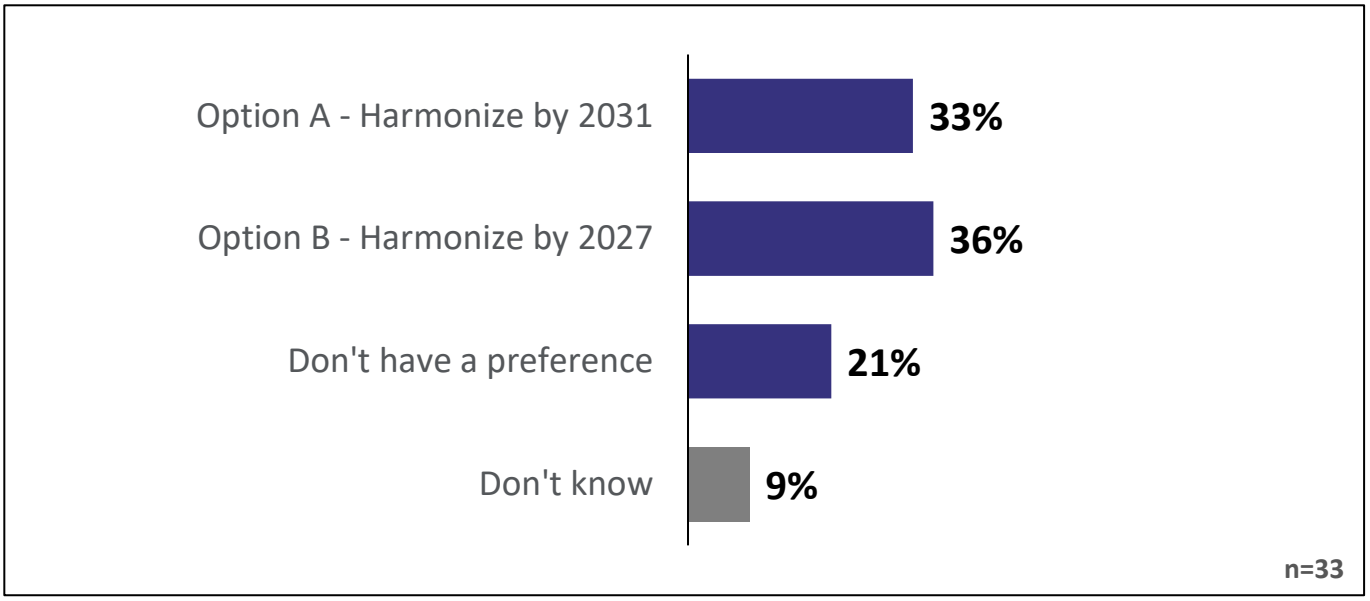
VRZ: Veridian
WRZ: Whitby

WORKBOOK PAGE

Phase II Online Survey
Rate Harmonization

GS>50 kW

Q When it comes to the pace of Rate Harmonization, which approach do you prefer?

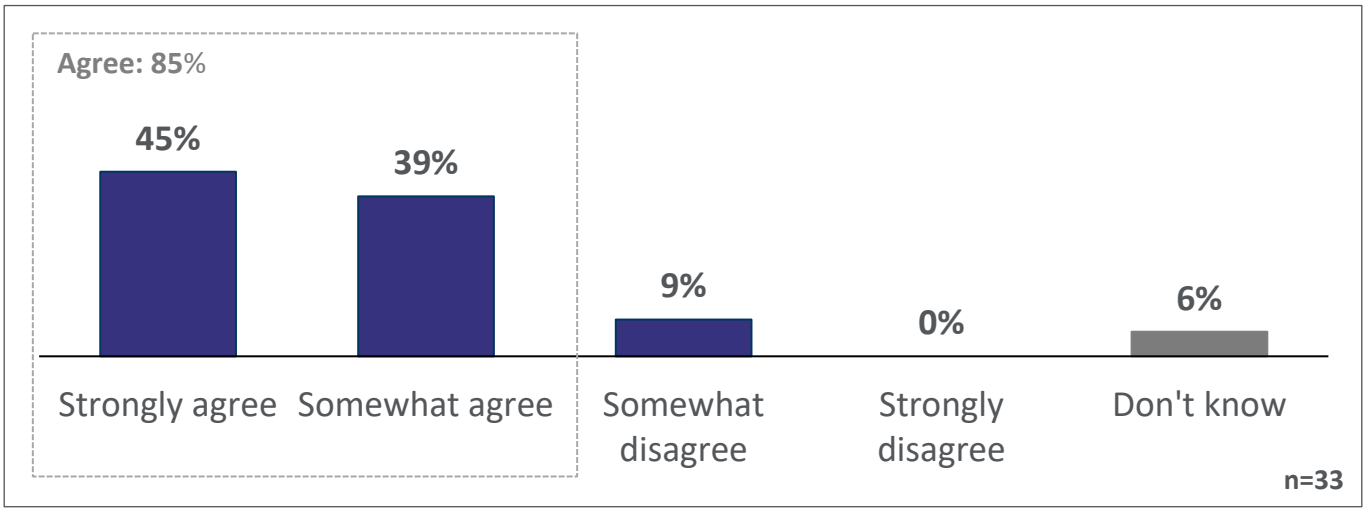


Phase II Online Survey

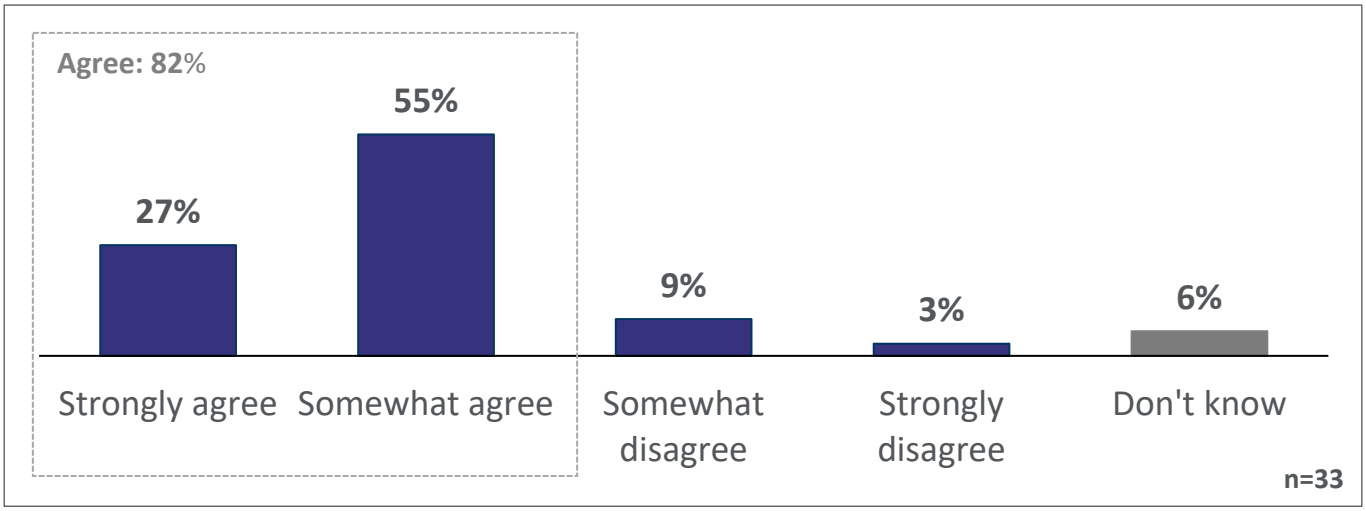
Impact on Finances | Electricity System

GS>50 kW

Please agree or disagree with the following statement:
The cost of my organization's electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being put off



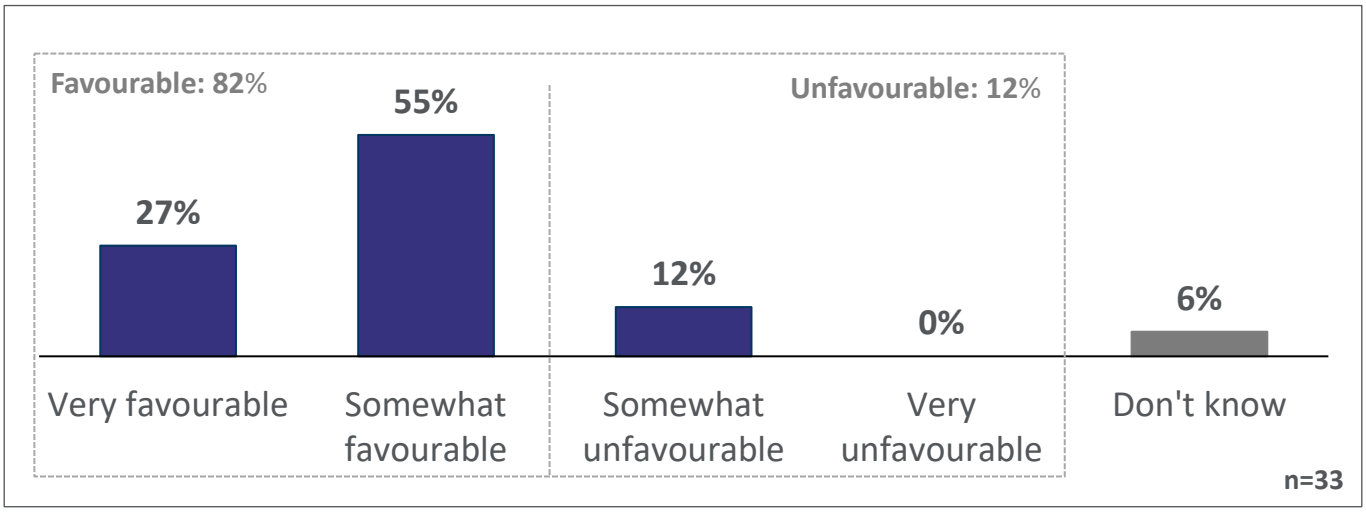
Please agree or disagree with the following statement:
Customers are well served by the electricity system on Ontario



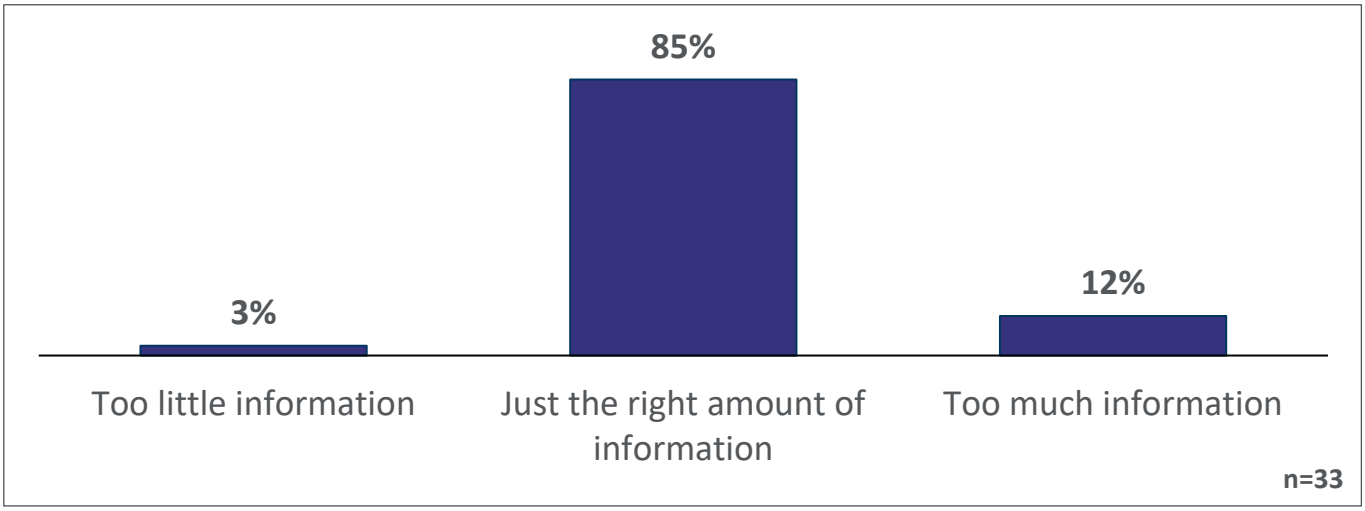
Phase II Online Survey
Survey Impression

GS>50 kW

Q Overall, do you have a favourable or unfavourable impression of the survey you just completed?



Q In this survey, do you feel that Elexicon Energy provided too much information, not enough, or just the right amount?



Phase II Online Survey
Survey Feedback

GS>50 kW

Q Was there any content missing that you would have liked to have seen included in this survey? [OPEN]

Response	Frequency
Transparency on internal operations/finances/management salaries	1
Survey was educational/informative/good	1
Survey was too long/complicated	1
None/Don't know	30

Phase II Online Survey
Additional Questions

GS>50 kW

Q Is there anything that you would still like answered? [OPEN]

Response	Frequency
Plans to reduce/lower customer costs	1
More clarity on the engagement/rate increases	1
None/Don't know	31

Building Understanding.

Personalized research to connect you and your audiences.

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ONGOING CUSTOMER ENGAGEMENT

1. INTRODUCTION

This schedule reviews Elexicon's ongoing customer engagement activities as carried out in the utility's normal course of business. These activities include multiple channels of engagement deployed through Elexicon's Contact Centre, engagements with Key Accounts customers, and engagement facilitated by the Communications and Stakeholder Relations team through Elexicon's website and social media. This schedule also describes Elexicon's engagement with municipalities, the IESO and Hydro One as part of regional planning, community engagement related to significant or disruptive infrastructure projects performed by Elexicon, and engagement with customers and developers performed as part of Elexicon's customer connection process.

2. ELEXICON'S CONTACT CENTRE

2.1. Current State - Customer Engagement Mechanisms

Elexicon's Customer Care department supports Elexicon's customers by responding to customer inquiries from the Contact Centre 8:30 a.m. to 4:30 p.m. Monday to Friday, oversees the utility's 24-hour outage hotline during business hours, operates key customer-facing systems and manages customer data. In performing these activities, the department conducts extensive customer engagement and uses this feedback to improve the experience of Elexicon's customers while interfacing with the utility.

In addition to inbound and outbound phone inquiries from customers that Elexicon receives through its Contact Centre, Elexicon communicates with its customers using inbound and outbound emails, use of interactive voice response (IVR) technology to connect customers with advisors knowledgeable about support programs, traditional mail for planned outage notifications, collections, bills and bill inserts with information about changes to rates, changes to support programs and/or promotion of support programs, and Elexicon's current customer portal 'my.elexicon' for information about energy usage and billing, payment plan enrolment, and auto pay.

The Contact Centre gathers transactional feedback from customers about their experience during calls, escalated for actioning as necessary, and emails. This feedback has enabled Elexicon to optimize features and processes for the benefit of customers. For example, Elexicon deployed a new Interactive Voice Response (IVR) system in 2024, after which the utility received feedback from customers that

the automated menu contained too many items. Elexicon used this feedback to update the IVR and make it more customer friendly. Elexicon has used the feedback it received about its customer service offerings over the 2023 to 2025 period to shape its new portal and Customer Information System functionality, which will be deployed in 2026 as part of the Dx NEXT CIS/ERP implementation (Exhibit 4 - Tab 1 - Schedule 6, Appendix A).

In addition to these normal course processes, Elexicon participates in Electricity Canada's National Electricity Customer Satisfaction Survey, and the biennial Energy Canada survey, which is overseen by Electricity Canada and Innovative Research Group. The 2024 Energy Canada survey produced the following results:

- Elexicon is on par with the regional and national averages for customer satisfaction
- Over 2-in-3 customers are satisfied with Elexicon Energy, higher than the Ontario average
- Elexicon scores higher on the Net Promoter Score than Ontario and national averages

2.2. Future State - Customer Feedback Mechanisms

Over the forecast period, Elexicon will be enhancing its communication options for customers, as well as the mechanisms available for customers to provide Elexicon with feedback. Some of these enhancements will be performed as part of Elexicon's Dx NEXT project while others are being undertaken in addition to Dx NEXT. Elexicon's new customer portal and app will be implemented as part of Dx NEXT, and Elexicon will additionally be implementing its new Customer Information System to modernize its backend systems.

Over the forecast period, Dx NEXT functionality will enable Elexicon to implement email campaigns that can be used to promote topics like pre-authorized billing, e-billing, and the promotion of energy savings tips. Elexicon's current customer portal and CIS system does not allow Elexicon to issue notifications about unplanned outages or communicate directly with customers via text messages or chat, and it has limited data synchronization. With the new portal, customers will be able to update their personal information, view their bills, track their energy usage, indicate their communication preferences and chat with the utility through the portal, send messages with form-filling capabilities, report outages and check current outage status update, respond to requests for credit references, and set up payment arrangements directly in the portal. The portal will further provide information about energy savings programs and rebates, and commercial customers with multiple sites will have portfolio management tools to view aggregated usage and billing. As a result of these enhanced features, as

well as the introduction of post-contact surveys to get immediate feedback on functionality, Elexicon expects that its Dx NEXT project will further improve call centre processes and equip customers with more diverse options to contact Elexicon and provide the utility with customer feedback.

3. KEY ACCOUNTS

3.1. Current State Key Accounts Function Features

Elexicon established a dedicated Key Accounts team in 2024 to better serve the specialized needs of its Key Accounts customers, based on feedback received in its customer engagement process. Elexicon's large customer base is seeking more channels for direct contact within the utility to address their specific and complex needs. Elexicon currently serves 93 unique Key Accounts customers representing more than 1,900 individual accounts.

Key Accounts customers are identified by criteria including load size, typically over 1 MW and/or with $1 million dollars in annual billing, strategic influence, and sensitivity to power interruptions. Key Accounts customers include Industrial Conservation Initiative (ICI) participants, municipalities, health and education institutions, and essential public services. These customers account for approximately 40% of total Elexicon's load in 2024, underscoring their financial and operational significance.

3.2. Core Support and Engagement

Elexicon's Key Accounts team delivers tailored, relationship-based support by meeting with customers on an ongoing basis to discuss billing inquiries, coordinate planned outages, and resolve any issues relating to reliability and power quality. Elexicon further delivers updates to Key Accounts customers during unplanned outages. In meeting with Key Accounts customers on an ongoing basis, the team is able to develop a comprehensive understanding of each customer's operations, growth, and reliability needs. The Key Accounts team leverages its understanding of customers' business plans to provide this customer segment with unbiased information about programs or technologies such as energy consumption management and potential investments in distributed energy resources. In turn, information about these customers' future energy needs supports Elexicon's capacity planning and regional planning processes.

Elexicon's relationships with Key Accounts customers have contributed to positive outcomes for planning at the utility. Table 1 below describes the types of ongoing outreach that Elexicon performs with its Key Accounts customers.

Table 1: Type and Cadence of Engagement with Key Accounts Customers

Cadence of Engagement	Description of Engagement
Standard	Elexicon customizes the frequency of contact with its Key Accounts customers based on customer preference for monthly or quarterly communications, and aims to contact all customers at minimum once per year.
Targeted	Elexicon performs annual outreach to all customers, offering webinars and one-on-one communications with Class A customers ahead of annual ICI enrolment. As a result, the program achieved a 77% participation rate among eligible customers in 2025, with participants achieving up to 50% in savings on their bill.
Ongoing Education	Elexicon offers unbiased education and guidance on provincial and federal electricity programs, including energy efficiency initiatives like eDSM, demand response, ICI and federal clean energy incentives
Quarterly Newsletter	Elexicon releases a quarterly Key Accounts customer newsletter to deliver relevant updates on projects, programs, and operational changes to help customers plan and stay informed

3.3. Strategic Key Account Customers Insights (2024–2025)

Since its creation, the Key Accounts team has conducted more than 100 introductory meetings with Key Account customers, including one-on-one sessions with 95% of customers, to better understand their priorities and electricity needs. This has often entailed engaging multiple stakeholders within a given organization including facility staff, middle management, and executive leadership. These meetings indicated that Key Accounts customers generally have the following top priorities, explained in Table 2.

Table 2: Key Accounts Customers Priorities

Priority	Description of Interest
Energy and Cost Savings Programs	Interest in energy efficiency programs such as eDSM and the ICI initiative to manage electricity costs
Capacity Expansion and Electrification	Interest in grid readiness for future capacity expansion, electrification and decarbonization initiatives
Distributed Energy Resources	Interest in potential adoption of DER solutions
Reliability	A high sensitivity to reliability issues including momentary power interruptions that can cause health and safety concerns as well as product losses

3.4. Future State Key Accounts Function Enhancements (2026–2031)

Elexicon's Key Accounts function works to continuously enhance its offerings to Key Accounts customers. Over the upcoming forecast period the team will leverage the strategic insights gathered during the 2024-2025 period to strengthen its relationships with customers, support effective grid planning, and take actions to facilitate the energy transition. Table 3 below provides a list of enhancements that the Key Accounts team plans to action during the forecast period.

Table 3: Enhancements to Key Accounts Offerings 2026-2031

Enhancement	Description	Timeline
Customer and Sector Account Plans	Develop tailored account plans for large and complex customers and for specific sectors such as healthcare and education to provide customized support.	Ongoing
Enhanced Outage Communication	Collaborate with internal departments including System Control Centre and Communications to provide proactive outage communication, including direct phone outreach, for large customers with minimal tolerance for downtime (24/7 operations).	2026 onwards
ICI Analyzer Tool	Develop a customized tool to help eligible customers model potential ICI savings and make informed decisions regarding ICI participation.	2027 onwards
In-Person Key Account Customer Events	Host periodic in-person events to strengthen trust, improve efficiency and enable rich insights through peer learning by engaging multiple customer stakeholders simultaneously.	2027 onwards
Coordinate Municipal Energy Planning and Engagement	Collaborate with internal departments including Public Affairs and Planning to streamline engagement with municipalities for the purpose of coordinating organizational efforts across outages, infrastructure planning, and program delivery. This includes initiatives such as Energy Efficiency, Distributed Energy Resources (DERs), electrification and other customer-focused programs to support aligned communications, timely project execution and enhanced municipal partnerships.	2027 onwards
Support Sector Evaluation and Educations	Deliver tailored solutions and optimize energy management while educating customers on sector evaluations, emerging technologies, and available programs such as eDSM and federal incentive initiatives to support system load optimization and help reduce future infrastructure needs.	Ongoing
Internal Process Streamlining	Work with internal teams at Elexicon to improve internal processes including DER connection workflows and capacity expansions to reduce administrative burden and accelerate turnaround times.	Ongoing
Coordinated Multi-Department Support	Act as customer advocate and continue centralizing and coordinating customer inquiries across internal departments to simplify communication, speed resolution, and strengthen long-term trust.	Ongoing
Industry & Stakeholder Participation	Participate in business and energy-sector associations including trade associations, chambers of commerce and Energy Efficiency advocates to align with market trends and community needs.	2026 onwards

4. CUSTOMER OUTREACH AND COMMUNICATIONS

4.1. Elexicon's Website and Social Media Channels

Elexicon's Communications and Stakeholder Relations team uses Elexicon's website and social media channels including LinkedIn, X(Twitter) and Instagram to communicate, engage with and deliver updates to its customers. These channels also provide opportunities for customers to provide feedback to the utility.

Elexicon's X account is used to communicate information about planned and unplanned outages and link to resources like Elexicon's online outage map that provides additional information about outages including the area affected, the approximate number of customers without power, crew statuses and the estimated time of power restoration. The account is also used to share information about planned and ongoing construction, investments to improve system reliability, corporate giving, changes to electricity rates, financial assistance programs, and energy saving tips and suggestions.

Elexicon's LinkedIn account publishes similar information to the utility's X account including information about investments to improve system reliability and corporate giving. It additionally also shares information about job opportunities, corporate reports and customer newsletters, and the appointment of new leadership and directors. In 2024, Elexicon increased its LinkedIn followers by 85% and its engagements on X by 4,603%. Post engagement rates sit at an average of 10%, which is higher than social media averages.

Elexicon moved to Instagram in early 2025 following customer feedback and the engagement has been encouraging. Given customer survey feedback, Elexicon expects that customers' use of social media will continue to grow. However, the utility recognizes that social media is not an option or preference for some customers, and Elexicon remains committed to its website and its print and digital newsletters.

Elexicon deployed a comprehensive update to its website following its merger in 2019. Prior to the merger, each of the legacy utilities (Whitby and Veridian) had a separate website operated by a third-party. Following the merger, Elexicon initially had a landing page managed by an external vendor, before bringing operation and maintenance of the website in-house. The website is intended to be the hub of Elexicon information for customers and other stakeholders. It provides customers with information about planned and unplanned outages, access to Elexicon's outage map function, safety education and alerts, bill payments and an interactive sample bill, company news, community

investment updates, service requests and corporate reports. Elexicon provides notice of updates to its Conditions of Service on its website and offers a window for customers to provide feedback. Notice of finalized updates to the utility's Conditions of Service are also shared on the website. A summary of changes to the Elexicon Energy Conditions of Service is available at Exhibit 1 - Tab 3 - Schedule 1A. The website further features a section with Community Reports produced twice yearly for each of the 10 municipalities Elexicon serves. This dashboard provides customers with updated information about outages, business news and Elexicon's reliability. These Community Reports are shared to municipalities to amplify the message to their constituents.

Elexicon's website is interactive, engaging and responsive across all platforms and devices. The site is also AODA (Accessibility for Ontarians with Disabilities Act) compliant. Elexicon uses customer feedback and analytics on an ongoing basis to improve the accessibility of information on its website and align it with top customer priorities. Customers can submit feedback directly to Elexicon on its website at https://elexiconenergy.com/website-feedback, and Elexicon responds to inquiries and feedback from customers delivered through direct messages on its social media channels and through Google reviews where questions are included.

The communications team monitors all of its social media channels on a daily basis and uses Google Analytics to monitor the Elexicon website. These analytics indicate that information about outages and power restoration times are the most popular subject for customers. Elexicon uses this feedback about site metrics to determine which content should be most prominently displayed on the utility's website and updated on social media. Elexicon also leverages media monitoring and social listening software such as Sprout Social and Cision to review the type of information that customers engage with and increase its use.

Based on feedback gathered from customers, Elexicon has added several features since 2020 to improve customers' access to information and user experience. These include updates in 2022 to make the website more responsive and highlight the most commonly sought out information, the addition of Community Reports and registration for the illuminator online e-newsletter in 2023, and more frequent updates to the website on an ongoing basis to maintain alignment with customers' expectations. Elexicon added a digital newsletter in August 2024 that is issued four times a year and has an average engagement rate of 57%. Visits to Elexicon's website have significantly increased from 2019, which recorded 4,659 yearly hits, to 112,000 as of 2025. Elexicon also leveraged analytics and

customer feedback to create microsite pages during a major outage in Gravenhurst in 2025. The microsite pages provided customers who did not use social media with comparable information to the updates shared on Elexicon's social media channels including information about advancement in restoration efforts, the number of customers with power restored and safety tips.

In addition to Elexicon's website and social media channels, Elexicon publishes a semi-annual print newsletter called the illuminator, in addition to its e-newsletter the illuminator online. The newsletter provides information on electricity prices, bill payment options, financial assistance programs, scam alerts, safety tips and ways customers can contact the utility for business purposes or during outages.

4.2. Elexicon's Municipal Outreach Strategy

Elexicon engages with the ten municipalities it serves: Ajax, Belleville, Brock, Clarington, Gravenhurst, Pickering, Port Hope, Scugog, Uxbridge and Whitby. Elexicon engages with municipal staff during any major outages or storm response efforts. Elexicon also meets at least annually, and more frequently if requested, with municipalities. This engagement is performed to proactively consider and address the needs of municipal stakeholders and foster connections, trust and confidence between the utility and municipalities. During these meetings, held with Elexicon senior management, and typically with mayors, CAOs, and their staff, the utility shares updates about work being performed in each municipalities' areas, and information about reliability, community investments, and corporate updates. Elexicon solicits updates, customer feedback, and questions about reliability or upcoming developments. These meetings serve as an opportunity to ensure Elexicon has a pulse on the growth plans of each municipality apart from the planning discussions noted below.

5. SYSTEM PLANNING OUTREACH AND ENGAGEMENT

5.1. System Planning with IESO and Hydro One

Elexicon works with the IESO and with Hydro One's distribution and transmission planning teams to coordinate regional planning efforts. Hydro One Transmission handles high-level regional planning through two working groups, the Regional Infrastructure Planning Working Group and the Integrated Regional Resource Planning Working Group. Within these engagements, Elexicon provides load forecasts to determine necessary upgrades such as new stations and lines. This process also involves other Local Distribution Companies (LDCs) in Elexicon's region including Oshawa Power for GTA East group, and Toronto Hydro within the GTA North group. Elexicon participates in five regional planning cycles, the most significant being the Peterborough to Kingston Working Group and GTA East Working

Group, where the utility has numerous municipalities impacted. Table 4 outlines the regional planning working groups Elexicon participates in along with the impacted municipalities.

Table 4: Regional Infrastructure Planning Working Groups and Associated Municipalities

Regional Infrastructure Planning Working Group	Local or Lower Tier Municipality	Upper Tier Municipality
GTA East	Town of Ajax City of Pickering Town of Whitby Municipality of Clarington Township of Scugog	Durham Region York Region
GTA North	City of Pickering Township of Uxbridge	Durham Region York Region
Toronto	City of Pickering (Not currently in Ajax)	York Region
Peterborough to Kingston	Municipality of Port Hope City of Belleville	Hastings Northumberland
South Georgian Bay/Muskoka	Town of Gravenhurst Township of Brock	Muskoka

5.2. Municipal Engagement for System Planning

Elexicon engages with the following ten municipalities noted in Table 5 below on an ongoing basis, including interactions with city planners, engineers, chief administrative officers, to prepare for Elexicon's role in regional planning processes. At these engagement meetings, municipalities provide information about employment and housing targets, and updates to 20-year targets for housing and electrification. Elexicon further collaborates with municipalities' planning and sustainability teams to align electrification initiatives, goals and significant public infrastructure projects. Elexicon coordinates with municipalities on significant customer requests, fostering early collaboration to advance commercial and industrial developments well before the formal zoning stage. Finally, Elexicon engages municipalities to support large capital projects, such as stations, that require municipal engagement during the land acquisition process.

Table 5: Municipalities Elexicon Engages with on an Ongoing Basis

Municipality	
Town of Ajax	City of Belleville
City of Pickering	Township of Brock
Town of Whitby	Town of Gravenhurst
Municipality of Clarington	Township of Uxbridge
Township of Scugog	Municipality of Port Hope

Elexicon maintains an email inbox for development applications in the consultation phase at the municipal level. This information is used to estimate load requirements and helps municipalities encourage developers to contact Elexicon for connection requests with adequate lead times.

5.3. Municipal Engagement for Planned Elexicon Infrastructure Projects

Elexicon conducts comprehensive customer and public engagement as part of its process for building major distribution system assets. The utility communicated extensively with the public, including through in-person meetings to discuss project impacts, such as during the environmental assessment portion of its Seaton Transformer Station project, and will be providing a similar level of public communication for its upcoming GTA East Station project. The utility also plans similar types of public engagement activities, including public meetings and presentations to town council, for smaller projects that have road impacts for the local community, such as the replacement of cable within a subdivision that impacted driveways for multiple months, backyard conversions, or projects to extend pole heights and add circuits to a residential street.

5.4. Engagement with Customers and Developers about New Connections

Proactive engagement with developers is increasingly essential as development activity in Elexicon's service territory has become elevated due to population growth and provincial policies targeting housing growth. Elexicon engages with new and existing landowners' groups on a regular basis and will host events with developers to coordinate planning activities. In addition to general engagement, Elexicon performs capacity studies and manages requests for new connections made by developers.

Elexicon deploys planning and coordination processes for non-developer customers as well. Elexicon gathers requests for new connections in a fillable form that includes details such as customer data and site plans, after which requests are assigned to a technician and reviewed by the utility's planning team to confirm capacity and connection feasibility. Due to capacity constraints, Elexicon engages directly with customers requesting larger loads, such as industrial, commercial or large-scale residential loads, to review requirements and timing, as well as to perform a connection impact assessment where necessary. Elexicon's connections planning process may include multiple engagements with customers to assess the impacts of connection requests. The likelihood of prolonged engagement rises when capacity expansions are required to meet a customer connection request.

Feedback from customers to Elexicon about the connections process has centred on the following common themes:

- Customers are concerned about capacity constraints and long timelines for connections. As illustrated by Elexicon's capacity map, Elexicon's system is heavily constrained, which makes it difficult to connect new loads.
- Customers are concerned about DER connection requirements and timelines, particularly for DER requests greater than 10kW that require increased stakeholder engagement with longer associated timelines.
- With an increase in work-from-home practices, customers are concerned about outages, including planned outages, which are essential for system maintenance.

5.5. Ongoing and Planned Continuous Improvement Initiatives

Elexicon is implementing process improvements and data gathering to enhance its customer connections process. This includes data collection from the system design and connections team to monitor the process and find opportunities to reduce timelines, and the tracking of escalations to streamline the resolution of customer concerns. Elexicon is also further refining internal processes to monitor DER and electric vehicle connection timelines.

5.6. Planned Outages

Elexicon's current process for communicating planned outages to customers includes advanced notice, multi-channel notification, and leveraging existing communications methods. All impacted customers are informed in advance through outage notices. Most residential customers receive paper notices, while commercial customers may be contacted via phone or email. As planned outages will recur more frequently with a larger capital work program, Elexicon will utilize the Key Accounts team where appropriate to assist with the outage notice process for those Key Account customers impacted.

To manage planned outages, Elexicon provides a copy of the outage notice to internal stakeholders including the Communications team and the Control Centre. Details of the planned outage are also posted on the website and shared via Elexicon's official X account. Elexicon will also engage community partners in affected locations to help disseminate planned outage information.

FINANCIAL INFORMATION

1. OPERATING ENVIRONMENT

Please see Exhibit 1 - Tab 2 - Schedule 1 for details regarding Elexicon's operating environment and service territory.

2. CORPORATE STRUCTURE AND GOVERNANCE

Please see Exhibit 1 - Tab 3 - Schedule 1A for details regarding Elexicon's Corporate Structure.

3. FINANCIAL INFORMATION OVERVIEW

3.1 Accounting Standards

Financial statements are prepared in accordance with IFRS Accounting Standards and have been used since inception of Elexicon on April 1, 2019. The IFRS Accounting Standards were adopted by Elexicon's legacy acquirer entity on January 1, 2015 with a transition date of January 1, 2014. There have not been any changes to the Accounting Standards that Elexicon has followed since its inception.

3.2 Audited Financial Statements

Elexicon is providing the 2023 and 2024 Financial Statements below. The 2025 Financial Statements will be finalized and approved by the Elexicon Board of Directors in March 2026. The 2025 Financial Statements will be provided as an update to this proceeding.

2023 Financial Statements and Notes

Please see Attachment 4 to this Exhibit for the 2023 Financial Statements and Notes.

2024 Financial Statements and Notes

Please see Attachment 3 to this Exhibit for the 2024 Financial Statements and Notes.

2023 Financial Statement Reconciliation

A detailed reconciliation of the 2023 financial results shown in the audited financial statements with the regulatory financial results is provided in the live excel version found in Attachment 6B.

2024 Financial Statement Reconciliation

A detailed reconciliation of the 2024 financial results shown in the audited financial statements with the regulatory financial results is provided in the live excel version found in Attachment 6A.

4. ELEXICON CORPORATION MANAGEMENT DISCUSSION AND ANALYSIS

Elexicon has internal management commentary that accompanies the Financial Statements. Separate from that, Elexicon's MD&A is the public-facing Financial Statement analysis and commentary that is approved at the year-end Board meetings and included in Elexicon's Annual Report.

Elexicon is providing the 2024 Annual Report and MD&A below. The 2025 MD&A is expected to be approved by the Elexicon Board of Directors in March 2026 and the Annual Report approved in June 2026. Both will be provided when they are available as an update to this proceeding.

2024 Annual Report

Please see Attachment 1 to this Exhibit for the 2024 Annual Report.

5. ELEXICON CORPORATION 2024 ANNUAL INFORMATION FORM

Elexicon does not provide an Annual Information Form as Elexicon is not a public filer.

6. RATING AGENCY REPORTS

Elexicon is providing the 2025 rating report, dated October 2025, as Attachment 5 to this Exhibit.

7. EXISTING ACCOUNTING ORDERS AND DEPARTURES FROM USOA

Elexicon confirms no departure from the Uniform System of Accounts. Elexicon currently has two Utility specific Accounting Orders.

1) 1508 Other Regulatory Asset – Sub Account - Lost Revenue – Collection of Account Charges – Accounting Order
2) 1508 Other Regulatory Asset – Sub Account - Estimated Useful Lives – WRZ- Accounting Order

As per the Accounting Orders, both will be discontinued. Elexicon confirms that there is no departure from these orders.

8. CHANGES IN TAX STATUS

Elexicon confirms no change to tax status.

9. ACCOUNTING TREATMENT OF NON-DISTRIBUTION BUSINESSES

Elexicon confirms that it segregates non-distribution business from rate-regulated activities (e.g. solar business) using a separate company code.

10. LIST OF ATTACHMENTS

- Attachment 1: Annual Report (2024)
- Attachment 2: Annual Report Management Discussion and Analysis (2024)
- Attachment 3: Audited Financial Statements (2024)
- Attachment 4: Audited Financial Statements (2023)
- Attachment 5: Elexicon DBRS Rating Report (2025)
- Attachment 6A (Excel): Financial Statement Reconciliation (2024)
- Attachment 6B (Excel): Financial Statement Reconciliation (2023)

EXHIBIT 1 - TAB 8 - SCHEDULE 1: ATTACHMENT 1
"ANNUAL REPORT 2024"
(REFER TO ATTACHMENT IN PDF FORMAT)

Elexicon Corporation

2024 ANNUAL REPORT

elexicon
CORP

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16 2024 Highlights

Our **Purpose**

Empowering through energy innovation for a cleaner, better future.

Our **Beliefs**

+ Collaboration
+ Curiosity
+ Diversity, Equity and Inclusion
+ Environmental and Social Well-being
+ Health and Safey

Elexicon Corporation

Who We Are

We're powering life's most meaningful moments, as well as creating a harmonious connection between experiences and people and the environments where they dwell. Through our safe and reliable services, we illuminate, we move, we grow, we comfort, we nourish, and we educate, ultimately shaping stronger communities and a better world.

elexicon CORP

Elexicon Corporation is a holding company, 100 per cent owned by five municipal shareholders: the Town of Whitby, the City of Pickering, the Town of Ajax, the Municipality of Clarington and the City of Belleville. Elexicon Corporation consists of two wholly owned subsidiary operating companies: Elexicon Energy Inc. and Elexicon Group Inc.

Elexicon Energy Inc. is a regulated electricity distribution company that delivers electricity to more than 180,000 homes and businesses located in ten municipalities in east-central Ontario. The company is regulated by the Ontario Energy Board, an independent regulator of the electricity and natural gas sector. Elexicon Energy, through its investments, is focused on grid modernization and integration of innovative technologies to its distribution network to provide reliable and cost-effective services, to meet the current and future needs of its customers. The company is defining the role of the distributor in the energy transition and electrification of the economy.

elexicon ENERGY

Note: Elexicon Corporation winded down the operations of its subsidiary company – Elexicon Group – as it refocused on its regulated business.

2024 **Facts & Figures**

$7.8 million
in dividends paid to municipal shareholders

$370,000
donated to local charities and community organizations

$338,000
raised for seven vital community agencies at Elexicon Energy's Annual Charity Golf Tournament

$48,000
raised at Dream Big, Dream Brighter Gala in support of Grandview Kids

$15,000
donated to Ontario Tech University's Women for STEM (Science, Technology, Engineering and Mathematics)

180,537
residential and business customers across 10 municipalities

41,491
transformers and overhead switches

38,417
hydro poles and pole structures

4,697
kilometres of overhead wires

2,731
kilometres of underground cables

787 km²
of service territory (almost identical to the size of New York City at 785 km²)

62
distribution substations

95%
customer satisfaction survey score

19,037
customer emails responded to

81
new hires

Innovation Excellence Award
presented by the Electricity Distributors Association

98,206
customer calls answered

294
talented and committed employees

Ontario Electricity Safety Award
presented by the Electrical Safety Authority

Joint Message from the Chairs

Anthony Haines
Chair of the Board of Directors
Elexicon Corporation

Nicole McNeill
Chair of the Board of Directors
Elexicon Energy

Elexicon turned five in 2024. Since the merger of Veridian Corporation and Whitby Hydro Energy Corporation, we have invested $467 million to deliver safe and reliable electricity to some of the fastest growing communities in Ontario, while also generating $888 million in economic value and benefits. As one Elexicon, we are better positioned to meet the risks and realize the opportunities in a changing energy landscape, invest in meeting the evolving needs of our customers and be a strong voice of leadership in Ontario's energy sector.

Elexicon continues to serve some of the fastest growing regions in Ontario and is experiencing an increasing demand for additional grid capacity in our rapidly growing communities. This demand is occurring while Elexicon has identified a significant backlog of aging and deteriorating assets, which we are working to address. While we prepare our future investment plans to keep pace with the needs of our customers and communities in the region, we focussed our operations on maintaining critical infrastructure and serving this growth. In 2024, we invested nearly $95 million in the grid, connected approximately 3,000 new customers, and despite the challenges, achieved a 95 per cent customer satisfaction score while maintaining our strong safety record.

We also made key progress on our Dx NEXT program to replace end-of-life technologies and platforms that support key functions across the organization, to improve customer experience, and bring together integrated and scalable tools to deliver cost-effective and resilient energy services to support the rapid growth in the communities Elexicon serves. In 2024, we completed construction of our integrated operations centre, which encompasses our grid control, outage management, enterprise technology and operating technology into one location.

With nearly 300 employees serving 180,000-plus customers across ten municipalities, Elexicon is proud to be an involved member of our communities. In 2024, we donated $370,000 to local charities and community organizations through our corporate giving program, and our charity golf tournament raised $338,000 for seven vital community agencies.

We are also pleased for Elexicon to have been recognized by our industry peers, including receiving the Electrical Safety Authority's Consumer Home and Safety Award for our continued commitment to providing safety education to elementary school children. We also pursued community innovation, having collaborated with Western University to unveil a first-in-Canada innovative solution to enhance power quality. The research on using Battery Energy Storage Systems (BESS) as a cost-effective alternative to traditional technology has proved to be a successful solution, providing power stability for induction motors used by industries such as mining and automotive.

As we look ahead to 2025, we will be focussing on staging for future success through finalizing our refreshed corporate strategy, continuing to invest in maintaining critical infrastructure and serving some of the fastest growing communities in Ontario, and building a strong Elexicon equipped to meet the demands of today and shape the opportunities of tomorrow.

Financial **Performance**

Elexicon Corporation had a strong financial performance in 2024 and provided its shareholder municipalities with solid and consistent dividend distributions. Net income after net movements in regulatory balances for the year ended December 31, 2024 was $5.6 million.

After normalization for the unrealized loss, the net income after net movements for the year ended December 31, 2024 was $6.5 million and the Corporation paid $7.8 million in dividends to shareholders for reinvestment into their communities. Elexicon Corporation continued to deliver economic benefits to local communities and made capital investments of $94.6 million.

Elexicon Corporation's subsidiary company, Elexicon Group, operated in the non-regulated energy sector with the aim of reducing energy costs and improving sustainability for private and public sector clients. Following a few challenging years, the company winded down its operations in 2024. The other subsidiary company, Elexicon Energy, will continue to focus on its core business function – delivering safe and reliable electricity to more than 180,000 residential and business customers.

$185.4 million

in economic value and benefits delivered in 2024. The value created by Elexicon Corporation is fundamentally measured in terms of financial performance and operational excellence. In addition, the Province of Ontario and the communities we serve derive other economic benefits that, in 2024, amounted to approximately $185 million.

$94.6 million

in capital expenditures in 2024. Investments in electricity distribution infrastructure to serve the needs of our growing communities.

$66.7 million

in operating expenses in 2024. Property taxes, facility costs, professional fees, local purchasing, employee compensation and benefits, and other expenses.

$7.8 million

in dividends paid to or payable to our shareholders for reinvestment in our communities.

$16.3 million

in payments to capital providers and government, and interest and payments in lieu of taxes.

Elexicon Energy

Our Why · Our Way · Our How

Elexicon, with input from its employees, rewrote its Mission, Vision and Values, as well as its One Elexicon Operating Principles, into what is now referred to as 'Our Why, Our Way and Our How'. Our Why is why Elexicon exists, Our Way is the way Elexicon goes about delivering on its Why, and Our How is how Elexicon behaves to deliver on its Why and its Way.

Our Why

We deliver safe and reliable energy to our communities* and create the possibilities that energize our customers' future.

Our Way: Strategic Pillars

Customer Centricity
Developing an agile operating mindset that prioritizes decisions to build and maintain a positive customer experience. Customers are the cornerstone of any service organization.

Operational Excellence
The continuous improvement of the organization's people, processes, places, safety and financial sustainability. As a newly formed organization, unifying our processes, focusing on our people and their safety (as well as the public's), and better connecting with our customers and stakeholders is key to the sustained success of the organization.

Economic Development
Enabling the organization to be a trusted strategic partner and catalyst for growth by nurturing, developing, and managing relationships with our community shareholders and the stakeholders in the areas we serve

Strategic Investment
With a solid investment strategy, Elexicon ensures we continue to provide customers with reliable, affordable energy services while building a robust grid to manage current demand while also upgrading infrastructure, as appropriate, to prepare for a changing energy landscape in the years ahead. The focus will be on investments to benefit today, prepare for tomorrow and meet the needs of our shareholders and stakeholders.

*Communities: Shareholders, Customers and Team Members

Our How:

Beliefs & Behaviours

Safe & Well
We promote a culture of safety and wellness.

Consistent
We hold self and others to a standard of excellence.

Respectful
We work with the highest integrity, valuing and showcasing appreciation for others.

Responsive
We are timely in addressing the needs of our communities.

Collaborative
We work together, innovate and celebrate.

Clear
We ensure clarity.

Celebrating **Five Remarkable Years**

Five years ago, Elexicon embarked on a journey to provide its customers and communities with reliable, affordable energy services and to continually improve to meet their needs. Today, the company has quickly become one of the most successful and well-respected local distribution companies in the energy sector.

How It All Began

July 2017

Signing of a Memorandum of Understanding

Veridian Corporation and Whitby Hydro Energy Corporation announce they have reached the first milestone in merger evaluations with the signing of a Memorandum of Understanding.

June 2018

Shareholders Approve Proposed Merger

All five municipal shareholders of Veridian Corporation and Whitby Hydro Energy Corporation approve a proposed merger between the two companies to create a new energy corporation.

December 2018

Ontario Energy Board Approval

The Ontario Energy Board approves the proposed merger of Veridian Corporation and Whitby Hydro Energy Corporation.

January 2019

New Company Name Unveiled

Veridian Corporation and Whitby Hydro Energy Corporation unveil Elexicon Corporation and its subsidiaries, Elexicon Energy and Elexicon Group.

April 2019

Elexicon Corporation and Subsidiaries are Formed

Veridian Corporation and Whitby Hydro Energy Corporation complete the closing of an agreement to merge the two companies to form Elexicon Corporation, the single shareholder of subsidiary corporations - Elexicon Energy and Elexicon Group.

Milestones & Accomplishments

2019

Veridian Corporation and Whitby Hydro Energy Corporation merge.

2020

System Control Centres are consolidated for 24/7 grid monitoring.

2021

Altona Towns unveiled as Canada's first preplanned residential smart microgrid community.

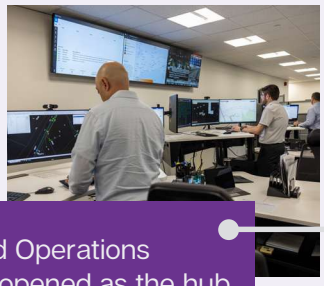
2022

Multiple powerful storms occur and crews step up to reenergize customers quickly.

2023

Seaton MTS is Elexicon's first-owned transformer station.

2024



Integrated Operations Centre is opened as the hub for grid management.

2024 **Highlights**

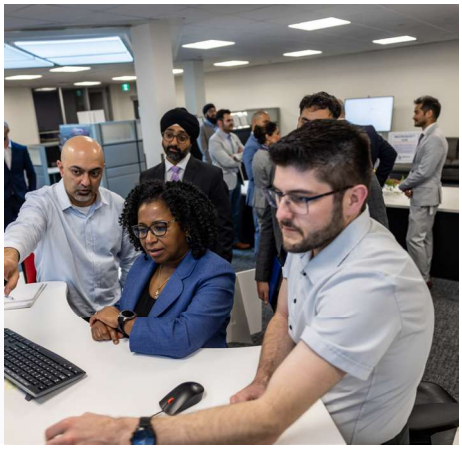
Dx NEXT: Revitalizing, Connecting and Transforming

Elexicon is undertaking a five-year program that will advance how the organization does business. The program, named Dx NEXT, will replace end-of-life technologies and platforms that support key functions across the organization, ultimately improving the customer experience, and bringing together integrated and scalable tools to deliver cost-effective and resilient energy services to support the rapid growth in the communities Elexicon serves.

In 2024, Elexicon marked two important milestones for the program. The first was the construction of an Integrated Operations Centre (IOC). Work on the state-of-the art facility at the organization's corporate headquarters in Ajax began in September 2023 and was completed in April 2024. The IOC houses Elexicon's System Operations team, and encompass grid control, outage management, enterprise technology and operating technology.

The second milestone was selecting a partner to guide Elexicon on the transformation journey. Capgemini, a global leader in consulting, technology services and digital transformation, was selected through a competitive request for proposal process. Elexicon is confident that Capgemini's expertise and innovative approach will drive the organization's transformation forward. Both are committed to achieving the goals that have been identified and setting new benchmarks in the energy sector. In 2025, the program will focus on Elexicon's Customer Experience team and the platforms they use to assist and support customers.

> "One of our corporate values at Elexicon is Collaboration. The establishment of the IOC highlights our commitment to embodying this value. This initiative united teams from various departments across the organization - including Operations, Digital and Innovation, Facilities, People and Culture, and more - to brainstorm, design and implement this space."
>
> **Sam Sadeghi**
> Vice President,
> Distribution Operations and
> Asset Management



POWERING OUR COMMUNITIES

WITH SAFE AND RELIABLE ELECTRICITY

Elexicon distributes power from the provincial electricity grid across its network to more than 180,000 residential and business customers in ten communities.

The company's sophisticated electricity distribution network features intelligent monitoring systems and automated controls. At the heart of this system is a team of highly skilled operators and engineers that monitor the flow of electricity across a network of 7,400 kilometres of overhead lines and underground cables.

To keep the system running smoothly, Elexicon continually invests in proactive prevention strategies that include tree trimming, wildlife mitigation and thermographic inspection of distribution system apparatus to identify hot spots before they result in outages.

If an outage cannot be restored remotely, a crew is dispatched from the nearest Operations Centre to investigate the cause, make repairs and restore power to customers as quickly and as safely as possible.

Elexicon is proud of its ability to mobilize crews and equipment from all parts of its service territory to restore power in any of its communities that suffer widespread outages due to severe weather events.

AWARD WINNING COLLABORATION WITH WESTERN UNIVERSITY

A collaboration between Elexicon Energy and Western University has led to the development of an innovative solution to improve power quality and voltage stability for industries reliant on induction motors.

Induction motors used by petrochemical, mining and automotive industries, among others, can shut down due to voltage dips. Using a static synchronous compensator or STATCOM can prevent this from happening. This project focused on the application of Battery Energy Storage Systems (BESS), as developed by Western University professor Dr. Rajiv Varma, as a STATCOM.

Since May 2023, Dr. Varma's graduate students have been conducting research at Elexicon's corporate headquarters in Ajax, working together on software and hardware simulations to implement the BESS-STATCOM technology for motor stabilization. The BESS-STATCOM offers an easier, faster to install, and lower cost alternative to traditional STATCOMs, which particularly benefits utilities and large customers with voltage-sensitive equipment.

The research was funded by the Electricity Distributors Association's (EDA) LDC Tomorrow Fund, Natural Sciences and Engineering Research Council of Canada, MITACS, and supported by cash and in-kind contributions from Elexicon.

PARTNERING WITH CENTENNIAL COLLEGE TO ENHANCE POWER DISTRIBUTION SECTOR TRAINING

As the energy sector continues to change and grow, Elexicon recognizes that the skills of workers in this field will also need to evolve. That's why the organization is proud to partner with Centennial College to develop and launch two micro-credentials for learners interested in a career in power distribution. This program was made possible thanks to a generous grant from the Ministry of Colleges and Universities, a critical investment in educating the next generation of energy distribution sector workers.

The new curriculum, which is expected to launch in 2025, focuses on Electrical Utility Distribution Stations and Control Stations. Over 10 weeks, learners will cover 40 hours of module-based, part-time training. The curriculum is designed to address existing labour market needs and skills gaps by upgrading the competencies of industry talent as the sector continues to adopt new technologies.

ELEXICON'S COMMITMENT TO ELECTRICAL SAFETY EDUCATION RECOGNIZED BY ESA

Elexicon was pleased to receive the Ontario Electrical Safety Award in the category of Consumer Home and Safety. The honour was bestowed at the Electrical Safety Authority's (ESA) Annual General Meeting and Safety Awards held in September. This is the second time Elexicon has been recognized for its dedication to safety awareness and education.

The organization was selected for its commitment to the Kids' Safety Village of Durhan Region and the Children's Safety Village in Belleville in 2023. Both programs, located in communities served by Elexicon, deliver safety education to elementary school children. In addition, Elexicon's Field Safey Supervisor, delivers in-classroom presentations to teach children about the dangers of electricity in their homes and neighbourhoods.

RECORD HIGH LOCATE PERFORMANCE

When contractors and developers, and even homeowners, are planning outdoor work that involves digging it is the law to contact Ontario One Call to ensure the project does not interfere with Elexicon's infrastructure or third-party cables, pipes or wires. Hitting a powerline or cable can cause a power outage, hefty financial consequences or serious injury.

Compliance with cable locates was not meeting Elexicon's goals, with only 49 per cent compliance in 2022. This led the organization, with support from its Executive Leadership Team, to build a new internal team for locates, damage prevention and inspections in 2023.

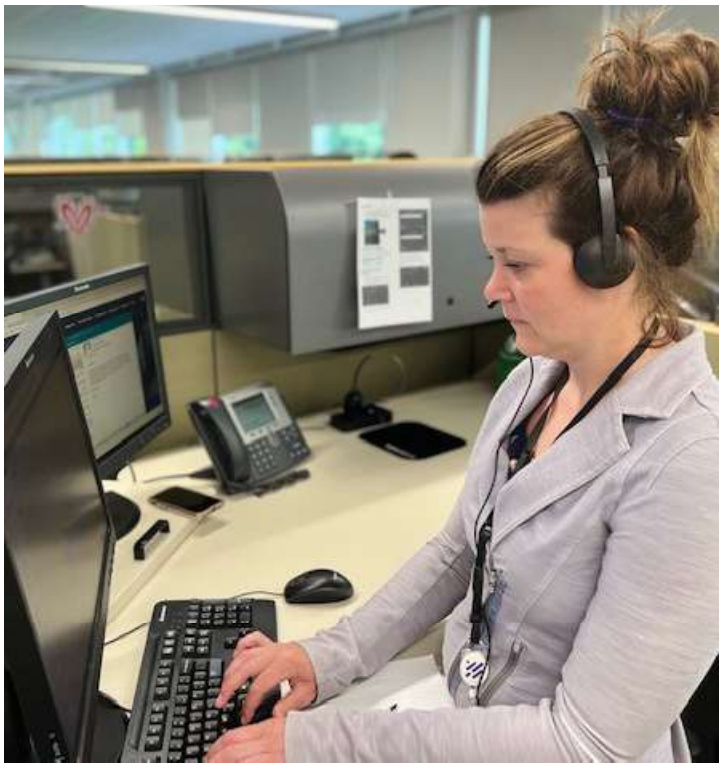
This team met monthly with stakeholders across the organization to review locate performance, closely examining why compliance was so low. In 2023, Elexicon saw an increase in locates, with an annual compliance rate of 88 per cent. In 2024, the annual compliance reached a staggering 97 per cent.

95 PER CENT CUSTOMER SATISFACTION RATING

Providing exceptional customer service has always been a top priority at Elexicon.
The organization believes its customers deserve a timely resolution to their questions, concerns and needs. To achieve this goal, Elexicon has a team of knowledgeable and dedicated Customer Service Advisors committed to exceeding customers' expectations, every time.

In 2024, Elexicon conducted a Customer Satisfaction Survey to assess how they were delivering on that pledge. The organization was pleased to receive an impressive 95 per cent customer satisfaction rating. Customers were particularly satisfied with the reliability of their electricity service, billing accuracy, and the convenient options to receive and pay their bill statements.

But it doesn't stop there. As customer needs continue to evolve, Elexicon is aligning its people, processes and technology so they can move forward as the utility provider their customers and communities expect and deserve.



ELEXICON GOLF TOURNAMENT RAISES RECORD-BREAKING AMOUNT

On a sunny summer day in August, 380 golfers gathered at Deer Creek in Ajax for Elexicon's fourth annual charity golf tournament. The tournament, one of Durham Region's biggest and most successful, raised an incredible $338,000 for seven community agencies, exceeding the previous year's fundraising amount by $138,000.

The organizations receiving the funds provide many vital services in the communities in which Elexicon operates, including child and youth initiatives, community safety, and paediatric respite and hospice care. The seven recipients of the tournament are: five Big Brothers Big Sisters agencies, Kids' Safety Village of Durham Region, and Sloane's House Paediatric Respite & Hospice Care Centre. Since 2019, the tournament has raised a remarkable $757,000.

"We are incredibly grateful to be one of the recipients of the tournament. Funds received will assist us with providing further opportunities to youth in our local communities through our life-changing mentoring programs. We currently have young people waiting up to four years for a mentor, additional funding will help support those young people and reduce waiting times. Elexicon Energy's generosity is creating BIG opportunities for multiple organizations across many regions that will be very impactful. Thank you for your support."

Miranda Chaffey, Executive Director
Big Brothers Big Sisters of Orillia and District

"On behalf of Kids' Safety Village of Durham Region, we are tremendously grateful to Elexicon Energy, their partners and everyone that supported their golf tournament for their generous donation. The money received from the tournament will enhance the safety programs that we provide to the children in the region."

Andrew Elliott, Treasurer
Kids' Safety Village of Durham Region

"What a fabulous day on the green for Sloane's House at Elexicon Energy's Annual Charity Golf Tournament. The opportunity to meet the Elexicon team and friends of Elexicon, and to share our vision was such a privilege. From arrival to getting to our hole, to our fabulous time meeting and connecting with golfers, we were reminded about the power of community to make a difference. We are so thankful to Elexicon for their commitment to community."

Brenda Slomka, Executive Director
Sloane's House Paediatric Respite & Hospice Care Centre

$48K RAISED FOR KIDS TO DREAM BIG, DREAM BRIGHTER

On November 21, more than 100 people gathered at Royal Ashburn in Whitby to raise money for Grandview Kids Foundation. Hosted by Elexicon and Grandview Kids, the third 'Dream Big, Dream Brighter Gala' raised $48,000. The amount brings the three-year fundraising total to more than $117,000.

The proceeds will ensure Grandview Kids Foundation can continue to help thousands of children and youth live life at their full potential in Durham Region.

The event included special guest speaker, Anthony Lue, an accessibility ambassador who suffered a life-alternating accident. Anthony shared his journey and experiences from being a superstar teen athlete with Olympic dreams to excelling as one of the most able-bodies paraplegics - and still determined to make it to the Paralympics.

The culmination of the evening was the presentation of the Elexicon Energy Spirit of Grandview Kids Awards to Anna Wiley and Justine Wilmot. Anna and Justine were selected from a group of nominees for their values, perseverance to achieve their goals, and drive to make the future a brighter and better place.

ELEXICON RESTORES POWER AFTER MAJOR STORM IN GRAVENHURST

On November 29, heavy snow began to fall in the Town of Gravenhurst. Two days later, approximately 140 centimeters had accumulated. The intense storm stranded vehicles, caused power outages and the closure of Highway 11 - the only road access in and out of the community. The town's mayor declared a state of emergency due to the substantial snowfall and prolonged closure of Highway 11.

Elexicon declared its own emergency given the number of customers that were without power, and the estimated times of power restoration due to the weather conditions and damage to infrastructure. Power restoration efforts were difficult and time consuming as crews had to carefully navigate their way around town on snow filled roads. Alternative modes of transportation were used such as snowmobiles to get support crews and equipment into the community and snowshoes for linepersons to assess damage in some of the remote areas.

On December 7, Elexicon announced it was ending its emergency declaration after safely restoring power to its customers. The town's emergency control group ended their emergency declaration a little over a week later, on December 16.

> "Elexicon worked diligently for several days to get the lights back on and we are grateful for their efforts. The work was daunting at times, but these brave individuals kept at it."
>
> **Heidi Lorenz, Mayor**
> Town of Gravenhurst

55 Taunton Rd. E.
Ajax, ON L1T 3V3

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EXHIBIT 1 - TAB 8 - SCHEDULE 1: ATTACHMENT 2
"ANNUAL REPORT 2024 MD&A"
(REFER TO ATTACHMENT IN PDF FORMAT)

Elexicon Corporation

Management Discussion and Analysis

Year ended December 31, 2024

elexicon CORP

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Executive Summary

In 2024, Elexicon Corporation (the "Corporation") continued to deal with multiple challenges, including rising customer demands for connection to grid, aging infrastructure, and a changing regulatory environment. The Corporation successfully navigated through these challenges to deliver a net income after net movements in regulatory balances, normalized for unrealized gain and loss net of taxes, of $6.5 million compared to $8.0 million in the prior period. The Corporation incurred gross capital expenditures of $94.6 million in 2024 compared to $89.4 million in 2023 (net capital expenditures of $69.2 million in 2024 (excluding a capital contribution reclass of $12.9 million, refer to Capital Expenditures section for more detail), compared to $49.6 million in 2023), mainly related to its investments in distribution assets.

Note to readers:

Any statements contained in this document that refer to future events of other non-historical facts are forward-looking statements that reflect the Corporation's current perspective of existing trends and information as of the date of this document. Except as expressly required by law, the Corporation disclaims any intent or obligation to update these forward-looking statements.

Introduction

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2024. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") in effect as at December 31, 2024.

Corporate Overview

The governance structure consists of a holding company, Elexicon Corporation, and two operating companies, Elexicon Energy Inc. and Elexicon Group Inc.

Elexicon Corporation ("EC") is a holding company, 100% owned by five municipal shareholders: the Town of Whitby (32.0%), the City of Pickering (27.9%), the Town of Ajax (21.8%), the Municipality of Clarington (9.3%) and the City of Belleville (9.0%). EC is the parent of two wholly owned subsidiary operating companies: Elexicon Energy Inc. and Elexicon Group Inc. Approximately, 99% of the revenues of EC are from Elexicon Energy Inc.; the remaining are from Elexicon Group Inc.

Elexicon Energy Inc. ("EE") is a regulated electricity distribution company that delivers electricity to approximately 180,000 homes and businesses located in the following ten municipalities across east-central Ontario: Ajax, Belleville, Brock, Clarington, Gravenhurst, Pickering, Port Hope, Scugog, Uxbridge and Whitby. EE is regulated by the Ontario Energy Board (the "OEB"), an independent regulatory body. In six short years, Elexicon Energy has become one of the most successful and well-respected local distribution companies ("LDC") in the energy sector, while powering the lives of customers and the communities it serves. It does this through four strategic pillars of customer centricity, operational excellence, economic development and strategic investment. Beyond the provision of dependable energy, EE takes pride in proactively working towards a better tomorrow that's simply better, for all.

Elexicon Group Inc. ("EG") is currently in the process of organization restructure. On January 31, 2025, EG sold its Rate Switch business and shares in EVSTART to Wyse. EG has 120 days after the transaction date to assign remaining contracts over to Wyse for additional consideration. Once the 120-day period has ended, the activity in EG is expected to be minimal as the restructuring plan will have been completed.

Electricity Sector Overview

MARKET PARTICIPANTS

Ontario's electricity sector involves multiple participants working in tandem to take electricity from large generating stations (or distributed energy resources ("DERs")) and delivering it to the homes, business, and industrial facilities of customers. The roles of sector participants are described below.

Ministry of Energy and Electrification (the "Ministry"): The Government of Ontario, through the Ministry, sets the overall policy for the energy sector. It does this through legislation, regulations, directives, and mandate letters.

The Regulator: The OEB is guided by its statutory objectives under the *Ontario Energy Board Act, 1998* (Ontario) ("OEBA") that include, among other matters, to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price. The OEBA conferred powers and responsibilities on the OEB to regulate the electricity industry in Ontario. These powers and responsibilities include: approving or setting just and reasonable rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote residential electricity consumers, ensuring that distribution companies fulfill obligations to connect and service customers, and facilitate innovation in the sector, among other things. The OEB prescribes license requirements and conditions of service to LDCs, also known as electricity distributors, such as EE, which include, among other things: record keeping, regulatory

accounting principles, separation of accounts for distinct businesses, and filing requirements for rate setting purposes. The Ministry can issue directives to the OEB and they must be implemented.

The System Operator: In Ontario, the Independent Electricity System Operator ("IESO") operates and settles the wholesale electricity markets. The IESO connects all of the industry players – generators, transmitters, LDCs, and large industries that purchase directly from the electricity market. The IESO balances the supply and demand in the market on a second-by-second basis. It also directs the flow of electricity along the transmission lines. The IESO forecasts and assesses the province's current and long-term electricity needs, as well as the adequacy and reliability of the integrated power system. It is responsible for electricity planning at a bulk and regional level, and releases reports on Ontario's future electricity supply. The IESO is also responsible for procuring supply based on its forecasts for the province. It uses several methods to do so, including request for proposals and an annual capacity auction. The IESO may also receive directives from the Ministry regarding Ontario's supply mix.

Electricity Generators: Ontario's electricity capacity comes from facilities across the province. Traditionally, electricity capacity has been connected to the transmission grid. The province's transmission-connected capacity comes from the following resources: nuclear (33%), gas/oil (28%), hydro (24%), wind (13%), solar (1%) and biofuel (<1%). Transmission-connected resources are connected directly to the high-voltage provincial grid, which is controlled by the IESO. Increasingly, there are also distribution-connected resources which may feed to customers or directly to local distribution grids. These are typically small-scale generators, demand response resources or energy storage that are owned and maintained by individuals, local facilities or other businesses. Distribution-connected capacity includes: solar (61%), wind (17%), hydro (9%), Gas (9%), biofuel (3%) and waste (<1%).

Electricity Transmitter: Electricity flows from generation facilities to large industrial customers and LDCs by a network of high-voltage transmission lines, stations and towers across the province. These transmission lines are primarily owned by Hydro One Networks Inc. ("Hydro One").

Electricity Distributors: EE is an energy distributor (also called an LDC). LDCs deliver electricity to homes, small businesses, and industrial customers. In order to reach the end-user, the electricity moves from Hydro One's high-voltage transmission lines to the LDC's distribution infrastructure, where it can be delivered to customers at lower voltages. LDCs interact directly with the customer and maintain the local infrastructure. In recent years, the role of the electricity distributor has expanded to support the adoption of new technologies such as EVs and DERs.

RATES EXPLAINED

Electricity bills include costs for the electricity generated that customers use, the services of transmitters that bring generated power to LDCs, the services of LDCs and other regulatory costs. Electricity distributor's rates differ from one another. Distributor rates are determined by several factors. These factors include the age and condition of the utility's equipment, the size of the utility's service area, customer density and location of the customers relative to one another, the number of residential customers compared to business and industrial customers, the geographic location of the customers, and the complexity of maintaining equipment. Additionally, LDCs, through their normal course of business or through specific rate making actions, would from time to time seek additional funding or recovery of costs/refunds to customers through additional temporary monthly charges on the bill, referred to as "rate riders". Approximately 25% of the customer's total bill, depending on usage, is comprised of EE's distribution rates. The balance of the bill consists of pass-through costs for generation, transmission and other charges cleared through the IESO. Due to the merger, EE has two Rate Zones for its customers, the Veridian Rate Zone ("VRZ") and the Whitby Rate Zone ("WRZ").

RATE SETTING

EE's distribution rates and other regulated charges are determined to allow shareholders the opportunity to earn a regulated Return on Equity ("ROE") on deemed shareholder equity. EE makes applications to the OEB for rate setting under the Incentive Rate-Setting Mechanism ("IRM") for both Rate Zones. Under an IRM, rates are mechanistically adjusted each year by inflation less an amount to incent productivity. The organization may also file for an Incremental Capital Module ("ICM") application for additional capital funding for discrete projects that meet certain regulatory requirements.

RATE APPLICATIONS

In December 2024, the OEB approved EE's IRM application for changes to distribution rates for the VRZ and WRZ, effective January 1, 2025. The monthly bill increases associated with the application was $1.55 and $1.75 for a residential customer consuming 750 kWh in the VRZ and WRZ, respectively. This increase does not reflect other rate changes such as connection and network charges, the Ontario Electricity Rebate ("OER") or applicable taxes that customers will see on their bills.

In May 2024, the OEB approved EE's proposed Earnings Sharing Mechanism ("ESM") methodology as filed, effective January 1, 2024, and continuing until EE's next rebasing. Specifically, the OEB approved EE's proposed 50/50 sharing of excess earnings above 300 basis points of its weighted deemed ROE commencing with EE's year six (2024) audited results, computed annually thereafter until the next rebasing.

ENVIRONMENT AND POLICY IMPACTING THE CORPORATION

Last Mile Connections and Regulatory Changes

In December 2024, the Ministry issued a directive to the OEB. The directive provides insight into the future of the sector. The government emphasized that planning and regulatory frameworks will need to look for ways to be flexible and get infrastructure and resources built quickly and cost-effectively to support the government's pro-growth agenda. The government has asked the OEB to consider how to balance a fair rate of return to enable rational expansion and maintenance of the electricity and natural gas systems with the need for continued affordability for customers.

Last mile connections are a priority for this government. "Last mile customers" is typically a shorthand for referring to customers that are connected to the distribution grid. Last mile connections reference new customers (i.e., often developers) that are seeking to connect new buildings to the distribution grid. The new customer connections often require new lines and other investments from the distribution companies. The Ministry has instructed the OEB to amend the Distribution System Code ("DSC") to extend the connection horizon for new electricity distribution lines for multi-phased housing development projects to a maximum of 15 years (up from five years) and establish a capacity allocation model for these projects by March 2025. Furthermore, the Ministry stated it will be proposing new regulations in 2025 that would, if approved, reduce the upfront capital cost burden on first-mover connection customers where future load is highly likely to materialize. However, The Ministry has asked the OEB to work with the IESO, licenced transmitters, LDCs, municipalities, and other stakeholders to consider how the beneficiary' pays principle can best be modified or applied to ensure that LDCs and others are kept whole in the face of this change. Overall, it is anticipated that LDCs will be required to fund a greater share of the costs for new connections as a result of these changes.

Ontario's First Integrated Energy Plan

In 2025, the Ministry will be introducing Ontario's first ever Integrated Energy Plan ("IEP"), one of the recommendations made to the government by the EETP. The Ministry announced in their vision paper, Ontario's Affordable Energy Future: The Pressing Case for More Power, that one IEP would be published for the province in 2025. The Ministry also held consultations with stakeholders in late 2024 about what should be included in the plan. Historically, planning for the province has been overseen by the IESO, who divided the province into 21 regions, with each region undergoing a planning exercise approximately every five years. The new IEP should provide clear messages to large customers and industry players about where the industry is headed.

Locate Compliance Changes

The *Building Infrastructure Safely Act, 2024* (Bill 153) amended the *Ontario Underground Infrastructure Notification System Act, 2012*, and among other changes, enabled Ontario One Call to

charge penalties to infrastructure owners (including EE) for locate requests not completed within the allotted time frame. Ontario One Call is permitted to issue penalties for late locates at the organization's discretion and the penalties can be steep. The penalties came into effect on May 1, 2024. Over the year, EE put a focus on increasing compliance on locate requests and joined a voluntary program for Ontario One Call. EE hired new staff in this area and made efficiencies to significantly increased locate performance. Due to strides made in this area, the organization did not receive any penalties for late locates in 2024. Keeping performance high will need to continue to be an area of focus moving forward.

CONSERVATION AND DEMAND MANAGEMENT UPDATE ("CDM")

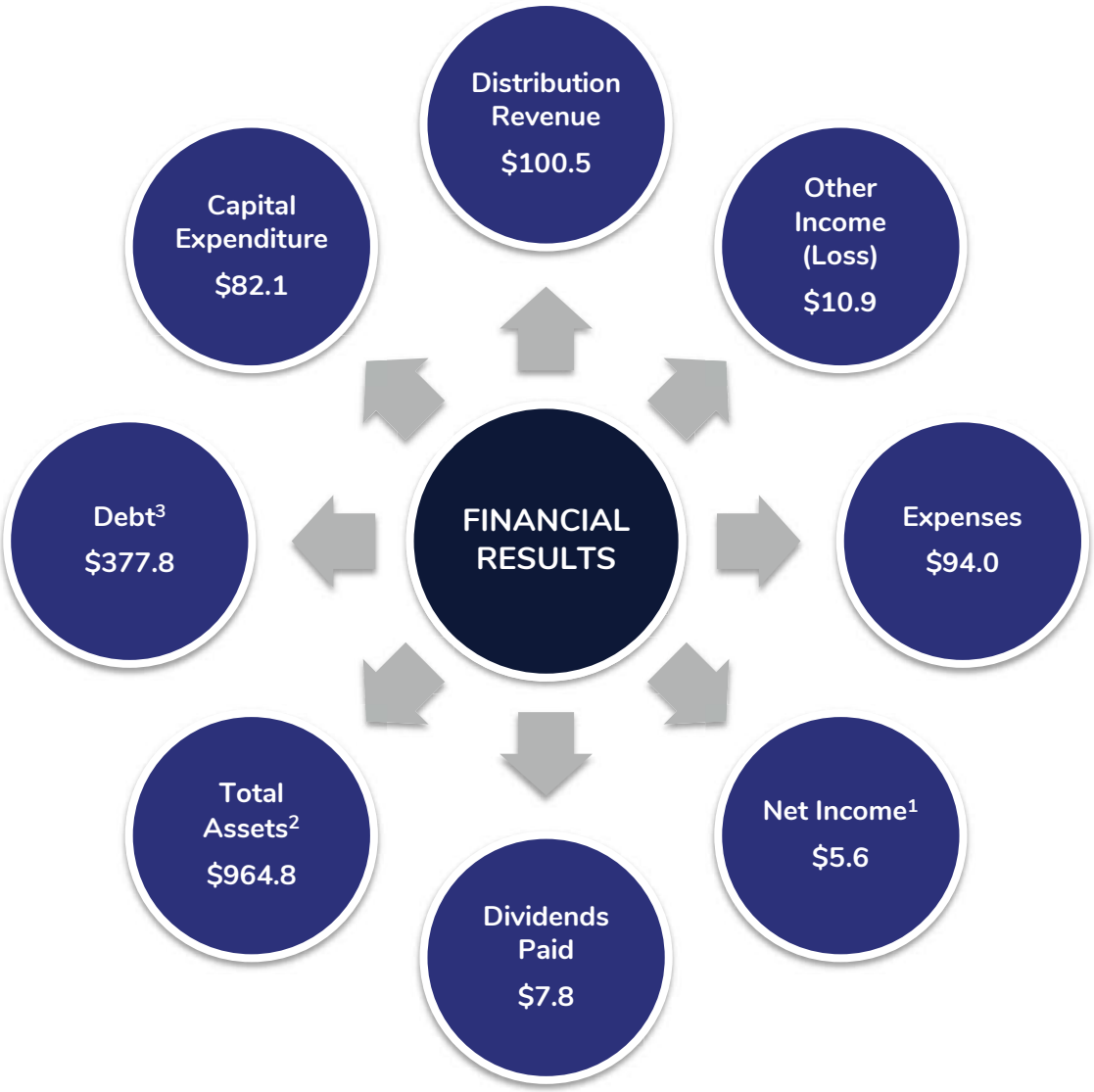
Ontario's next energy efficiency framework will have an extended timeframe (12-years) offering benefits to customers and utilities in terms of consistency and will begin January 2025. There is $10.9 billion budgeted for the framework over this period. The framework will include 14 programs, 12 of which are continuing or expanding and two are new. For perspective, the previous 2021-2024 framework had a budget of $1 billion dollars. During 2024, the Company received notice from the IESO with respect to bringing the wind-down of the CDM programs under the 2021-2024 framework to a close. A reconciliation was performed and the pre-funding amounts were returned to the IESO. Under the new 12-year framework, province-wide programs will continue to be centrally delivered by the IESO (as they have been since 2019). However, going forward there will be more LDC opportunities and involvement. LDCs will be able to apply for funding through the IESO for local programs that address system needs, as well, LDCs will be eligible for funding in order to support customer engagement in province-wide programs (e.g., marketing and outreach activities).

The OEB established the Lost Revenue Adjustment Mechanism ("LRAM") to compensate electricity distributors for revenue losses related to the reduction of load or energy usage associated with their CDM activities for all pre-2019 programs administered by the LDC.

In the 2022 annual rate application, the OEB prospectively approved LRAM-eligible amounts for 2023 to 2028, arising from persisting savings from completed CDM programs. These amounts will be adjusted mechanistically by the approved inflation factor. For the 2024 fiscal year, the OEB approved the recovery of the LRAM-eligible amount of $1.1 million. In the 2024 annual application, the OEB approved the recovery of the mechanistically adjusted LRAM-eligible amount of $1.1 million in 2025 fiscal year.

Results of Operations

2024 FINANCIAL RESULTS AT A GLANCE (in $ millions)



[1]*Net Income refers to net income after net movements in regulatory balances.*

[2]*Total Assets include regulatory balances.*

[3]*Debt includes both long-term and short-term balances.*

NET INCOME AFTER NET MOVEMENTS IN REGULATORY BALANCES

Consolidated Statement of Income

Year Ended December 31 (in millions of Canadian dollars)

	2024	2023	Variance
Commodity			
Commodity revenues	464.4	421.5	42.9
Commodity costs	(454.3)	(412.9)	(41.4)
Commodity variance	10.1	8.6	1.5
Net movements due to commodity variance[1]	(10.1)	(8.6)	(1.5)
Revenues			
Distribution revenue	100.5	97.5	3.0
Other Income	10.9	9.9	1.0
	111.4	107.4	4.0
Expenses			
Operating, maintenance and administration	(66.7)	(57.5)	(9.2)
Depreciation and amortization	(27.3)	(26.0)	(1.3)
	(94.0)	(83.5)	(10.5)
Finance costs, net	(15.3)	(15.4)	0.1
Unrealized (loss) gain on interest rate swaps	(1.2)	(11.1)	9.9
Income before income taxes	0.9	(2.6)	3.5
Income tax recovery (expense)	0.4	(1.8)	2.2
	1.3	(4.4)	5.7
Net income for the period	1.3	(4.4)	5.7
Net movements in regulatory balances[1]	6.7	(0.5)	7.2
Income tax on net movement on regulatory balances	(2.4)	5.5	(7.9)
Net income after net movements in regulatory balances	5.6	0.6	5.0

[1] *Total amount shown as net movements in regulatory balances in the consolidated statement of income.*

Net income after net movements in regulatory balances for the year ended December 31, 2024, was $5.6 million compared to $0.6 million for the prior year. After normalization for the unrealized gain and loss in both 2024 and 2023, the net income after net movements for year ended December 31, 2024, was $6.5 million compared to $8.0 million for the prior year.

The increase in net income of $5.0 million was primarily due to lower unrealized loss related to the interest rate swaps ($9.9 million), higher distribution revenue ($3.0 million), lower income tax expense ($2.2 million) and higher other income ($1.0 million). These lower costs were partially offset by higher operating, maintenance, and administration ("OM&A") costs driven by increased system maintenance costs, reactive work, bad debts, inventory write-offs, and corporate initiatives ($9.2 million), higher depreciation and amortization expense ($1.3 million) and decrease in net movements in regulatory balances excluding commodity variance, net of tax ($0.7 million).

Commodity variance has no impact on net income after net movements in regulatory balances as there is a corresponding offset in net movements. This variance is recorded as a settlement variance within regulatory accounts in the Corporation's consolidated balance sheets for future settlement with customers through OEB approved rate riders.

COMMODITY REVENUES AND COMMODITY COSTS

Commodity revenues include amounts billed or billable to customers based on regulated rates for energy costs including global adjustment ("Commodity"), wholesale market services ("WMS") and retail transmission service rate revenues ("RTSR"). Commodity costs consist of actual charges for electricity generated by third parties which are passed through to customers. Commodity costs are billed monthly by the IESO and Hydro One, and includes Commodity, WMS and RTSR charges. For any given period, commodity revenues should be equal to commodity costs. However, differences arise between commodity revenues and commodity costs as a result of a timing variance related to the regulated commodity rates charged by the Corporation to its customers and the actual commodity costs billed by the IESO and Hydro One to the Corporation on a monthly basis. The difference is recorded as a regulatory debit or credit in the consolidated balance sheet through net movements and represents amounts to be collected or refunded to customers through future OEB approved rate riders. Commodity revenues include OEB approved rate riders related to collection or refund of prior period commodity differences.

Commodity Costs, Commodity Revenues, Rate Riders and Variances
For Year Ended December 31, 2024
(in millions of Canadian dollars)

	Commodity Costs	Commodity Revenues	Variance
Commodity charges	365.2	362.1	3.1
WMS charges	21.4	21.3	0.1
RTSR charges	67.7	66.2	1.5
Total	454.3	449.6	4.7
Rate rider		14.8	(14.8)
Total	454.3	464.4	(10.1)

Commodity Costs, Commodity Revenues, Rate Riders and Variances
For Year Ended December 31, 2023
(in millions of Canadian dollars)

	Commodity Costs	**Commodity Revenues**	**Variance**
Commodity charges	334.6	333.8	0.8
WMS charges	15.4	18.6	(3.2)
RTSR charges	62.9	60.6	2.3
Total	412.9	413.0	(0.1)
Rate rider		8.5	(8.5)
Total	412.9	421.5	(8.6)

The commodity variance of $4.7 million was recorded in the consolidated balance sheet for collection in future periods and represents an increase of $4.8 million from prior year. The increase was mainly due to WMS variance increase of $3.3 million due to WMS revenue and cost approximately equal in 2024, and Commodity variance increase of $2.3 million due to higher actual Global Adjustment ("GA") rates charged to EE compared to GA rates used for billing customers.

For the year ended December 31, 2024, the Corporation collected $14.8 million of rate riders related to prior period commodity variance regulatory assets. For the year ended December 31, 2023, the Corporation collected $8.5 million of rate riders related to prior period commodity variance regulatory assets. The rate riders have no impact on net income.

DISTRIBUTION REVENUE

Distribution revenue is collected from customers using OEB approved distribution rates and rate riders. Rate riders have no impact on the net income after net movements in regulatory balances as there is a corresponding offset in the net movements line.

	2024	2023	Variance
Distribution revenue *(in millions of Canadian dollars)*	100.5	97.5	3.0

The increase in distribution revenue of $3.0 million was mainly due to higher 2024 distribution rates ($5.3 million), partially offset by the removal of expiring LRAM rate riders ($2.6 million).

EE distribution revenue by customer classes are as follows:

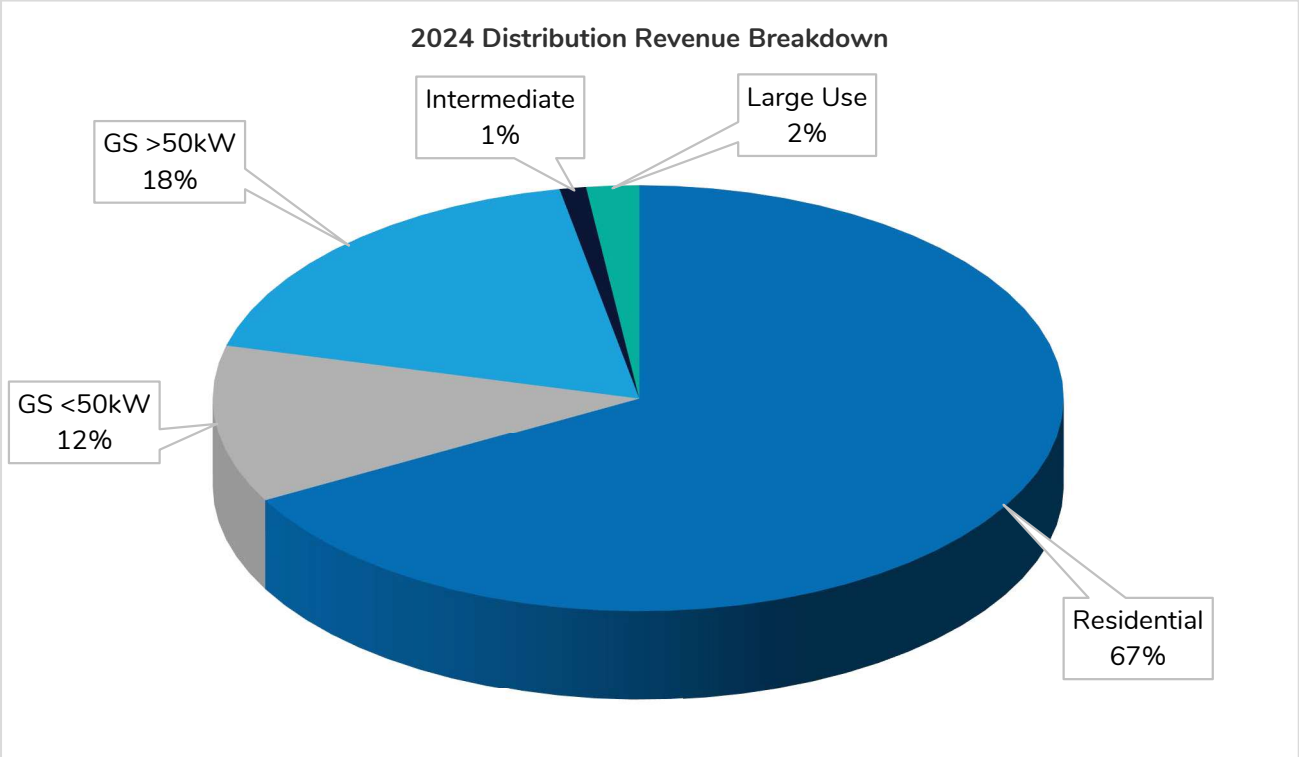
Residential (67%) - this classification includes single-family residences and multi-family units that are individually metered. A small portion of this class of customers have seasonal occupancy only.

General Service less than 50 kW ("GS <50kW") (12%) - this classification applies to non-residential accounts whose average monthly maximum demand is less than, or is forecast to be less than 50 kW.

General Service 50 kW to 2,999 kW (18%) - this classification applies to non-residential accounts whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than 50 kW but less than 3,000 kW.

General Service 3,000 kW to 4,999 kW ('Intermediate') (1%) - this classification applies to non-residential accounts whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 3,000 kW but less than 5,000 kW, and includes apartment buildings as well as commercial, industrial and institutional developments.

Large Use (2%) – these customers have a monthly peak demand of 5,000 kW or greater averaged over a 12-month period.



OTHER INCOME

Other income is earned from both the regulated electricity distribution activities for EE and unregulated activities from EG and EC. Other income includes:

- amortization of deferred contributions from developers;
- pole rental income generated from other utility service providers that attach equipment to poles owned by EE;
- customer charges including reconnection, disconnection, collection and change of occupancy charges from customers;
- late payment charges on customer overdue balances; and
- miscellaneous renewable projects and related consulting revenues, gain on sale of scrap and material, CDM incentives, recovery jobs and gain or loss on retirements, and disposals of assets.

	2024	2023	Variance
Other income *(in millions of Canadian dollars)*	10.9	9.9	1.0

Other income is $1.0 million higher in 2024 mainly due to unregulated combined heat and power project impairment in 2023 ($2.5 million), partially offset by lower unregulated income ($0.8 million) and realized swap gain in 2023 ($0.7 million).

OPERATIONS, MAINTENANCE AND ADMINISTRATION

OM&A expenses include salaries and benefits, external services, materials and supplies, vehicle and other costs to support the business activities of EC and its subsidiaries.

	2024	2023	Variance
OM&A *(in millions of Canadian dollars)*	66.7	57.5	9.2

The increase in OM&A expense of $9.2 million was mainly due to increased system maintenance, including environmental remediation costs at a station property, maintenance programs and reactive work ($3.4 million), higher labour costs ($2.8 million), and corporate initiatives ($2.3 million).

DEPRECIATION AND AMORTIZATION

	2024	2023	Variance
Depreciation and amortization *(in millions of Canadian dollars)*	27.3	26.0	1.3

The increase in depreciation and amortization expense of $1.3 million was due to new in-service capital additions.

FINANCE COSTS

	2024	2023	Variance
Finance Costs, net *(in millions of Canadian dollars)*	15.3	15.4	0.1

The decrease in net finance costs of $0.1 million was mainly due to lower interest rates on credit facilities ($0.3 million), mostly offset by higher debt ($0.2 million).

INCOME TAX EXPENSE AND INCOME TAX RECORDED IN NET MOVEMENTS IN REGULATORY BALANCES

(in millions of Canadian dollars)	2024	2023	Variance
Income tax (expense) recovery	(2.0)	3.7	(5.7)
Income tax on net movements in regulatory balances	2.4	(5.5)	(7.9)
	0.4	(1.8)	2.2

The decrease in income tax expense of $2.2 million is mainly due to lower income tax on net movements in regulatory balances. This is partially offset by lower deferred tax recovery related to unrealized interest rate swap loss and higher deferred tax expense related to regulatory balances and deferred revenue.

The decrease in income tax on net movements in regulatory balances of $7.9 million is due to a reduction in deferred tax related to regulatory balances and lower deferred tax expense related to temporary differences between accounting and tax values.

NET MOVEMENTS IN REGULATORY BALANCES

(in millions of Canadian dollars)	2024	2023	Variance
Net movements in regulatory balances[1]	6.7	(0.5)	7.2
Net movements due to commodity variance[1]	(10.1)	(8.6)	(1.5)
Income tax on net movement on regulatory balances	(2.4)	5.5	(7.9)
	(5.8)	(3.6)	(2.2)

[1] *Total amount shown as net movements in regulatory balances in the consolidated statement of income.*

For the year ended December 31, 2024, the decrease of $2.5 million in regulatory debits and increase of $3.3 million in regulatory credits in the consolidated balance sheet equals the sum of $5.8 million of net movements in regulatory balances, net movements due to commodity variance and income tax on net movements in regulatory balances.

Net movements in regulatory balances, excluding net movements due to commodity variance and tax, for the year ended December 31, 2024, was $6.7 million compared to $(0.5) million in the prior year. The increase of $7.2 million is primarily due to $2.6 million LRAM rate riders, $1.9 million Collection of Account deferral and variance account (“DVA”) and $0.6 million due to new Cloud Computing DVA.

FINANCIAL POSITION

The following table outlines significant changes in the consolidated balance sheet as at December 31, 2024, compared to December 31, 2023.

Significant in Changes in Consolidated Balance Sheet
(in millions of Canadian dollars)

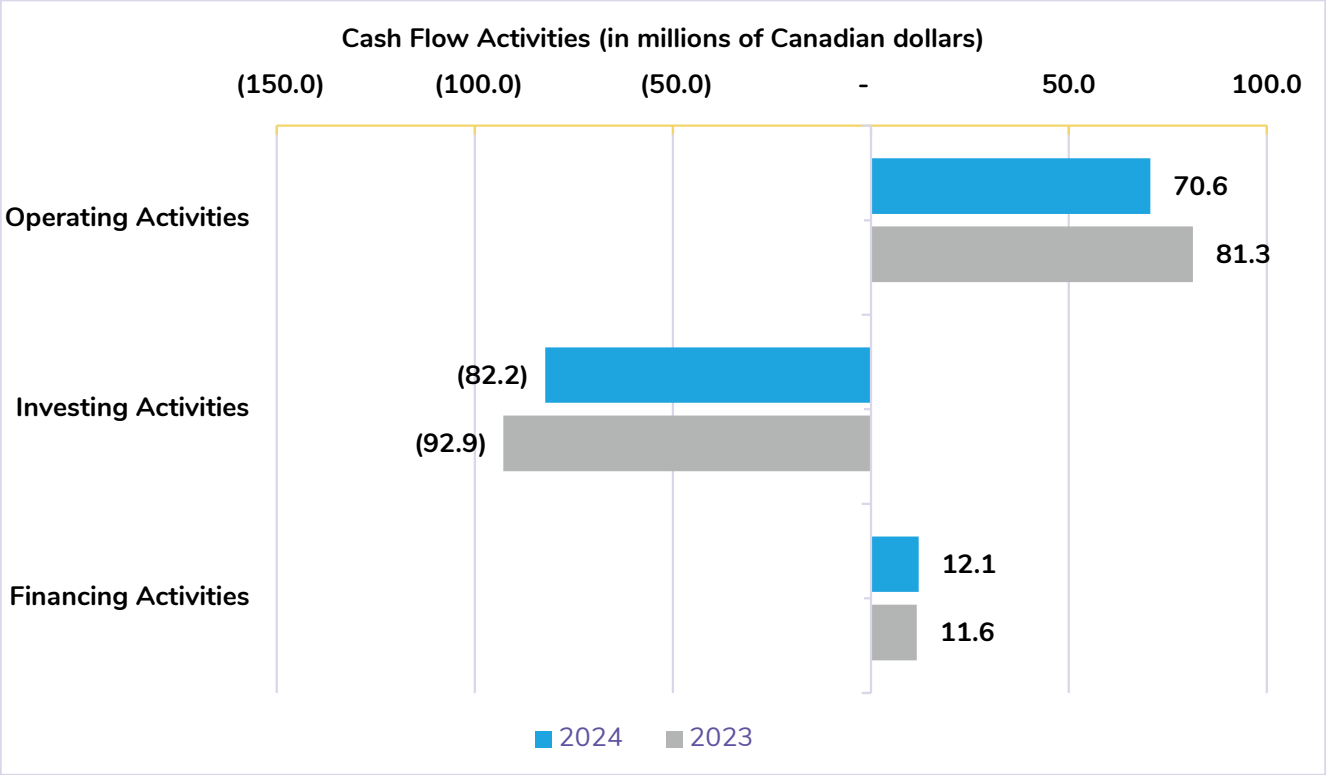
Balance Sheet Account	Increase (Decrease)	Explanation of Change
Assets		
Accounts receivable	8.8	The increase was due to an increase of electricity accounts receivable balances, unbilled revenue, HST receivables, and lower accounts receivable provision.
Material and supplies	(1.6)	The decrease was driven by planned inventory movement.
Property, plant and equipment, including intangible assets	65.3	The increase was mainly due to additional investments in the distribution grid offset by depreciation and loss on retirements.
Regulatory balances	(2.5)	The decrease was mainly due to amounts collected through OEB approved rate riders offset by amounts deferred into various regulatory accounts for collection in future periods.
Liabilities		
Accounts payable and accrued liabilities	17.0	The increase was mainly due to higher accruals for capital projects.
Short-term debt	5.2	The increase was due to working capital requirements (refer to Liquidity and Capital Resources).
Deposits and developer obligations	3.2	The increase was due to higher developer and customer deposits.

Significant in Changes in Consolidated Balance Sheet (in millions of Canadian dollars)		
Balance Sheet Account	**Increase (Decrease)**	**Explanation of Change**
Deferred contributions	21.9	The increase was due to capital contributions received from developers to fund capital asset investments.
Long-term debt	30.0	The increase was due to external long term debt financing to fund capital investment. (refer to Liquidity and Capital Resources).
Unrealized (loss) on interest rate swap derivatives	1.2	The increase was due to the lower 2024 interest rates compared to initial swap rates on interest rate swap loans (refer to Liquidity and Capital Resources).
Regulatory liabilities	3.3	The increase was mainly due to regulatory tax liability and by amounts deferred into various regulatory accounts to be refunded to customers in future periods.

Liquidity and Capital Resources

CASH FLOW ACTIVITIES

The Corporation's sources and usage of cash are from operating, financing and investing activities.



Operating Activities

The decrease in net cash from operating activities is mainly due to lower capital contributions related to customer driven projects offset by timing differences in settlement of payables and receivables.

Investing Activities

The decrease in cash used for investing activities is mainly due to lower cash capital investments in system renewal, system service and general plant projects.

Financing Activities

The increase in cash from financing activities is mainly due to higher external financing in 2024.

LIQUIDITY AND FINANCING ACTIVITIES

During 2024, the Corporation drew $30 million on the committed credit facility of $353.6 million. The Corporation's debt to capitalization ratio on December 31, 2024, was 59.8%. This debt includes $89.1 million in shareholder promissory note debt, as well as the $353.6 million committed revolver facility with $283.4 million outstanding. These facilities carry covenants normally associated with long-term debt, including debt to capitalization and interest coverage ratios. Additionally, the Corporation has access to uncommitted revolving demand credit facilities of $60.0 million with $5.2 million outstanding and $5.0 million with nil balance outstanding, respectively. The Corporation is compliant with all bank covenants as at December 31, 2024.

On June 21, 2024, Morningstar DBRS ("DBRS") credit rating service confirmed the Corporation's Issuer Rating at "A" and changed the trend to Negative from Stable. The DBRS report noted that the trend change reflects the expectation that the Corporation's financial risk assessment will be weak for the rating category in 2024 and 2025.

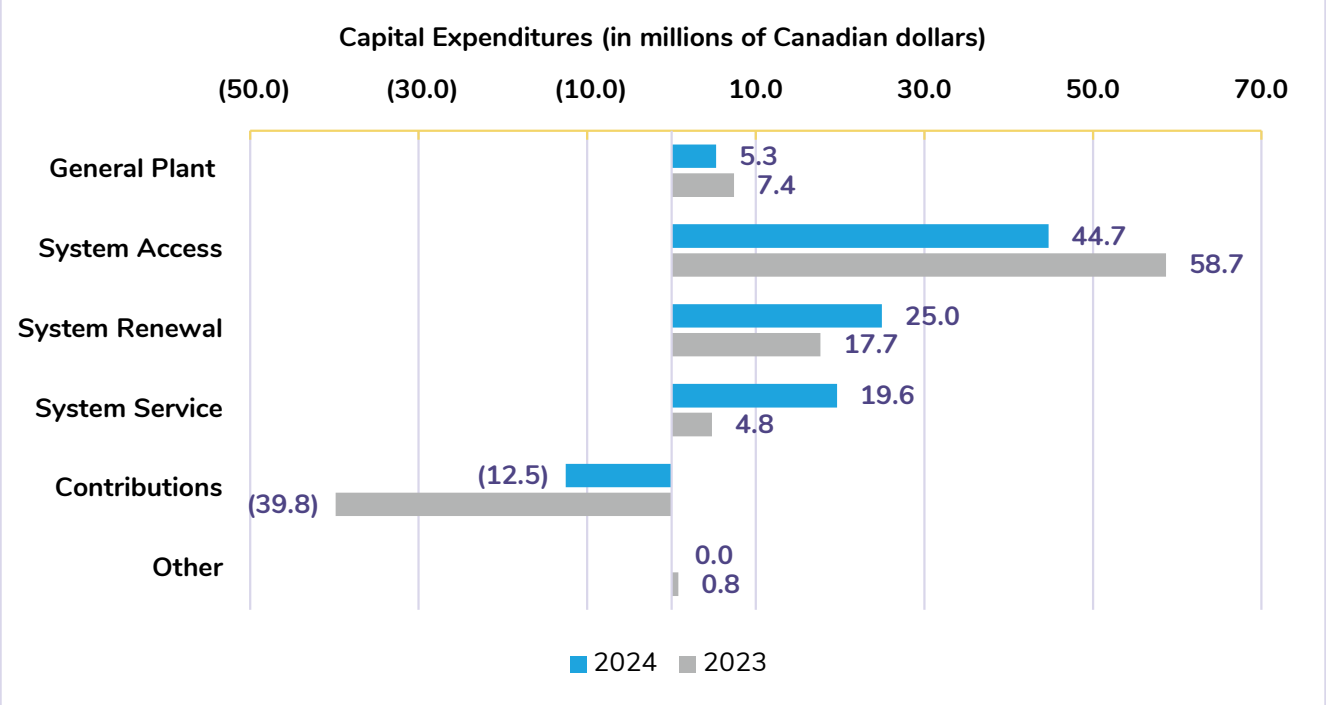
The Corporation's operating activities and these credit facilities are the primary sources of funds for liquidity and capital resource requirements. These resources are required for the following:

- capital expenditures to maintain, improve and modernize the electricity distribution system;
- servicing and repayment of debt;
- purchased power expense;
- prudential requirements;
- other investing activities; and
- dividends.

Management will continue to assess the Corporation's financial capital requirements and capacity as the capital needs evolve to meet all stated corporate strategic objectives.

CAPITAL EXPENDITURES

The gross capital expenditures of the Corporation are represented by the various groupings in the table below:



The General Plant investment category includes modifications, replacements, or additions to the Corporation's assets that are not part of its distribution system. This includes land and buildings, tools and equipment, rolling stock and electronic devices, and software used to support daily business and operations activities. Capital expenditures in this category have decreased by $2.1 million compared to 2023, due to lower spending in three areas: fleet vehicles, facilities and Information Technology.

The System Access investment category includes investments that enable the Corporation to fulfill its obligation to provide customers with access to electricity services through the distribution system (including modifications such as asset relocations). Capital expenditures in this category have decreased by $14.0 million compared to 2023, primarily due to large decreases in municipality driven road relocation projects including Metrolinx initiatives and decreases in spending related to connections of new service.

The System Renewal investment category includes investments to replace or refurbish distribution system assets to manage risks associated with aged and deteriorated infrastructure and maintain the Corporation's ability to provide customers with electricity services. Capital expenditures in this category have increased by $7.3 million compared to 2023, due to higher spending in substation renewal projects and equipment replacement following outages.

The System Service investment category includes investments which modify the Corporation's distribution system to ensure that it continues to meet its operational objectives while addressing anticipated future customer service requirements as well as enhancing and modernizing the system's operability. The capital expenditures in this category increased by $14.5 million compared to 2023, due to Connection and Cost Recovery Agreement ("CCRA") true up payments to Hydro One for the Whitby Municipal Transformer Station, Seaton Municipal Transformer Station and spending on large scale capital expansion projects.

Contributions are customer payments collected to fund capital construction expenditures. The decrease of $27.3 million in capital contributions is mainly due to $14.4 million of contribution reduction in customer road relocation and new service connections projects and a reclass of $12.9 million related to advance customer contributions receipt from construction work in progress. There is considerable volatility in customer driven contributions due to the dynamic nature of customer needs and timelines.

Other are capital investments related to unregulated activities. Unregulated capital expenditures have decreased by $0.8 million compared to 2023.

Share Capital

Share capital consists of:

(in millions Canadian dollars)	**2024**	**2023**
Authorized: 100,000 unlimited common shares Issued	97.7	97.7

Related Party Balances and Transactions

The Corporation provides electricity and services to its principal shareholders: the Town of Whitby, the City of Pickering, the Town of Ajax, the Municipality of Clarington and the City of Bellville (collectively, the "shareholders"). Electricity is sold to the shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

Related Party Balances and Transactions (in millions of Canadian dollars)		
	2024	**2023**
Electricity and services revenues	9.1	9.3
Finance costs on notes payable	3.7	3.7
Property taxes paid	0.7	0.7
Accounts receivable balance	1.2	1.2
Dividends paid	7.8	6.1

Risk Management

The Corporation, through its operating entities EE and EG, has continued to leverage the Enterprise Risk Management ("ERM") program established in 2021 which consists of a robust framework and a cyclical process that is used to identify and mitigate, where possible, key risks that may impede the Corporation's ability to execute its strategy and achieve its corporate objectives, including financial performance. At the entity level, the ERM program includes annual and quarterly processes for identifying, assessing and reporting the Corporation's risks. Additionally, the program is embedded within each organization's strategic planning and business planning cycles to ensure risks are properly considered and managed.

The top risks being managed by EE include, but are not limited to, net income, cyber security, shareholders' expectations, asset infrastructure, distribution system capacity and expansion, data and information management, technology and innovation, change management, health and safety, succession planning and financial capital constraints. More details pertaining to each of these risks are set out below.

In relation to EG, due to ongoing corporate changes, monitoring and tracking risks is being managed through a special committee of the Corporation that was selected to oversee these ongoing changes.

NET INCOME EROSION

Various factors continue to influence and impact the Corporation's net income, including the duration of time since the last rebasing of rates, which has resulted in rates that do not reflect the Corporation's current cost structures, higher financing costs driven by higher interest expenses, higher debt to fund customer-driven capital investments and critical infrastructure and an increasing aged accounts receivable balance due to seasonal restrictions on collection activities and the current economic instability. While some factors are beyond the control of the Corporation, the organization has implemented several strategies to help stabilize its net income. This includes partially offsetting or mitigating costs through favourable financing options, the adjustment of provisions to align with recent regulatory decisions, and a review of the capitalization policy to ensure its optimization while ensuring compliance to accounting standards. The Corporation also continued its tiered collection strategy designed to improve cash flow and reduce aged accounts receivables. Furthermore, the Corporation continues to pursue available regulatory funding mechanisms to reduce the erosion to net income. In 2025, EE will apply for incremental capital funding for its 2026 rates. In addition, EE intends to apply for rebasing with respect to the 2027 to 2031 rate period, which would end its ten-year deferred rebasing period two years earlier than scheduled, substantially increasing revenues in 2027 instead of 2029.

CYBER SECURITY

As the cyber security landscape continues to evolve, the Corporation maintains its focus on strengthening its cyber security posture through upgrading systems and processes, monitoring internal and external environments, responding to threats and incidents in a timely manner, and creating a risk-aware culture through training and phishing campaigns. The continually evolving geopolitical landscape, exemplified by ongoing tensions such as those involving Russia, China, Iran and India, remains an ongoing source of heightened cyber security risk for the energy sector. Nation-state actors are increasingly prepositioning themselves within critical infrastructure, potentially causing havoc in the future if conflicts arise between countries. Ransomware continues to pose the highest risk to Canadian organizations. Additionally, there has been a significant increase in identity-based attacks,

which target personal and organizational credentials to gain unauthorized access to systems and data. When considering the risk exposure of the electrical grid and related assets, a cyberattack could result in power outages, loss of access to critical systems, and loss of key sensitive and personal data, leading to reputational damage and potential legal and/or regulatory consequences. Through a modern workplace initiative and a multi-year Enterprise Resource Planning initiative, the Corporation's Information Technology/Operational Technology (IT/OT) operating model is expected to significantly address its technological obsolescence, simultaneously enhancing organizational efficiency and mitigating vulnerabilities inherent in legacy systems. Additionally, the Corporation is continuously designing and implementing compensating controls, including restricting access, monitoring, alerting, and reporting on out-of-date operating systems.

SHAREHOLDERS' EXPECTATIONS

The Corporation's strategy focuses on meeting shareholder expectations, particularly by increasing value in the Corporation and maintaining dividends, as well as supporting development and growth in their municipalities. However, challenges such as high inflation, interest rates, increasing infrastructure investment requirements, and increasing aged receivables balance are reducing cash flow and pressuring net income. Environmental remediation costs in 2024 also increased operational costs. Government policies to speed up home construction and limited ability to raise rates to cover current costs are key issues to manage with shareholders. To keep shareholders informed, EE provides quarterly updates to the Board of the Corporation (its shareholders) on its strategy progress, shares financial reports with municipal Chief Administration Officers ("CAOs") and treasurers annually, and has updated its Shareholder Engagement Strategy based on feedback from meetings with its shareholder municipalities. This updated strategy will help the Corporation to continually engage and communicate with shareholders, align actions on relevant topics, and increase the understanding of all parties needs.

ASSET INFRASTRUCTURE

Acknowledging that the Corporation's distribution system infrastructure is aging, throughout 2024, the Corporation continued to prioritize the upgrade and timely replacement of its assets based on their condition and end-of-life assessment. Financial restrictions, supply chain limitations and more frequent and impactful weather events continue to create challenges in mitigating this risk. In 2024, the Corporation reorganized the Asset Management division to better serve the needs of the communities serviced by the Corporation and bring increased focus on reliability improvements and load forecasting. To address the reliability concerns with the Corporation's aging asset infrastructure, several key projects are planned for 2025 and beyond to modernize the grid and improve on the deteriorating reliability metrics for the System Average Interruption Duration Index ("SAIDI"). In addition, the Corporation has an ongoing maintenance program that includes but is not limited to pole testing,

tree trimming, transformer inspections and switch maintenance. Financial constraints are currently limiting management's ability to adequately invest in the 2025 capital and maintenance execution work programs, which are crucial for minimizing reliability issues due to defective equipment and tree contacts .

DISTRIBUTION SYSTEM CAPACITY AND PLANNING

Various levels of government are providing incentives to municipalities to meet their housing targets, and the push to meet these targets is increasing the request for residential connections. Also, there is an increasing demand for commercial connections because of the availability of real estate and attractiveness to commercialize within the Corporation's service territory. This increasing demand for connection, both commercial and residential, combined with population growth and electrification of transportation and home heating, is raising the risk of the Corporation's assets not being able to provide sufficient capacity to meet its customer needs and may impact the organization's ability to connect customers on time. To mitigate this risk, the Corporation is planning to apply for early rebasing so that the financial capital requirements match the customer demands. Also, in 2024, the organization successfully secured land from the Town of Whitby to build a new municipal station in North Brooklin. It also participated in the regional infrastructure planning session with the IESO and Hydro One to address the additional capacity requirements in the City of Belleville due to industrial load growth. Additionally, recurring touchpoints are scheduled with the communities served by the Corporation to obtain community energy plans and municipal energy plans so that they can be incorporated into the organization's load forecasting.

DATA AND INFORMATION MANAGEMENT

The Corporation recognizes the importance of data and information management to strategy and decision-making, the ability to efficiently and effectively operate, and overall business continuity. As the Corporation expands to meet stakeholder needs, more data and information needs to be captured, made accessible and useable to support operations and achieve strategic objectives, and managed to limit risks and costs associated with over-retention. Additionally, given emerging technologies, including the dynamic nature of the cyber security landscape, new ways of working, as well as regulatory requirements and stakeholder expectations, the Corporation can benefit from better retention capabilities, more stringent audit functionalities, more user functions and advanced protections and controls. Recognizing the current and future needs, the Corporation established an information management framework to inform prioritization of the next steps in program development and maturity, based on best practices and industry standards. Significant progress has been made with the completion of several important governance documents, including a retention schedule, disposition protocol and digital use policy, all of which further mitigate exposure associated with this risk. Furthermore, the Corporation has launched two separate projects, the Modern Workplace initiative and

an Enterprise Resource Planning initiative, each of which moves aspects of the organization's operations from legacy on-premises systems to cloud-hosted solutions that will enable modern information governance, data classification, improved efficiency in search and retrieval, and advanced data and information protections and controls.

TECHNOLOGY AND INNOVATION

Elexicon Corporation faces growing operational challenges and security vulnerabilities due to the obsolescence of many of its Information Technology ("IT") systems. As these outdated systems no longer receive vendor maintenance or support, the organization is at an increased risk of cyber threats and regulatory non-compliance, which jeopardizes its ability to meet the demands of customers, regulators, and other stakeholders. Furthermore, running multiple disparate legacy systems leads to integration hurdles, inconsistent user experiences, and the proliferation of data silos, all of which increase complexity and administrative burden. In response, the Corporation has launched a comprehensive, multi-year Enterprise Resource Planning ("ERP") initiative aimed at gradually replacing and upgrading its technology stack, thereby enhancing security and enabling better data management. The organization has also adopted a unifying Microsoft reference architecture through a Modern Workplace initiative, standardizing its systems and ensuring consistent user experiences. By proactively patching, upgrading, refreshing, operating, and monitoring its technology assets, the Corporation is striving to maintain a modern, secure, and agile IT environment capable of supporting the organization's evolving needs.

CHANGE MANAGEMENT

The Corporation anticipates significant changes in the coming years, with initiatives aimed at enhancing and modernizing its systems and operations. The successful implementation of these new technologies and processes will depend on high levels of adoption and engagement from our teams and stakeholders. To manage this risk, the organization has initiated ongoing employee engagement and communication efforts throughout 2024 to keep its teams informed about the progress of these initiatives. The Corporation has also adopted a leading best practice change management framework, which will be launched in 2025, and will work closely with its technology implementation partner in 2025 to support a robust change management plan, including a comprehensive communication and training strategy to support teams during this transition. Finally, the organization leverages change management experts as needed.

HEALTH AND SAFETY

While the Corporation's safety metrics showed positive trends in 2024, several factors continue to cause the Corporation concern from a risk perspective. These include the ongoing maintenance and repair of aging infrastructure, the demanding nature of the industry necessitating robust mental health

support, the emergence of new technologies increasing training demands, and adverse weather conditions heightening the risk of incidents and accidents. Addressing these challenges is crucial for maintaining and improving safety standards. In 2024, the Corporation made significant progress in reducing reportable safety incidents, achieving a substantial decrease from 4.68% in 2023 to 1.82%. This improvement is largely due to the establishment of a new Incident Review and Continuous Improvement Committee ("IRCIC"), and the implementation of new metrics and dashboards for monitoring and reporting. The Corporation's commitment to achieving ISO 45001 certification remains steadfast, reflecting its dedication to maintaining the highest safety standards. As the Corporation continues to prioritize ongoing staff training, the active use of a hazard and risk registry assists the organization to identify and mitigate risks. The Corporation's journey towards health and safety excellence will continue into 2025 and beyond, reinforcing its commitment to a safer and healthier workplace.

SUCCESSION PLANNING

The Corporation recognizes that there is a sustained, tight and highly competitive labour market. This, mixed with an aging workforce, evolving customer needs, and new enabling technologies, requires a thoughtful people strategy focusing on performance, development, and succession planning. In response to this risk, the Corporation continues to implement its integrated Talent Management program whereby succession plans are refreshed and current and future skills requirements for the workforce analyzed. In 2024, the Corporation completed the rollout of its behavioral competency model to all employees, and performance discussions were completed across the entire organization and are ongoing, providing timely and relevant data for improvement.

FINANCIAL CAPITAL CONSTRAINTS

As the Corporation continues to face the ongoing need to update its aging asset infrastructure, the increasing population growth and the availability of real estate that attracts commercialization within its service territory are driving increased demand for new connections and more electricity capacity - requiring additional debt to fund these critical infrastructure investments. Furthermore, the duration of time since the last rebasing of rates, has resulted in rates that do not reflect the Corporation's current cost structures, and has put significant limitations on the Corporation's ability to fund the critical customer-driven projects without impairing or putting undue pressure on its financial metrics. In order to successfully mitigate this risk, two separate but interrelated activities have been undertaken by the Corporation: the financial constraints component, which considers the amount of funds that are available for a defined period, and the operational component, which considers how the organization prioritizes and utilizes the finite funds within that defined period in the most efficient and effective manner. In 2024, the Corporation continued to closely monitor its financial metrics and manage borrowings aligned with its financial covenants. Additionally, the Corporation's board appointed

a special committee to explore capital financing options and solutions to remediate its financial constraints.

Significant Accounting Policies

The significant accounting policies of the Corporation are summarized in Note 3 of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with the IFRS.

Selected Annual Financial Information

Selected Annual Financial Information (in millions of Canadian dollars)		
	2024	**2023**
Year Ended December 31		
Total revenues[1,2]	575.9	528.9
Net income after net movements in regulatory balances[2]	5.6	0.6
Adjusted net income[2,3]	6.5	8.0
As at December 31		
Total assets and regulatory balances[4]	964.8	894.4
Debt[5]	377.8	342.6
Equity	254.5	256.8
Dividends	7.8	6.1

[1] Total revenues include commodity, distribution and other revenues
[2] Refer to "Results of Operations" for further details.
[3] Adjusted net income excludes unrealized gain (loss) on interest rate swap and related taxes.
[4] Refer to "Financial Position" for significant changes in balance sheet items.
[5] Debt includes both short-term and long-term balances.

Industry Outlook

Electricity demand continues to grow thanks to a combination of population growth and the electrification of vehicles, industry and homes. According to the IESO's 2024 Forecast Update, demand for affordable, reliable and clean electricity is expected to increase by 75% by 2050 – higher than the previous year's forecast of 60%. EE and other LDCs will have more opportunities in 2025 for communicating and marketing conservation programs to their customers, and in the near future, will have increased financial support for creating their own unique conservation programs to manage

specific local electricity grid constraints. An Integrated Energy Plan for Ontario will be released in early 2025, which will be a key planning document for those in the sector. LDCs will need to work closely with the government and sector as new regulations are etched out on how upfront capital costs are managed, and as customer connections and revenue horizons are extended.

-end-

EXHIBIT 1 - TAB 8 - SCHEDULE 1: ATTACHMENT 3
"AUDITED FINANCIAL STATEMENTS 2024"
(REFER TO ATTACHMENT IN PDF FORMAT)

Financial Statements of

ELEXICON ENERGY INC.

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Elexicon Energy Inc.

Opinion

We have audited the financial statements of Elexicon Energy Inc. (the Entity), which comprise:

- the balance sheet as at December 31, 2024
- the statement of income and comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to

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enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 27, 2025

ELEXICON ENERGY INC.

Balance Sheet
(In thousands of dollars)

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Current assets:			
Cash		$ 487	$ 1,495
Accounts receivable	4, 13, 24(c)	103,317	95,213
Due from related parties	13	121	540
Materials and supplies		10,800	11,922
Income taxes recoverable		175	362
Prepaid expenses		2,689	2,335
Total current assets		117,589	111,867
Non-current assets:			
Property, plant and equipment	5, 23	702,819	646,557
Intangible assets	6, 23	18,874	8,370
Goodwill	3(g), 6	64,348	64,348
Other assets		115	112
Total non-current assets		786,156	719,387
Total assets		903,745	831,254
Regulatory balances	7	53,757	56,310
Total assets and regulatory balances		$ 957,502	$ 887,564
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	76,123	59,229
Short-term debt	10	77,126	71,926
Deferred revenue	11	3,397	5,096
Deferred contributions	15	4,441	3,836
Deposits and developer obligations	12	13,458	16,702
Long-term debt	14	709	2,709
Other liabilities	20	95	124
Total current liabilities		175,349	159,622
Non-current liabilities:			
Long-term debt	10, 14	306,312	277,020
Deferred contributions	15	180,677	159,354
Employee future benefits	16	6,389	6,355
Unrealized loss on interest rate swap derivatives	24(e)	12,289	11,081
Deferred tax liabilities	8	18,995	19,722
Other liabilities	20	115	210
Total non-current liabilities		524,777	473,742
Total liabilities		700,126	633,364
Shareholder's equity:			
Share capital	17	98,796	98,796
Contributed capital		23	23
Contributed surplus		77,849	77,849
Accumulated other comprehensive income		2,420	2,500
Retained earnings		63,609	63,650
Total shareholder's equity		242,697	242,818
Total liabilities and shareholder's equity		942,823	876,182
Regulatory balances	7	14,679	11,382
Commitments and contingencies	10, 18, 19		
Total liabilities, shareholder's equity and regulatory balances		$ 957,502	$ 887,564

See accompanying notes to the financial statements.

On behalf of the Board:

Chair,
Board of Directors

Chair,
Audit, Finance and Risk Management Committee

ELEXICON ENERGY INC.

Statement of Income and Comprehensive Income
(In thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Revenues:			
Commodity revenue	21	$ 464,462	$ 421,522
Distribution revenue	21	100,500	97,459
Other income	21	7,325	7,798
		572,287	526,779
Expenses:			
Commodity cost		454,320	412,905
Operating and maintenance	22	22,635	17,423
Administration	22	38,489	32,619
Depreciation and amortization		26,530	25,725
		541,974	488,672
Finance costs	14	(15,718)	(15,917)
Unrealized loss on interest rate swap derivatives		(1,208)	(11,081)
		(16,926)	(26,998)
Income before income taxes		13,387	11,109
Income tax recovery (expense)	8	428	(1,318)
Net income		13,815	9,791
Net movements in regulatory balances, net of tax:	7		
Net movements in regulatory balances		(3,409)	(9,088)
Income tax on net movements in regulatory balances		(2,441)	5,473
		(5,850)	(3,615)
Net income after net movements in regulatory balances		7,965	6,176
Other comprehensive loss, net of tax:			
Remeasurements of employee future benefits		(80)	(621)
Total comprehensive income		$ 7,885	$ 5,555

See accompanying notes to the financial statements.

ELEXICON ENERGY INC.

Statement of Changes in Equity
(In thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Balance, December 31, 2023	Net income after net movements in regulatory balances	Other comprehensive loss	Dividends paid	Balance, December 31, 2024
Share capital	$ 98,796	$ –	$ –	$ –	$ 98,796
Contributed capital	23	–	–	–	23
Contributed surplus	77,849	–	–	–	77,849
Accumulated other comprehensive income (loss)	2,500	–	(80)	–	2,420
Retained earnings	107,347	7,965	–	–	115,312
Dividends	(43,697)	–	–	(8,006)	(51,703)
Total equity	$ 242,818	$ 7,965	$ (80)	$ (8,006)	$ 242,697

	Balance, December 31, 2022	Net income after net movements in regulatory balances	Other comprehensive loss	Dividends paid	Balance, December 31, 2023
Share capital	$ 98,796	$ –	$ –	$ –	$ 98,796
Contributed capital	23	–	–	–	23
Contributed surplus	77,849	–	–	–	77,849
Accumulated other comprehensive income (loss)	3,121	–	(621)	–	2,500
Retained earnings	101,171	6,176	–	–	107,347
Dividends	(38,219)	–	–	(5,478)	(43,697)
Total equity	$ 242,741	$ 6,176	$ (621)	$ (5,478)	$ 242,818

See accompanying notes to the financial statements.

ELEXICON ENERGY INC.

Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Cash provided by (used in):			
Operating activities:			
Net income after net movements in regulatory balances		$ 7,965	$ 6,176
Net movements in regulatory balances		5,850	3,615
Adjustments:			
Depreciation and amortization		26,530	25,725
Amortization of deferred contributions		(3,400)	(2,936)
Loss on disposal/retirement of property, plant and equipment		1,251	1,047
Employee future benefits		(46)	(81)
Unrealized loss on interest rate swap derivatives		1,208	11,081
Realized gain on interest rate swap derivatives		–	(694)
Finance income		(379)	(206)
Finance costs		16,097	16,123
Income tax expense		(428)	1,318
Other		(181)	120
Capital contributions received		25,445	39,846
Deposits and developer obligations	12	(3,244)	(1,799)
Income taxes paid		(473)	(839)
Income taxes recovered		362	–
		76,557	98,496
Changes in operating working capital	23	(3,963)	(14,365)
Net cash provided by operating activities		72,594	84,131
Financing activities:			
Interest received		379	206
Repayment of short-term debt		–	(22,500)
Repayment of long-term debt		(2,708)	(1,634)
Proceeds from short-term debt		5,200	–
Proceeds from long-term debt		30,000	53,000
Proceeds from settlement on interest rate swap derivatives		–	3,529
Dividends paid	18	(8,006)	(5,478)
Interest paid		(16,097)	(16,123)
Net cash provided by financing activities		8,768	11,000
Investing activities:			
Additions to property, plant and equipment	23	(77,357)	(88,627)
Additions to intangible assets	23	(5,043)	(3,839)
Proceeds from disposal of property, plant and equipment		30	135
Net cash used in investing activities		(82,370)	(92,331)
(Decrease) increase in cash		(1,008)	2,800
Cash (bank indebtedness), beginning of year		1,495	(1,305)
Cash, end of year		$ 487	$ 1,495

See accompanying notes to the financial statements.

Elexicon Energy Inc. ("EE" or the "Company") was incorporated on April 1, 2019 under the Business Corporation Act (Ontario) by amalgamation of the former entities: Veridian Connections Inc. ("Veridian") and Whitby Hydro Electric Corporation ("Whitby Hydro"). It is a wholly owned subsidiary of Elexicon Corporation (the "Corporation"). The Company is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor which distributes electricity in the cities of Belleville and Pickering, the towns of Ajax, Whitby, Gravenhurst, Port Hope and Uxbridge, and the communities of Bowmanville, Newcastle, Orono, Beaverton, Cannington, Sunderland and Port Perry. The Company's registered office is located at 55 Taunton Road East, Ajax, Ontario L1T 3V3.

1. Basis of preparation:

(a) Basis of accounting:

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company has evaluated the events and transactions after the balance sheet date through March 21, 2025 when the Company's financial statements were authorized for issuance by the Company's Board of Directors and identified the events and transactions which required recognition in the financial statements and/or disclosure in these notes to the financial statements (note 18).

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for employee future benefits and certain financial instruments that are measured at fair value.

1. Basis of preparation (continued):

(d) Use of judgements and estimates:

The preparation of the financial statements requires management to make estimates, judgments and assumptions: within reasonable limits of materiality and within the framework of the material accounting policies, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Due to inherent uncertainty involved in making such estimates, actual results reported in future years could differ from those estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following financial notes:

(i) Note 3(b)(i) - recognition and measurement of unbilled revenue; and

(ii) Note 3(b)(i) and note 24(c) - expected credit losses.

Management is required to make significant judgments in the area of:

(i) Note 3(e), (f) - determination of useful lives of property, plant and equipment (PP&E) and intangible assets;

(ii) Note 2, 3(b)(i), and note 7 - recognition and measurement of regulatory balances;

(iii) Note 3(k)(ii), (iii) and note 16 - measurement of employee future benefits: key actuarial assumptions;

(iv) Note 3(m) - recognition and measurement of provisions and contingencies; and

(v) Note 3(l) and note 8 - recognition of deferred tax assets - availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used.

Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant.

2. Regulated environment:

The Company is an electricity distributor licensed by the OEB. It is regulated by the OEB under authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or setting rates for the distribution of electricity and the responsibility of ensuring that distribution companies fulfill obligations to connect and service customers.

Electricity distribution rates:

Electricity distribution rates include both fixed monthly rates per customer and variable rates per kWh usage or kW demand. These distribution rates are subject to regulation by the OEB.

The OEB's regulatory framework for electricity distributors is designed to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

Revenue requirement is typically established during a Cost of Service ("COS") rate application. Due to the merger between Veridian Connections and Whitby Hydro on April 1, 2019, Elexicon is currently in a 10-year deferred rebasing period.

Between COS applications, the OEB regulates electricity rates for distributors through two different rate setting options: Price Cap Incentive Rate-setting ("Price Cap IR") and Annual IR Index. These incentive rate-setting mechanisms establish rates for a given year by mechanistically adjusting the prior year's rates to account for inflationary changes reduced by an amount to incent productivity. The Company has two distinct rate zones for Veridian and Whitby with the rate year effective January 1 and follows the Price Cap IR rate setting option.

Prior to the merger, Veridian Connections Inc. filed a COS application in October 2013 for rates effective May 1, 2014. Whitby Hydro Electric Corporation filed a COS in January 2010 for rates effective May 1, 2010, and, through settlement, received approval for rates effective January 1, 2011. Pursuant to the completion of amalgamation on April 1, 2019 after receiving OEB approval, the Company intends to defer a COS rate application for a period of up to 10 years from the date of the merger closing.

2. Regulated environment (continued):

In December 2022, the OEB approved annual IRM rate applications under the Price Cap IR process for both Veridian and Whitby rate zones for changes to distribution rates effective January 1, 2023. EE had also applied for Incremental Capital Module ("ICM") funding for its Whitby Smart Grid ("Smart Grid") Project and Sustainable Brooklin Project.

In June 2023, the OEB approved recovery of $4,100 in restoration costs associated with a major windstorm that occurred within EE's service territory on May 21, 2022.

In July 2023, the OEB approved $8,800 in ICM funding for 2025 for the proposed Smart Grid Project. The OEB's funding approval is contingent on Natural Resources Canada funding of $4,000 which in turn requires project completion by March 31, 2025.

In December 2024, the OEB approved annual IRM applications under the Price Cap IR process for both rate zones for changes to distribution rates effective January 1, 2025.

3. Material accounting policies:

(a) Regulatory balances:

On January 30, 2014, the IASB issued an interim standard, IFRS 14, Regulatory Deferral Accounts ("IFRS 14") to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the prices that an entity can charge to customers for rate regulated goods or services.

These amounts arising from timing differences are recorded as regulatory debit and credit balances on the Company’s balance sheet, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

The Company's regulatory debit balances represent certain amounts receivable from customers or future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory credit balances, which represent obligations that are expected to be refunded to customers or future customers.

3. Material accounting policies (continued):

(b) Revenue recognition:

(i) Electricity distribution and sale:

Revenue from the sale of electricity is recognized over time as the performance obligations are satisfied as the electricity is transferred to the customer. The value is determined on the basis of cyclical meter readings plus the estimated customer usage since the last meter reading date to the end of the year.

Revenue from the sale of electricity includes an estimate of unbilled revenue accrued in respect of electricity delivered but not yet billed at year end. Unbilled revenue is calculated based on OEB-approved rates for electricity consumption and electricity demand driven by number of days between a customer's last meter reading in the year and December 31. Actual billed revenue could differ from estimates due to energy demand, weather, line losses and changes in the composition of customer classes.

The difference between the amounts charged to customers, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs billed monthly by the IESO, is recorded as a settlement variance. In accordance with IFRS 14, the settlement variance represents future amounts to be recovered from or refunded to customers through future billing rates approved by the OEB and is presented within regulatory balances on the balance sheet and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by the Company in delivering electricity to customers. There is also a fixed rate component to distribution revenue which is a fixed monthly charge per customer. Distribution revenue also includes revenue related to collection of specific OEB-approved rate riders.

3. Material accounting policies (continued):

The carrying amount of accounts receivable, including unbilled revenue is measured at amortized cost and reduced through an allowance for doubtful accounts equal to the lifetime expected credit losses to be recognized at the reporting date.

(ii) Other income:

Other income, which includes revenue from electricity distribution-related services, is recognized as services are rendered. Capital contributions received from electricity customers to construct or acquire property, plant and equipment ("PP&E") for the purpose of connecting a customer to a network fall within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the term of the contract with the customer.

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15. Cash contributions, received from developers are recorded as deferred contributions. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred contributions. The deferred contributions, which represents the Company's obligation to continue to provide the future customers access to the supply of electricity, is amortized to income on a straight-line basis over the term of the contract with the customer.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as income in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received. Revenues and costs associated with CDM programs are presented using the net basis of accounting and recorded in other income.

3. Material accounting policies (continued):

(iii) Deferred revenue:

Amounts received in advance but not yet earned in relation to the IESO supported CDM initiatives and other unearned revenue are presented as deferred revenue (note 11).

(c) Cash and bank indebtedness:

Cash is defined as cash in bank and bank indebtedness defined as obligations paid by the Company and outstanding as at year end.

(d) Materials and supplies:

Materials and supplies, which consists of parts and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

Any write-downs taken on materials and supplies are reversed if and when net realizable value subsequently recovers. Major spare parts and standby equipment are recorded as part of PP&E and depreciated once they are available for use.

An amount of $nil (2023 - $258) was written down due to obsolescence in the year.

(e) Property, plant and equipment:

PP&E purchased or constructed by the Company are recorded at cost less accumulated depreciation. Costs include contracted services, materials, labour, engineering costs, directly attributable overheads and capitalized borrowing costs during construction when applied. Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the Company and the costs can be measured reliably.

Depreciation of PP&E is charged to net income on a straight-line basis over their estimated service lives at the following annual rates:

3. Material accounting policies (continued):

Land rights with fixed term	2.0%
Buildings	2.0% - 6.7%
Distribution station equipment	1.7% - 4.0%
Distribution system	1.7% - 10.0%
Meters	4.0% - 6.7%
Office equipment	10.0%
Computer hardware	20.0% - 33.3%
Vehicle fleet	6.7% - 16.7%
Renewable power generation	4.0%

The depreciation method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

Assets are derecognized at their carrying value upon retirement, or when no remaining economic benefits are expected from its use. The related gain or loss arising on the disposal or retirement is determined as the difference between the proceeds from sale and the carrying value of the asset and is included in net income for the related fiscal year. The cost of replacing a part of an item of PP&E is recognized as an addition to the carrying amount of the asset and the carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of PP&E assets is recognized in net income as incurred.

(f) Intangible assets:

Intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is provided on a straight-line basis over the estimated service lives at the following annual rates:

Application software and intellectual property	33.3%
Internally generated software	20.0%

3. Material accounting policies (continued):

Software in development is not subject to amortization. The above-noted amortization rates apply to assets held within the application software and other intangible asset grouping (note 6). The amortization method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

(g) Goodwill:

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. It is allocated from the acquisition date to the Company's rate regulated cash generating unit ("CGU") that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill is measured at cost less accumulated impairment losses, if any, and not amortized. Impairment testing for goodwill is carried out at each reporting date in the context of the CGU by comparing carrying amount with its recoverable amount. The recoverable amount of an asset or CGU is the greater of an asset's or CGU's fair value less costs of disposal and its value in use.

Impairment losses are recognized in net income. Impairment losses relating to the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

(h) Financial assets/liabilities measured at amortized cost:

Accounts receivable (including unbilled revenue), cash, customer deposits, accounts payable, credit facilities, long-term debt and leases are measured at amortized cost.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for that asset.

3. Material accounting policies (continued):

(i) Impairment of non-financial assets:

The carrying costs of non-financial assets: PP&E and finite lives intangible assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment, in which case, the asset's recoverable amount is estimated.

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the recoverable amount of an asset or CGU may be below their carrying value. The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU, a suitable discount rate in order to calculate a present value as a basis for determining impairment and an estimated terminal value calculated by discounting the final year in perpetuity.

For the regulated business, the carrying costs of most of the Company's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding work in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Impairment is tested at the CGU level, which is the smallest identifiable group of assets that generates independent cash flows. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount and is recognized in net income.

(j) Customer deposits and advance payments:

Customer deposits are cash collections from customers to secure electricity or other services. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution services.

The Company receives advance payments from customers in relation to construction projects and recognizes them as a liability until the projects are completed.

3. Material accounting policies (continued):

(k) Employee benefits:

(i) Short-term employee benefits:

The Company provides short-term employee benefits, such as: salaries, employment insurance, short-term compensated absences, health and dental care. These benefits are recognized as the related service is rendered and is measured on an undiscounted basis. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of the cost of an item of materials and supplies, PP&E, intangible assets or recoverable projects. A liability is recognized in respect of any unpaid short-term employee benefits for services rendered in the reporting year.

The Company recognizes a current liability for the expected cost of accumulated non-vested sick leave benefits at the end of the reporting year. The assumptions used for estimating the amount of the liability are analogous to those used in the valuation of employee future benefits.

(ii) Multi-employer pension plan:

The Company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

OMERS plan is a multi-employer defined benefit plan providing pension to employees of municipalities, local boards, public utilities and school boards. It is funded by equal contributions from participating employers and employees, as well as by investment earnings of the plan. OMERS does not track its investments by employer and actuarial assumptions are developed based on the entire plan membership on a commingled basis and, therefore, information for individual plans cannot be determined. As a result, the Company accounts for the OMERS plan as a defined contribution plan and contributions to the plan are recognized as an employee benefit expense.

3. Material accounting policies (continued):

(iii) Employee future benefits:

The Company provides all employees with life insurance benefits, as well as pays certain medical benefits on behalf of some of its retired employees.

The Company actuarially determines the cost of employee future benefits offered to employees. These unfunded plans are accounted for as defined benefit obligations. The Company applies the projected benefit method, prorated on service and based on management's best estimates and assumptions. Under this method, the projected employee future benefits is deemed to be earned on a pro rata basis over the years of service in the attribution year commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

Remeasurements of the net benefit liability comprise actuarial gains or losses that are recognized in the balance sheet with a credit or charge to other comprehensive income or loss. Current service costs are allocated to operating, maintenance and administration expenses and to capital recognized on the balance sheet.

(l) Income taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario). Under the *Electricity Act, 1998*, the Company is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the *Electricity Act, 1998*, and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Company uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax bases of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable in the year or a later year.

3. Material accounting policies (continued):

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date, expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income and comprehensive income in the year that includes the date of enactment or substantive enactment.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. Previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. A valuation allowance is recorded against a deferred tax asset to the extent that the Company determines that it is probable that a deferred income tax asset will not be realized in the future.

Where the Company expects the deferred taxes to be recovered from or refunded to customers as part of the rate setting process, the deferred income tax assets and liabilities result in regulatory deferral debit balances or credit balances, respectively. Deferred tax assets that are not included in the rate-setting process result in a deferred tax provision that is charged or credited to the statement of income and comprehensive income.

(m) Provisions and contingencies:

A provision is recognized in the financial statements when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3. Material accounting policies (continued):

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

(n) Non-derivative financial instruments:

All non-derivative financial assets are classified as loans and receivables and all non-derivative liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized costs using the effective interest method less any impairment for the financial assets, as described in notes 3(h) and 24(c).

(o) Derivative financial instruments:

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date.

The Company has not elected to apply hedge accounting for its interest rate swap derivative contracts and does not enter into derivative agreements for speculative purposes. Changes in the fair value of the derivatives are recorded each year in the statement of income and comprehensive income, as described in note 24 (e).

(p) Capital disclosures:

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns. The Company's definition of capital includes shareholder's equity, short-term debt, bank indebtedness and long-term debt, less cash.

3. Material accounting policies (continued):

During the year, there have been no changes to how the Company assesses its capital structure.

(q) Changes in accounting policies:

(i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")):

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted.

The company has adopted the new amendment, and it does not have a significant impact on the Company's financial statements.

(r) New standards and interpretations not yet adopted:

The IASB issues new standards, amendments and interpretations which do not have to be adopted in the current year. The Company is currently assessing the financial statement impact of adopting the following amendments which will be effective on January 1, 2026 or later to existing accounting standards:

(i) Classification of financial assets (Amendments to IFRS 9 (“Financial instruments”) and IFRS 7 (“Financial Instruments: Disclosure”)):

The IASB has now amended IFRS 9 following its post-implementation review of the classification and measurement requirements. The amendments include guidance on the classification of financial assets, including those with contingent features.

The IASB has also amended IFRS 7. Companies will now be required to provide additional disclosures on financial assets and financial liabilities that have certain contingent features.

3. Material accounting policies (continued):

(ii) Settlement by electronic payments (Amendments to IFRS 9):

Companies that recognize or derecognize financial assets or financial liabilities on the payment initiation date could see a change to their accounting following amendments to IFRS 9.

However, companies may be permitted to derecognize financial liabilities settled by an electronic payment system earlier than their settlement date, subject to certain criteria being met.

(iii) Annual improvements process (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7):

The annual improvements process aims to improve the clarity and internal consistency of IFRS Accounting Standards. In this volume of improvements, the IASB makes minor amendments to IFRS 9 and to a further four accounting standards.

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 (“Revenue from Contracts with Customers”) over the initial measurement of trade receivables; and

- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

The amendment on trade receivables may require some companies to change their accounting policy.

(iv) Presentation and Disclosure in Financial Statements (“IFRS 18”):

In April 2024 the IASB issued IFRS 18, which replaces IAS 1 and introduces new requirements for presentation and disclosure in financial statements, effective for annual periods beginning on or after 1 January 2027, with early adoption permitted. This new standard is the result of the so-called primary financial statements project and aims at improving how entities communicate in their financial statements, primarily the following:

3. Material accounting policies (continued):

- the introduction of categories and defined subtotals in the statement of profit or loss that aim at additional relevant information and provide a structure for the statement of profit or loss that is more comparable between entities;

- The introduction of requirements to improve aggregation and disaggregation that aim at additional relevant information and ensure that material information is not obscured;

- The introduction of disclosures on Management-defined Performance Measures (MPMs) in the notes to the financial statements that aim at transparency and discipline in the use of such measures and disclosures in a single location; and

- The targeted improvements to Statement of Cash Flows ("IAS 7") which aims at improved comparability between entities.

In May 2024, the IASB issued IFRS 19 ("Subsidiaries without Public Accountability") which simplifies financial reporting for eligible subsidiaries by allowing them to apply IFRS Accounting Standards with reduced disclosure requirements.

4. Accounts receivable:

	2024	2023
Energy revenue	$ 47,089	$ 42,562
Unbilled revenue	48,749	46,856
Project expenditures recoverable	11,515	11,070
Other	739	–
	108,092	100,488
Less: expected credit losses	4,775	5,275
	$ 103,317	$ 95,213

Accounts receivables do not contain a significant financing component, and lifetime expected credit losses ("ECLs") are recognized as the maturities are typically 12 months or less. A provision matrix is used to determine ECLs on trade receivables. The amount of credit losses recognized is based on forward looking estimates that reflect current and forecast credit conditions.

4. Accounts receivable (continued):

Unbilled revenue represents amounts for which the Company has a contractual right to receive cash through future billings and are unbilled at the year end.

5. Property, plant and equipment:

December 31, 2024

	December 31, 2023	Additions/ depreciation	Disposals/ retirements	December 31, 2024
Cost				
Land	$ 2,386	$ –	$ –	$ 2,386
Land rights	4,303	–	–	4,303
Buildings	33,032	613	–	33,645
Distribution station equipment	72,834	5,399	(1,068)	77,165
Distribution system	565,538	30,838	(1,138)	595,238
Meters	28,269	2,033	(181)	30,121
Office equipment	2,673	75	–	2,748
Computer hardware	12,141	1,586	–	13,727
Vehicle fleet (a)	16,981	877	(304)	17,554
Renewable power generation	1,252	–	–	1,252
Construction in progress	73,931	39,931	–	113,862
	$ 813,340	$ 81,352	$ (2,691)	$ 892,001
Accumulated depreciation				
Land rights	$ 116	$ 12	$ –	$ 128
Buildings	14,112	1,389	–	15,501
Distribution station equipment	15,517	2,173	(422)	17,268
Distribution system	99,625	15,755	(438)	114,942
Meters	18,459	1,182	(175)	19,466
Office equipment	2,041	139	–	2,180
Computer hardware	7,715	1,743	–	9,458
Vehicle fleet (a)	8,667	1,242	(257)	9,652
Renewable power generation	531	56	–	587
	$ 166,783	$ 23,691	$ (1,292)	$ 189,182
Net book value	$ 646,557	$ 57,661	$ (1,399)	$ 702,819

5. Property, plant and equipment (continued):

December 31, 2023

	December 31, 2022	Additions/ depreciation	Disposals/ retirements	December 31, 2023
Cost				
Land	$ 2,190	$ 196	$ –	$ 2,386
Land rights	4,303	–	–	4,303
Buildings	31,742	1,290	–	33,032
Distribution station equipment	67,804	5,073	(43)	72,834
Distribution system	519,334	48,121	(1,917)	565,538
Meters	26,706	1,603	(40)	28,269
Office equipment	2,604	69	–	2,673
Computer hardware	10,606	1,535	–	12,141
Vehicle fleet (a)	15,441	1,656	(116)	16,981
Renewable power generation	1,252	–	–	1,252
Construction in progress	48,528	25,403	–	73,931
	$ 730,510	$ 84,946	$ (2,116)	$ 813,340
Accumulated depreciation				
Land rights	$ 104	$ 12	$ –	$ 116
Buildings	12,770	1,342	–	14,112
Distribution station equipment	13,479	2,053	(15)	15,517
Distribution system	85,515	14,830	(720)	99,625
Meters	16,431	2,067	(39)	18,459
Office equipment	1,902	139	–	2,041
Computer hardware	6,169	1,546	–	7,715
Vehicle fleet (a)	7,502	1,245	(80)	8,667
Renewable power generation	470	61	–	531
	$ 144,342	$ 23,295	$ (854)	$ 166,783
Net book value	$ 586,168	$ 61,651	$ (1,262)	$ 646,557

Right-of-use assets related to the leased properties that do not meet the definition of investment property are presented as PP&E.

(a) Includes $1,658 (2023 - $1,658) vehicle right-of-use assets and $1,448 (2023 - $1,324) accumulated amortization.

During the year, borrowing costs of $974 (2023 - $887) were capitalized to PP&E and credited to finance costs. Weighted average cost of long-term borrowings (note 14) is used for capitalizing borrowing costs as part of PP&E with an average rate of 4.61% (2023 - 4.66%).

Additions to construction in progress are net of transfers to other PP&E categories.

6. Intangible assets and goodwill:

(a) Intangible assets:

December 31, 2024

	December 31, 2023	Additions/ amortization	Disposals/ retirements	December 31, 2024
Cost				
Application software and other	$ 25,377	$ 3,922	$ –	$ 29,299
Construction in progress related to application software and other	2,217	2,060	–	4,277
Capital contributions (note 19(b))	2,135	7,306	–	9,441
	$ 29,729	$ 13,288	$ –	$ 43,017
Accumulated amortization				
Application software and other	$ 20,784	$ 2,354	$ –	$ 23,138
Capital contributions	575	430	–	1,005
	$ 21,359	$ 2,784	$ –	$ 24,143
Net book value	$ 8,370	$ 10,504	$ –	$ 18,874

December 31, 2023

	December 31, 2022	Additions/ amortization	Disposals/ retirements	December 31, 2023
Cost				
Application software and other	$ 22,784	$ 2,593	$ –	$ 25,377
Construction in progress related to application software and other	1,145	1,072	–	2,217
Capital contributions (note 19(b))	2,135	–	–	2,135
	$ 26,064	$ 3,665	$ –	$ 29,729
Accumulated amortization				
Application software and other	$ 18,437	$ 2,347	$ –	$ 20,784
Capital contributions	411	164	–	575
	$ 18,848	$ 2,511	$ –	$ 21,359
Net book value	$ 7,216	$ 1,154	$ –	$ 8,370

6. Intangible assets and goodwill (continued):

No borrowing costs were capitalized on intangible assets under development in 2024 or 2023.

Application software and other includes externally acquired, as well as internally generated computer software. The remaining amortization period is between one to five years.

(b) Goodwill:

	December 31, 2023	Acquisition additions	Additions	Impairment	December 31, 2024
Goodwill	$ 64,348	$ –	$ –	$ –	$ 64,348

(c) Impairment test:

Goodwill with carrying amount of $64,348 was allocated to the Company's rate regulated CGU as a result of business acquisition and amalgamation. Impairment testing was carried out for December 31, 2024 by comparing the recoverable amount with the carrying amount. The recoverable amount of this CGU is based on its value in use, determined by discounting the future cash flows to be generated from the continuing operation of the CGU. The key assumptions used in the estimation of value in use were as follows.

Discount rate	5.8%
Terminal value growth rate	2.0%

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. Revenue growth was projected based on the average growth rate, the estimated sales volume and expected price increases for the next five years.

The discount rate was a post-tax measure based on the return of equity rate issued by OEB on October 31, 2024, and the rates of long-term and short-term debts that the Company currently holds.

The terminal growth rate was determined based on management's estimate of the long-term compounded annual earnings before interest, taxes, depreciation and amortization growth rate, consistent with the assumptions that a market participant would make.

6. Intangible assets and goodwill (continued):

The impairment test was performed by considering the latest developments and economic conditions. The estimated recoverable amount of the CGU was determined to be higher than its carrying amount, therefore, no impairment was recorded.

7. Regulatory balances:

Debit balances comprise the following:

	December 31, 2023	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2024	Remaining recovery/ reversal period (years)
Deferred taxes (a)	$ 27,115	$ (487)	$ –	$ –	$ 26,628	Note 2
Collection of account (b)	3,812	2,940	–	–	6,752	Note 1
IFRS transitional adjustments (c)	5,006	1,027	–	–	6,033	Note 1
Approved settlement variances (d)	1,025	14,969	(15,270)	–	724	1 year
Future settlement variances - RSVA (d)	14,821	4,674	(14,712)	–	4,783	Note 1
OEB cost assessment (e)	2,069	818	–	–	2,887	Note 1
Estimated useful life (f)	722	362	–	–	1,084	Note 1
Future settlement variances - RCVA (g)	752	43	–	–	795	Note 1
Locates (h)	446	345	–	–	791	Note 1
Cloud (i)	–	632	–	–	632	Note 1
One-time IFRS conversion costs (j)	542	20	–	–	562	Note 1
Other	–	2,086	–	–	2,086	Note 1
	$ 56,310	$ 27,429	$ (29,982)	$ –	$ 53,757	

	December 31, 2022	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2023	Remaining recovery/ reversal period (years)
Deferred taxes (a)	$ 22,188	$ 4,927	$ –	$ –	$ 27,115	Note 2
Collection of account (b)	2,856	956	–	–	3,812	Note 1
IFRS transitional adjustments (c)	4,028	978	–	–	5,006	Note 1
Approved settlement variances (d)	60	12,337	(11,545)	173	1,025	1 year
Future settlement variances - RSVA (d)	22,484	940	(8,430)	(173)	14,821	Note 1
OEB cost assessment (e)	1,616	453	–	–	2,069	Note 1
Estimated useful life (f)	406	316	–	–	722	Note 1
Future settlement variances - RCVA (g)	725	27	–	–	752	Note 1
Locates (h)	–	446	–	–	446	Note 1
LRAM	3,690	–	(3,690)	–		
One-time IFRS conversion costs (j)	520	22	–	–	542	Note 1
	$ 58,573	$ 21,402	$ (23,665)	$ –	$ 56,310	

7. Regulatory balances (continued):

Credit balances comprise the following:

	December 31, 2023	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2024	Remaining recovery/ reversal period (years)
Tax related variances (k)	$ 7,312	$ 729	$ –	$ –	$ 8,041	Note 1
Pole attachment (l)	2,945	610	–	–	3,555	Note 1
Deferred taxes (a)	1,089	1,954	–	–	3,043	Note 2
Other	36	4	–	–	40	Note 1
	$ 11,382	$ 3,297	$ –	$ –	$ 14,679	

	December 31, 2022	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2023	Remaining recovery/ reversal period (years)
Tax related variances (k)	$ 5,957	$ 1,355	$ –	$ –	$ 7,312	Note 1
Pole attachment (l)	2,403	542	–	–	2,945	Note 1
Deferred taxes (a)	1,637	(548)	–	–	1,089	Note 2
Other	32	4	–	–	36	Note 1
	$ 10,029	$ 1,353	$ –	$ –	$ 11,382	

Note 1 The Company intends to seek recovery or refund in future rate applications to the OEB.

Note 2 The Company will not seek disposition of the balance since it will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

The balances arising in the period column are new additions (for both debits and credits). The recovery/reversal column are amounts collected or refunded through rate riders, disposition of OEB-approved regulatory balances, or other transactions which reduce existing regulatory balances. The other movements column consists of impairment (if the OEB disallowed certain amounts), and reclassification between the regulatory debit and credit balances. There is no impairment recorded for 2024 or 2023.

7. Regulatory balances (continued):

Regulatory balances descriptions:

(a) Deferred taxes:

The Company records deferred tax assets or liabilities with a corresponding regulatory tax liability or asset. The Company will not seek disposition of these balances as they will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

The regulatory debit balance is the expected future electricity distribution rate increase for customers arising from timing difference in the recognition of deferred tax assets and the regulatory credit balance is the deferred tax amount reclassified under IFRS 14.

The deferred tax amount related to the expected future electricity distribution rate increase for customers was $26,628 (2023 - $27,115) as at December 31, 2024.

The amounts reclassified under IFRS 14 include the deferred tax liability related to regulatory balances of $3,043 (2023 - $1,089) as at December 31, 2024.

(b) Collection of account:

On March 14, 2019, the OEB issued the *Notice of Amendments to Codes* regarding the non-payment of account service charges for electricity distributors in which the OEB eliminated the Collection of Account charge.

Elexicon requested a new Deferral and Variance Account for Veridian Rate Zone in its 2020 IRM application (EB-2019-0252) to record the lost revenues associated with the elimination of the Collection of Account charge. This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application.

7. Regulatory balances (continued):

(c) IFRS transitional adjustments:

Commencing in 2014, the Company's Veridian rate zone has recorded regulatory debit balances arising from derecognition of assets under IFRS. The Whitby rate zone dealt with the derecognition of assets under IFRS in a 2019 OEB proceeding. If the Whitby rate zone calculated value exceeds the approved materiality threshold in its 2019 OEB rate decision, it may request the establishment of a new deferral and variance account.

The Company's Veridian rate zone also records the capitalized borrowing costs difference between weighted average long-term borrowing costs under IFRS and the capitalization rate prescribed by the OEB. The Whitby rate zone is not required to record this difference based on the settlement agreement approved in its 2019 rate application.

This regulatory balance will be sought for disposition in the Company's first COS rebasing application under IFRS or in a future stand-alone application.

(d) Settlement variances:

Approved settlement

For the 2024 rate year, the OEB approved:

- Disposition of cost pass-through accounts “Group 1 Deferral and Variance Accounts” for both Veridian and Whitby rate zones. Group 1 accounts represent the variance(s) of the differences between purchased and billed power costs.

Future settlement

The amounts include the variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges, as compared to the amount billed to consumers based on the OEB-approved rates. This amount also includes variances between the amounts charged by Hydro One Networks Inc. ("Hydro One") for low voltage services and the amount billed to consumers based on the OEB-approved rates.

7. Regulatory balances (continued):

(e) OEB cost assessment:

The Board issued guidance on February 9, 2016, permitting effective April 1, 2016 the use of Account 1508 Other Regulatory Asset – Sub Account - OEB Cost Assessment Variance to record any material differences between OEB cost assessments currently built into rates and cost assessments that will result from the application of the new Cost Assessment Model ("CAM"), until the utility's next rebasing application.

(f) Estimated useful life:

In Whitby's 2019 Annual IR Application EB-2018-0079, the OEB approved the use of a new deferral Account 1508, Sub-account - Changes in Estimated Useful Lives, to record the impact of accounting changes to depreciation as a direct result of changes in estimated useful lives resulting from Whitby Hydro's annual review required under IFRS, per the depreciable asset section of IAS 16 – Property, Plant and Equipment. This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application.

(g) Retail cost variance account (RCVA):

The Company is recording the differences between the revenue charged to retailers and the incremental costs associated with providing the retail services. This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application.

(h) Locates:

In 2023, the OEB established a generic, sector-wide variance account, the Getting Ontario Connected Act ("GOCA") variance account, to specifically track incremental costs of locates in 2023 and future years arising from the implementation of recent provincial legislation: Bill 93 (the *Getting Ontario Connected Act*, S.O. 2022). This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application.

7. Regulatory balances (continued):

(i) Cloud:

In a letter dated November 2, 2023 the OEB established a deferral account relating to incremental cloud computing implementation costs. The generic deferral account is effective December 1, 2023 and is used to record incremental cloud computing implementation costs incurred by utilities and any related offsetting savings, if applicable. This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application.

(j) One-time IFRS conversion costs:

In accordance with an OEB directive, a deferral account has been established for the one-time administrative costs during transition to IFRS for the Veridian rate zone. These amounts will be sought for disposition in the Company's first COS rebasing application under IFRS or in a future stand-alone application.

(k) Tax-related variances:

The regulatory balance relates to the revenue requirement impact of accelerated capital cost allowance deductions from the Accelerated Investment Incentive tax measure which received Royal Assent on June 21, 2019. This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application. This regulatory balance also includes the revenue requirement impact of additional capital cost allowance deductions from the Immediate Expensing tax measure which received Royal Assent in June 2022.

(l) Pole attachment:

On March 22, 2018 the OEB issued the Report of the Ontario Energy Board: Wireline Pole Attachment Charges (EB-2015-0304). The report established a new variance Account 1508 – Sub–Account – Pole Attachment Revenue Variance to be used for recording the incremental revenue arising from the changes to the pole attachment charge applicable to all licensed electricity distributors. This regulatory balance will be sought for disposition in the Company's next COS rebasing application or in a future stand-alone application.

8. Income taxes:

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and effective tax rates is provided as follows:

	2024	2023
Income before income taxes	$ 13,387	$ 11,109
Federal and Ontario statutory income tax rate	26.5%	26.5%
Provision for income taxes at statutory rate	$ 3,548	$ 2,944
Increase (decrease) resulting from:		
Temporary differences expected to be recovered from customers	(3,847)	(4,113)
Under provided in prior periods	73	409
Other	2,239	(3,395)
Income taxes recorded in regulatory balances movements	(2,441)	5,473
Income tax (recovery) expense	$ (428)	$ 1,318
Effective income tax rate	(3.2%)	11.9%
Allocated:		
Current expense	$ 299	$ 446
Deferred expense (recovery)	1,714	(4,601)
Income taxes recorded in regulatory balances movements	(2,441)	5,473
Total income tax (recovery) expense	$ (428)	$ 1,318

8. Income taxes (continued):

Deferred tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. The tax effects of these differences are as follows:

	2024	2023
Deferred tax assets (liabilities):		
Property, plant and equipment and intangible assets	$ (39,070)	$ (31,492)
Employee future benefits	2,304	2,291
Sick leave liability	353	394
Unrealized loss on interest rate swap derivatives	3,256	2,937
Non-capital losses	10,627	4,797
Deferred revenue and others	3,535	1,351
	(18,995)	(19,722)
Deferred tax liabilities:		
Regulatory balances	3,043	1,089
Moved to regulatory deferral account credit balances	(3,043)	(1,089)
	–	–
Deferred tax liabilities	$ (18,995)	$ (19,722)

9. Accounts payable and accrued liabilities:

	2024	2023
Cost of power accrual	$ 32,518	$ 31,798
Accounts payable	17,186	14,748
Accrued liabilities	13,374	4,298
Customer credit balances	5,724	5,364
Non-vested sick leave liability	1,008	1,094
Other	6,313	1,927
	$ 76,123	$ 59,229

10. Credit facilities:

As at December 31, 2024, the Company had the following external credit facilities with a Canadian chartered bank (the "Bank"):

(a) Uncommitted revolving demand credit facility. The facility is required to be no greater than $60,000, with a letter of credit ("L/C") carve-out availability; and

(b) Committed or demand revolver facility (note 14) with a combined total no greater than $353,645.

The financial covenants for the above facilities require a Consolidated Interest Coverage Ratio ("ICR") of not less than 1.75 for the fourth quarter of 2023 and stepping down to 1.40 for the first quarter of 2024 and thereafter, stepping up to 1.75 for the first quarter of 2026. The financial covenants are tested on a consolidated basis of the Corporation. The Corporation and the Company are compliant with all bank covenants as at December 31, 2024.

As at December 31, 2024, $5,200 (2023 - $nil) was drawn out of facility (a); and $283,390 (2023 - $253,390) was outstanding from facility (b) above (note 14). To cover the risk of fluctuating interest rates, $253,390 of facility (b) was structured with interest rate swap derivative agreements with the Bank, effectively converting the obligations into two fixed interest rate loans of 5.096% and 4.84%, respectively. During 2024, the Company withdrew $30,000 out of this facility.

The Company utilized facility (a) for: $100 to issue an irrevocable L/C in favour of the Ministry of Environment and $3 to issue an irrevocable L/C in favour of the City of Belleville.

10. Credit facilities (continued):

The Ministry of Environment requires security to ensure adequate funds are available, to effect suitable remedial action, if an event occurs resulting in a health and safety hazard to any person, or the natural environment.

The City of Belleville requires security for land site development for the building in the City of Belleville, and it could draw on the L/C if the Company does not fulfill the obligations of the site plan agreement.

Short-term debt:

As at December 31, 2024 the Company had $71,926 (December 31, 2023 - $71,926) notes payable due to the Corporation's shareholders on demand at a rate of 4.13%. The noteholders have a right to demand repayment of these notes together with any accrued interest, in whole or part, with 60 days' prior written notice to the Company. As the Company does not have any unconditional right to defer settlement of this liability for at least twelve months after the reporting period, the notes issued to the shareholders of $71,926 are classified as short-term debt.

As at December 31, 2024 the Company also utilized $5,200 (December 31, 2023 - $nil) of the uncommitted revolving demand credit facility above and recognized it as a short term debt.

11. Deferred revenue:

(a) As at December 31, 2024, $nil (2023 - $1,620) of deferred revenue represents the balance of unearned revenue from funding received from the IESO to deliver CDM programs.

An agreement was entered with the IESO on December 16, 2014 and on June 8, 2015, whereby the IESO conditionally approved a CDM plan that was jointly submitted by the Company (Veridian and Whitby Hydro) to deliver CDM programs covering the period from January 1, 2015 to December 31, 2020. This CDM plan was most recently updated on April 18, 2017 and conditionally approved by the IESO on May 12, 2017.

11. Deferred revenue (continued):

All programs under the IESO agreement and all relevant wind down costs are expected to be fully funded and paid by the IESO. The IESO is invoiced monthly for the costs incurred on various CDM programs and wind down expenditures. The Company received some initial funding in the form of a pre-payment from the IESO for the delivery of CDM programs under the energy conservation agreement. Amounts received but not yet earned are presented on the balance sheet under current liabilities as deferred revenue. During 2024, the Company received notice from the IESO with respect to bringing the wind-down of the CDM programs to a close. A reconciliation was performed and the pre-funding amounts were returned to the IESO.

(b) As at December 31, 2024, $3,397 (2023 - $3,476) of deferred revenue represents the balance of unearned revenue related to the ICM projects.

12. Deposits and developer obligations:

	2024	2023
Advance payments - construction deposits	$ 312	$ 190
Customer deposits	5,351	5,550
Developer obligations	7,795	10,962
Deposits and developer obligations	$ 13,458	$ 16,702

13. Related party transactions:

The Company provides electricity and services to the Corporation's shareholders, the Town of Ajax, the Municipality of Clarington, the City of Pickering, the City of Belleville and the Town of Whitby (collectively, the "shareholders"). Electrical energy is sold to the Corporation's shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

Summary of transactions with the Corporation's shareholders:

	Town of Ajax	Town of Whitby	City of Pickering	City of Belleville	Municipality of Clarington	Total
Electricity and services revenue	$ 2,710	$ 1,841	$ 2,342	$ 1,687	$ 479	$ 9,059
Finance costs on the notes payable	810	1,171	1,035	322	343	3,681
Property taxes paid	253	251	46	122	36	708
Accounts receivable balance	239	264	330	319	39	1,191

Summary of transactions with the Corporation and Elexicon Group Inc. ("EG"), an associate of the Company:

	2024	2023
Administrative and management services revenue (a)	$ 331	$ 471
Finance costs on the notes payable to the Corporation	995	1,062
Dividends paid to the Corporation	8,006	5,478

13. Related party transactions (continued):

	2024	2023
Accounts receivable balance (b)	$ 121	$ 540

(a) The Company purchases or supplies administrative and management services from and to the Corporation and EG. Charges for these services are recorded at exchange amounts established and agreed to by the related parties.

(b) Without terms of repayment.

	2024	2023
Compensation paid to key management personnel[(i)]	$ 3,714	$ 3,320

[(i)]Comprising the senior management team and members of the Board of Directors. The compensation includes salaries, performance pay and taxable benefits. This includes OMERS contributions of $345 (2023 - $323).

The Company has renewable generation projects and holds interest in the following entities joint operations:

(a) Claremont Community Centre Solar:

The Company, TREC SolarShare Co-Operative (No.1) Inc. and Solera Sustainable Energies Company Limited are parties to a joint operation agreement with an equity interest of 39%, 51% and 10%, respectively, to build, own, operate and maintain a solar generation project at Claremont Community Centre owned by the City of Pickering, located at 4941 Old Brock Road, Pickering, Ontario L1V 7E2. This project is approved under the Feed-in Tariff government program.

The joint venture started operation in July 2015. In 2024, the Company included its share of net income $6 (2023 - $7) in the financial statements.

13. Related party transactions (continued):

In 2016, the Corporation financed the above project for an amount of $264 for a 15-year term at an interest rate of 5.00%. An amount of $56 (2023 - $62) (net of repayments and intercompany funding) is included in the Company's long-term debt as at December 31, 2024 (note 14). The funding provided by the Corporation was in the same proportion as the equity interest: Company 39%, TREC Solar Share Co-Operative (No. 1) Inc. 51% and Solera Sustainable Energies Company Limited 10%.

(b) Elexicon, Lakefront, Solera Joint Operation:

The Company, Lakefront Utility Services Inc. and Solera Sustainable Energies Company Limited entered into a joint operation agreement with an equity interest of 42.5%, 42.5% and 15% respectively, to build, own, operate and maintain a solar generation project at the property owned by The Corporation of the Town of Cobourg, located at 739 D'Arcy Street, Cobourg, Ontario (Building 13).

The joint venture started operations in 2019. In 2024, the Company included its share of negligible loss in the financial statements.

In 2019, the Town of Cobourg Holding Inc. financed the above project for an amount of $202 for a 25-year term at an interest rate of 5.75%. An amount of $75 (2023 - $77) is included in the Company's long-term-debt as at December 31, 2024 (note 14). The funding provided by the Corporation of the Town of Cobourg was in the same proportion as the equity interest: Company 42.5%, Lakefront Utility Services Inc. 42.5% and Solera Sustainable Energies Company Limited 15%.

The Company, as a joint operator accounts for the assets, liabilities, revenue and expenses relating to its interest in the joint operations in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

14. Long-term debt:

	2024	2023
Notes payable to the Corporation, maturing on December 9, 2034, at a rate of 4.58%	$ 13,000	$ 15,000
Notes payable to the Corporation, maturing on December 17, 2039, at a rate equal to the OEB-deemed long-term debt rate, less 30-basis-points	10,500	11,200
Loan payable to the Corporation, maturing on September 1, 2031, at a rate of 5.00%	56	62
Loan payable to Town of Cobourg Holding Inc., maturing on February 1, 2044, at a rate of 5.75%	75	77
Long-term debt from the Bank, maturing on November 2, 2028, at a rate of 5.096% (note 10(b))	33,390	33,390
Long-term debt from the Bank, maturing on August 2, 2028, at a rate of 4.84% (note 10(b))	220,000	220,000
Long-term debt from the Bank, maturing on June 29, 2026 (note 10(b))	30,000	–
	307,021	279,729
Less: current portion	709	2,709
	$ 306,312	$ 277,020

Scheduled principal repayments for the next five years and thereafter as of December 31, 2024:

2025	$ 709
2026	30,710
2027	710
2028	254,100
2029	712
Thereafter	20,080
	307,021
Less: current portion	709
	$ 306,312

14. Long-term debt (continued):

Scheduled interest payments for the next five years and thereafter as of December 31, 2024:

2025	$ 14,457
2026	14,436
2027	13,216
2028	9,504
2029	824
Thereafter	4,126
	$ 56,563

Expected weighted average borrowing costs:

2025	4.71%
2026	4.96%
2027	4.80%
2028	6.43%
2029	4.03%

Finance costs related to short-term debt, long-term debt and other comprise:

	2024	2023
Interest on:		
Notes payable and loans	$ 16,608	$ 16,180
Customer deposits and other	463	830
	17,071	17,010
Less:		
Capitalized borrowing costs	974	887
Finance income	379	206
	$ 15,718	$ 15,917

15. Deferred contributions:

Deferred contributions are the capital contributions received from electricity customers and developers, which have not yet been recognized into other income.

The continuity of deferred contributions is as follows:

	2024	2023
Deferred contributions, beginning of year	$ 163,190	$ 126,360
Contributions received	25,445	39,846
Contributions amortized as other income	(3,400)	(2,936)
Contributions removed with asset disposals	(117)	(80)
Deferred contributions, end of year	185,118	163,190
Less: current portion	4,441	3,836
Non-current	$ 180,677	$ 159,354

Customer and developer contributions for the acquisition or construction of PP&E are considered to be deferred contributions and amortized over the useful lives of the related assets as other income.

16. Employee future benefits:

(a) Pensions:

During the year, the Company made contributions totaling $3,637 (2023 - $3,145) to OMERS. These contributions have been recognized as an operational expenditure net of the amount capitalized in assets. The expected payment for 2025 is $3,920, representing less than 1% of the group plan contributions. As at December 31, 2024, and subject to the estimates, assumptions and valuations of OMERS, the plan obligations are 98% (2023 - 97%) funded by its assets. OMERS has a strategy to return the plan to a fully funded position. The Company is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

16. Employee future benefits (continued):

(b) Post-retirement benefits other than pension:

The Company pays certain benefits on behalf of its retired employees and recognizes these post-retirement costs in the year in which the employees render the services.

Information about the Company's non-contributory defined benefit plan to fund life insurance, health and dental care benefits and a retiree Health Care Spending Account ("HCSA"), is as follows:

	2024	2023
Accrued benefit liability recognized, beginning of year	$ 6,355	$ 5,816
Current service costs	135	120
Interest costs	286	286
Benefit payments	(475)	(432)
Remeasurements recognized in other comprehensive income	88	565
Accrued benefit liability recognized, end of year	$ 6,389	$ 6,355

The amounts presented are based upon an actuarial valuation performed as at December 31, 2022 with an update to the accounting extrapolations for the year ending December 31, 2024.

(c) Significant assumptions:

	2024 %	2023 %
Discount rate used	4.7	4.6
Health care costs rate increase for next year	5.3	4.9
Dental care costs rate increase for next year	5.6	5.1

16. Employee future benefits (continued):

(c) Sensitivity analysis:

Changes in key assumptions would have had the following effect on the benefit obligation:

	Estimated value of future payments	% difference
Base (4.70%)	$ 6,389	–
Discount rate:		
(3.70%) or - 1.00%	7,498	17%
(5.70%) or +1.00%	5,527	(14%)
Health and dental cost trend rates:		
- 1.00%	5,973	(7%)
+1.00%	6,900	8%

17. Share capital:

	2024	2023
Authorized:		
Unlimited Common Shares		
Issued:		
1,000 Common Shares	$ 98,796	$ 98,796

18. Dividends:

On February 27, 2024, the Board of Directors of the Company declared dividends of $7,124 on the issued and outstanding Common shares in respect of the 2023 fiscal year.

Dividends and dividend advances paid in 2024 were $8,006 and include the following:

- 2023 Q4 dividends of $2,674
- 2024 Q1, Q2, Q3 and Q4 dividend advances of $5,332

On March 21, 2025, the Board of Directors of the Company declared dividends of $4,647 on the issued and outstanding Common shares in respect of the 2024 fiscal year. Dividend advances of $5,332 were paid during 2024 with the excess of $685 to be deducted from dividends to be paid in the future.

19. Commitments and contingencies:

(a) Insurance claims:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Company.

Insurance premiums charged to each member electric utility consist of a levy per $1 of service revenue subject to a credit or surcharge based on each electric utility's claims experience.

(b) Contractual obligation - Hydro One Networks Inc.:

Whitby transformer station:

The Company is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet the Company's anticipated electricity load growth. Construction of the project was completed during 2007 and the Company connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenue, the Company is obligated to pay a capital contribution equal to the difference between this revenue and the construction costs allocated to the Company. The construction costs allocated to the Company for the project are $19,950.

Hydro One has performed the final true-up based on actual load at the end of the fifteenth anniversary of the in-service date and the Company accrued $4,062 for the shortfall of connection transformation revenue for Hydro One, as at December 31, 2024 (December 31, 2023 - $nil) and recognized this amount as an intangible asset.

Seaton transformer station:

The Company constructed a transformer station designated to meet the Company's anticipated electricity load growth and connected the transformer station to Hydro One’s transmission system in December 2022. The Company entered into a connection and cost

19. Commitments and contingencies (continued):

recovery agreement with Hydro One for the 230kV transmission supply to the transformer station. The construction costs allocated to the Company for the transmission supply project are $10,003 and a capital contribution of $3,244 was required due to increase in cost and lower incremental load forecast. The Company accrued $3,244 as at December 31, 2024 (December 31, 2023 - $nil) and recognized this as an intangible asset.

To the extent that the cost of the project is not recoverable from future transformation connection revenue, the Company is obligated to pay additional capital contributions equal to the difference between this revenue and the construction costs allocated to the Company. Hydro One will perform a true-up based on actual load at the end of the fifth, tenth and fifteenth anniversary of the in-service date.

(c) Contractual obligation - Cloud Computing Arrangements:

The Company entered into a cloud computing arrangement in December 2024 with an established Canadian supplier for licensing and to implement an integrated technology platform solution implementing electrical utility industry leading standard operating models and business processes for a 10-year term with a cost of $48,799.

(d) Prudential support:

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of default based on their expected activity in the market. The IESO could draw on this security if the Company fails to make the payment required on a default notice issued by the IESO. The Corporation has provided a $64,000 guarantee to the IESO on behalf of the Company.

(e) General claims:

From time to time, the Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's financial position and results of operations or cash flows.

20. Leases:

The Company is committed to lease agreements for various vehicles.

When measuring the lease liabilities for leases, the Company discounted lease payments using the implicit rate of each lease agreement with a range of 5.65% to 7.20%.

Future minimum non-cancellable lease payment obligations under finance leases are as follows:

2025	$ 95
2026	71
2027	44
	$ 210

As at December 31, 2024, a lease obligation of $95 (December 31, 2023 - $124) is recorded as a current liability and $115 (December 31, 2023 - $210) is recorded as a non-current liability.

The Company has also recognized $16 (2023 - $25) in interest costs (recognized as finance costs in the statement of income and comprehensive income and the statement of cash flows) and $124 (2023 - $177) in lease repayments (recognized as changes in operating working capital in the statement of cash flows).

21. Revenue and other income:

	2024	2023
Commodity revenue	$ 464,462	$ 421,522
Distribution revenue	100,500	97,459
Other income:		
Late payment charges	$ 1,467	$ 1,474
Customer charges (a)	779	789
Pole rentals	1,174	1,100
Amortization of deferred contributions	3,400	2,936
Renewable energy	145	102
Other	360	1,397
	$ 7,325	$ 7,798

(a) Includes reconnection/disconnection, collection and change of occupancy charges from customers.

Energy sales and distribution revenue by customer class are as follows:

	2024	2023
Residential service	$ 277,759	$ 245,343
General service	266,868	251,395
Large users	20,335	22,243
Total commodity and distribution revenue	$ 564,962	$ 518,981

22. Operating, maintenance and administration expenses:

	Operating and maintenance	Administration	Total 2024	Total 2023
Salaries and benefits	$ 11,379	$ 19,565	$ 30,944	$ 28,070
External services	9,808	17,452	27,260	19,834
Materials and supplies	131	18	149	110
Vehicle	1,289	116	1,405	1,442
Other	28	1,338	1,366	586
	$ 22,635	$ 38,489	$ 61,124	$ 50,042

23. Statement of cash flows:

Changes in operating working capital provided by (used in) include the following:

	2024	2023
Accounts receivable	$ (8,104)	$ (10,087)
Related parties	419	362
Materials and supplies	1,122	(3,208)
Prepaid expenses	(354)	522
Accounts payable and accrued liabilities	4,653	(2,008)
Deferred revenue	(1,699)	54
	$ (3,963)	$ (14,365)

Reconciliation between the amount presented in the statement of cash flows and total additions to PP&E and intangible assets:

	2024	2023
Purchase of PP&E, cash basis	$ 77,357	$ 88,627
Net change in accruals related to PP&E	3,995	(3,681)
Total additions to PP&E	$ 81,352	$ 84,946
Purchase of intangible assets, cash basis	$ 5,043	$ 3,839
Net change in accruals related to intangible assets	8,245	(174)
Total additions to intangible assets	$ 13,288	$ 3,665

24. Financial instruments and risk management:

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk due to the flow-through nature of energy purchases and costs. All variances due to timing of customer billing or regulated pricing are recorded in retail settlement variance accounts and are recovered from or returned to customers in accordance with regulatory directives. The foreign exchange risk is considered not material and is limited to U.S. dollar cash holdings of $22 (2023 - $209) as at December 31, 2024.

(b) Interest rate risk:

The Company enters into fixed interest rate long-term debt agreements to minimize cash flow and interest rate fluctuation exposure. During 2023, the Company unwound its interest rate swap derivative maturing March 2, 2045. The Company then entered into a new interest rate swap derivative agreement of $33,390 maturing on November 2, 2028. Additionally, the Company entered into a new interest rate swap derivative agreement of $220,000 maturing on August 2, 2028. The Company entered into interest rate swap derivative agreements with the Bank to exchange interest rate cash flows. Under these agreements, the Company and the Bank have the periodic exchange of payments without exchanging the notional principal amount on which the payments are based. This effectively provided the Company with a fixed rate loan, which reduces the impact of fluctuating interest rates on long-term debt. The Company does not enter into any such financial instrument for speculative purposes.

The Company is also exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Credit risk:

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Company's distribution revenue is earned on a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any individual customer.

24. Financial instruments and risk management (continued):

The inflationary pressures and a higher interest rate environment create a higher degree of uncertainty due to economic and business disruption. Management considers current economic and credit conditions in revising the estimates and judgments used in preparation of the expected credit losses provision on its accounts receivable balances. The Company applies provision rates based on recent and changing trends to customer aging balances, customer collection patterns and risk of customer default and has recorded a decrease to the expected credit loss allowance of $500. The impact of the OEB's moratorium on disconnections impacted the Company's ability to mitigate credit risk from customer accounts receivable balances.

The Company manages counterparty credit risk through various techniques, including limiting total exposure levels with individual counterparties consistent with the Company's policies and monitoring the financial condition of counterparties.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

(i) There is a broad base of customers with no one customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance.

(ii) The Company, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or L/C from customers to mitigate risk of payment default.

(iii) The percentage of accounts receivable that is outstanding more than 90 days is approximately 7.7% (2023 - 6.9%) of the total net outstanding balance.

(iv) The Company includes an amount of accounts receivable write-offs within net income for rate-setting purposes.

Expected credit risk losses:

2023	$ 5,275
Additional allowances	1,394
Write-offs	(1,894)
	(500)
2024	$ 4,775

24. Financial instruments and risk management (continued):

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2024	2023
Total accounts receivable	$ 108,092	$ 100,488
Less: expected credit losses	4,775	5,275
Total accounts receivable, net	$ 103,317	$ 95,213
Of which:		
Unbilled revenue	$ 48,749	$ 46,856
Outstanding less than 30 days	44,186	41,067
Outstanding 31 days but not more than 60 days	4,990	4,211
Outstanding 61 days but not more than 90 days	2,207	1,821
Outstanding 91 days but not more than 120 days	1,497	1,223
Outstanding more than 120 days	6,463	5,310
	108,092	100,488
Less: expected credit losses	4,775	5,275
	$ 103,317	$ 95,213

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has access to credit facilities and monitors cash balances daily. Short-term liquidity is provided through cash on hand, funds from operations and a revolving credit facility. Short-term liquidity is expected to be sufficient to fund normal operating requirements.

The current challenging economic climate affected by factors including but not limited to uncertain macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Company's operating results and financial position in the future. Accordingly, the Company continues to monitor and adapt its response plan as the economic climate evolves.

24. Financial instruments and risk management (continued):

The liquidity risks associated with financial commitments are as follows:

Financial commitments as of December 31, 2024:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities:			
Accounts payable and accrued liabilities - undiscounted	$ 76,123	$ –	$ –
Short-term debt - undiscounted (note 10)	77,126	–	–
Long-term debt - undiscounted	709	286,232	20,080
Leases - discounted	95	115	–
	$ 154,053	$ 286,347	$ 20,080

Financial commitments as of December 31, 2023:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities:			
Accounts payable and accrued liabilities - undiscounted	$ 59,229	$ –	$ –
Short-term debt - undiscounted (note 10)	71,926	–	–
Long-term debt - undiscounted	2,709	256,230	20,790
Leases - discounted	124	210	–
	$ 133,988	$ 256,440	$ 20,790

(e) Fair values:

The Company included $12,289 of unrealized loss (2023 - $11,081) in its financial statements. This is the fair value, using a discounted cash flow model, of the interest rate swap derivatives which represents the amount that the Company would pay if it decided to settle its interest rate swap obligations as at December 31, 2024.

Fair value measurements recognized in the statement of income and comprehensive income are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

24. Financial instruments and risk management (continued):

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

The interest rate swap derivatives are all Level 2 as at December 31, 2024.

There were no transfers between levels during the year.

The carrying amounts of all financial instruments, except the short-term debt and long-term debt approximate fair values due to the immediate or short-term maturity of these financial instruments.

The estimated fair values of the loans payable, including related party loans, are as follows:

	2024		2023	
Instrument	Fair value	Carrying value	Fair value	Carrying value
Town of Ajax promissory note, due on demand	$ 14,060	$ 14,060	$ 14,060	$ 14,060
Town of Whitby promissory note, due on demand	28,338	28,338	28,338	28,338
City of Pickering promissory note, due on demand	17,974	17,974	17,974	17,974
City of Belleville promissory note, due on demand	5,588	5,588	5,588	5,588
City of Clarington promissory note, due on demand	5,966	5,966	5,966	5,966
Notes payable to the Corporation, maturing on December 9, 2034	12,918	13,000	15,027	15,000
Notes payable to the Corporation, maturing on December 17, 2039	9,133	10,500	9,739	11,200
Loan payable to the Corporation, maturing on September 1, 2031	55	55	62	62
Loan payable to the Town of Cobourg Holding Inc., maturing on February 1, 2044	80	75	84	77
Long-term debt from the Bank, maturing on November 2, 2028	35,374	33,390	35,282	33,390
Long-term debt from the Bank, maturing on August 2, 2028	230,305	220,000	229,189	220,000
Long-term debt from the Bank, maturing on June 29, 2026	29,811	30,000	–	–
Short-term debt	5,200	5,200	–	–
Total	$ 394,802	$ 384,146	$ 361,309	$ 351,655

24. Financial instruments and risk management (continued):

(f) Capital management:

The Company considers its capital structure to consist of shareholder's equity, short-term debt, long-term debt, bank indebtedness, less cash. The Company's capital structure was as follows:

	2024	2023
Cash	$ (487)	$ (1,495)
Short-term debt	77,126	71,926
Long-term debt	307,021	279,729
	384,147	351,655
Share capital	98,796	98,796
Retained earnings	63,609	63,650
Contributed surplus	77,849	77,849
Contributed capital	23	23
Accumulated other comprehensive income	2,420	2,500
	242,697	242,818
Total capital	$ 626,357	$ 592,978

EXHIBIT 1 - TAB 8 - SCHEDULE 1: ATTACHMENT 4
"AUDITED FINANCIAL STATEMENTS 2023"
(REFER TO ATTACHMENT IN PDF FORMAT)

Financial Statements of

ELEXICON ENERGY INC.

And Independent Auditor's Report thereon

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Elexicon Energy Inc.

Opinion

We have audited the financial statements of Elexicon Energy Inc. (the Entity), which comprise:

- the balance sheet as at December 31, 2023
- the statement of income and comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

February 27, 2024

ELEXICON ENERGY INC.

Balance Sheet
(In thousands of dollars)

As at December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Assets			
Current assets:			
Cash		$ 1,495	$ –
Accounts receivable	2, 23(c)	95,213	85,126
Due from related parties	12	540	902
Materials and supplies		11,922	8,714
Income taxes recoverable		362	–
Prepaid expenses		2,335	2,857
Unrealized gain on interest rate swap derivatives	23(e)	–	2,835
Total current assets		111,867	100,434
Non-current assets:			
Property, plant and equipment	3, 22	646,557	586,168
Intangible assets	4, 22	8,370	7,216
Goodwill	1, 4	64,348	64,348
Other assets	10(b)	112	328
Total non-current assets		719,387	658,060
Total assets		831,254	758,494
Regulatory balances	6	56,310	58,573
Total assets and regulatory balances		$ 887,564	$ 817,067
Liabilities and Shareholder's Equity			
Current liabilities:			
Bank indebtedness		$ –	$ 1,305
Accounts payable and accrued liabilities	8	59,229	65,093
Short-term debt	9	71,926	223,815
Income taxes payable		–	30
Deferred revenue	10	5,096	5,042
Deferred contributions	14	3,836	3,052
Deposits and developer obligations	11	16,702	18,501
Long-term debt	13	2,709	708
Other liabilities	19	124	177
Total current liabilities		159,622	317,723
Non-current liabilities:			
Long-term debt	9, 13	277,020	98,265
Deferred contributions	14	159,354	123,308
Employee future benefits	15	6,355	5,816
Unrealized loss on interest rate swap derivatives	23(e)	11,081	–
Deferred tax liabilities	7	19,722	18,850
Other liabilities	19	210	335
Total non-current liabilities		473,742	246,574
Total liabilities		633,364	564,297
Shareholder's equity:			
Share capital	16	98,796	98,796
Contributed capital		23	23
Contributed surplus		77,849	77,849
Accumulated other comprehensive income		2,500	3,121
Retained earnings		63,650	62,952
Total shareholder's equity		242,818	242,741
Total liabilities and shareholder's equity		876,182	807,038
Regulatory balances	6	11,382	10,029
Contingencies, guarantees, and subsequent events	9, 17, 18		
Total liabilities, shareholder's equity and regulatory balances		$ 887,564	$ 817,067

See accompanying notes to the financial statements.

On behalf of the Board:

Chair, Board of Directors

Chair, Audit and Risk Management Committee

ELEXICON ENERGY INC.

Statement of Income and Comprehensive Income
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Revenue:			
Commodity	20	$ 421,522	$ 430,139
Commodity cost		(412,905)	(434,592)
		8,617	(4,453)
Distribution revenue	20	97,459	84,574
Other income	20	7,620	6,406
Other loss	20	(1,048)	(1,160)
		112,648	85,367
Expenses:			
Operating and maintenance	21	17,423	16,174
Administration	21	32,619	30,729
Depreciation and amortization	5	24,499	22,572
		74,541	69,475
		38,107	15,892
Finance income		206	42
Finance costs	13	(16,123)	(9,037)
Unrealized (loss) gain on interest rate swap derivatives		(11,081)	6,482
		(26,998)	(2,513)
Income before income taxes		11,109	13,379
Income tax expense	7	(1,318)	(6,453)
Net income		9,791	6,926
Net movements in regulatory balances, net of tax:	6		
Net movements in regulatory balances		(9,088)	5,600
Income tax on net movements in regulatory balances		5,473	5,183
		(3,615)	10,783
Net income after net movements in regulatory balances		6,176	17,709
Other comprehensive (loss) income, net of tax:			
Remeasurements of employee future benefits		(621)	4,359
Total comprehensive income		$ 5,555	$ 22,068

See accompanying notes to the financial statements.

ELEXICON ENERGY INC.

Statement of Changes in Equity
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Balance, December 31, 2022	Net income after net movements in regulatory balances	Other comprehensive loss	Dividends paid	Balance, December 31, 2023
Share capital	$ 98,796	$ –	$ –	$ –	$ 98,796
Contributed capital	23	–	–	–	23
Contributed surplus	77,849	–	–	–	77,849
Accumulated other comprehensive income (loss)	3,121	–	(621)	–	2,500
Retained earnings	101,171	6,176			107,347
Dividends	(38,219)	–	–	(5,478)	(43,697)
Total equity	$ 242,741	$ 6,176	$ (621)	$ (5,478)	$ 242,818

	Balance, December 31, 2021	Net income after net movements in regulatory balances	Other comprehensive income	Dividends paid	Balance, December 31, 2022
Share capital	$ 98,796	$ –	$ –	$ –	$ 98,796
Contributed capital	23	–	–	–	23
Contributed surplus	77,849	–	–	–	77,849
Accumulated other comprehensive income (loss)	(1,238)	–	4,359	–	3,121
Retained earnings	83,462	17,709	–	–	101,171
Dividends	(29,601)	–	–	(8,618)	(38,219)
Total equity	$ 229,291	$ 17,709	$ 4,359	$ (8,618)	$ 242,741

See accompanying notes to the financial statements.

ELEXICON ENERGY INC.

Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Cash provided by (used in):			
Operating activities:			
Net income after net movements in regulatory balances		$ 6,176	$ 17,709
Net movements in regulatory balances		3,615	(10,783)
Adjustments:			
Depreciation and amortization	5	25,806	23,825
Amortization of deferred contributions		(2,936)	(2,533)
Loss on disposal/retirement of property, plant and equipment		1,047	1,160
Employee future benefits		(81)	388
Unrealized loss (gain) on interest rate swap derivatives		11,081	(6,482)
Realized gain on interest rate swap derivatives		(694)	–
Finance income		(206)	(42)
Finance costs		16,123	9,037
Income tax expense		1,318	6,453
Other assets/liabilities		39	(545)
Capital contributions received		39,846	21,361
Deposits and developer obligations	11	(1,799)	771
Income taxes paid		(839)	(600)
Income taxes recovered		–	166
		98,496	59,885
Changes in operating working capital	22	(14,365)	1,542
Net cash provided by operating activities		84,131	61,427
Financing activities:			
Interest received		206	42
Repayment of short-term debt		(22,500)	(974)
Repayment of long-term debt		(1,634)	(708)
Proceeds from short-term debt		–	54,500
Proceeds from long-term debt		53,000	–
Proceeds from settlement on interest rate swap derivatives		3,529	–
Dividends paid	17	(5,478)	(8,618)
Interest paid		(16,123)	(9,037)
Net cash provided by financing activities		11,000	35,205
Investing activities:			
Additions to property, plant and equipment	22	(88,627)	(100,421)
Additions to intangible assets	22	(3,839)	(2,424)
Proceeds from disposal of property, plant and equipment		135	196
Net cash used in investing activities		(92,331)	(102,649)
Increase (decrease) in cash		2,800	(6,017)
(Bank indebtedness) cash, beginning of year		(1,305)	4,712
Cash (bank indebtedness), end of year		$ 1,495	$ (1,305)

See accompanying notes to the financial statements.

Elexicon Energy Inc. ("EE" or the "Company") was incorporated on April 1, 2019 under the Business Corporation Act (Ontario) by amalgamation of the former entities: Veridian Connections Inc. ("Veridian") and Whitby Hydro Electric Corporation ("Whitby Hydro"). It is a wholly owned subsidiary of Elexicon Corporation (the "Corporation"). The Company is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor which distributes electricity in the cities of Belleville and Pickering, the towns of Ajax, Whitby, Gravenhurst, Port Hope and Uxbridge, and the communities of Bowmanville, Newcastle, Orono, Beaverton, Cannington, Sunderland and Port Perry. The Company's registered office is located at 55 Taunton Road East, Ajax, Ontario L1T 3V3.

1. Material accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The financial statements have been prepared on the historical cost basis, except for employee future benefits and certain financial instruments that are measured at fair value. Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

The Company has evaluated the events and transactions after the balance sheet date through February 27, 2024 when the Company's financial statements were authorized for issuance by the Company's Board of Directors and identified the events and transactions which required recognition in the financial statements and/or disclosure in these notes to the financial statements (notes 9 and 17).

(b) Regulated environment:

The Company is an electricity distributor licensed by the OEB. It is regulated by the OEB under authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility of ensuring that distribution companies fulfill obligations to connect and service customers.

1. Material accounting policies (continued):

The *Ontario Energy Board Act, 1998* sets out guiding objectives for the OEB:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;
- To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances; and
- To facilitate innovation in the electricity sector.

The Company is responsible for charging its customers the following revenues:

- Commodity revenue - The commodity revenue is pass-through revenue for amounts payable to third parties. This revenue represents the costs of electricity consumed by the customers and passed through to the Independent Electricity System Operator ("IESO"). It also includes global adjustment revenue for non-regulated price plan consumers.
- Wholesale market services ("WMS") revenue - The WMS revenue represents the recovery of wholesale market costs for the IESO to operate the electricity market and maintain the system. This revenue is passed through to the IESO.
- Retail transmission service rate ("RTSR") revenue - The RTSR revenue represents the recovery of costs incurred for operation and maintenance of the transmission assets that bring electricity to local distribution networks. This revenue is passed through to operators of transmission facilities.
- Electricity distribution revenue - The electricity distribution revenue represents the recovery of costs incurred by EE in delivering the electricity to its customers.

Disconnections of residential customers were banned from November 15, 2022 to April 30, 2023 and from November 15, 2023 to April 30, 2024.

1. Material accounting policies (continued):

Electricity distribution rates:

Electricity distribution rates include both fixed monthly rates per customer and variable rates per kWh usage or kW demand. These distribution rates are subject to regulation by the OEB.

For the distribution revenue, the Company typically files a Cost of Service ("COS") rate application with the OEB approximately every five years for each of the rate zones. The COS filing timeline may be extended if the Company is able to maintain good reliability and operations under the existing approved rate structure, and has either received approval by the OEB for such a deferral (e.g., through an approved merger) or has elected to follow the Annual Incentive Rate Setting Index ("Annual IR Index") approach. The electricity distribution rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to serve each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors; rates are approved based upon this review, including any revisions resulting from the review.

In intervening years, the OEB regulates electricity rates for distributors through two different rate setting options: Price Cap Incentive Rate-setting ("Price Cap IR") and Annual IR Index. These incentive rate-setting mechanisms establish rates for a given year by mechanistically adjusting the prior year's rates to account for inflationary changes reduced by an amount to incent productivity.

The Company has two distinct rate zones for Veridian and Whitby with the rate year effective January 1. The Company's Veridian rate zone follows the Price Cap IR and the Whitby rate zone shifted to the Annual IR Index in 2018, as required by the OEB, when a distributor requests deferral of a COS rate application for an extended period of time. In its 2023 electricity distribution rate application, EE received approval to transition the Whitby rate zone to Price Cap IR. Under Price Cap IR, a distributor's rates are set through a formula-based mechanism using a price cap index to account for inflationary increases reduced by an amount to incent productivity.

1. Material accounting policies (continued):

Prior to the merger, Veridian Connections Inc. last filed a COS application in October 2013 for rates effective May 1, 2014. Whitby Hydro Electric Corporation filed a COS in January 2010 for rates effective May 1, 2010, and, through settlement, received approval for rates effective January 1, 2011. Pursuant to the completion of amalgamation on April 1, 2019 after receiving OEB approval, the Company intends to defer a COS rate application for a period of up to ten years from the date of the merger closing.

In December 2022, the OEB approved annual IRM rate applications under the Price Cap IR process for both Veridian and Whitby rate zones for changes to distribution rates effective January 1, 2023. EE had also applied for Incremental Capital Module ("ICM") funding for its Whitby Smart Grid ("Smart Grid") Project and Sustainable Brooklin Project.

In June 2023, the OEB approved recovery of $4,100 in restoration costs associated with a major windstorm that occurred within EE's service territory on May 21, 2022.

In July 2023, the OEB approved $8,800 in ICM funding for 2025 for the proposed Smart Grid Project. The OEB's funding approval is contingent on Natural Resources Canada funding of $4,000 which in turn requires project completion by March 31, 2025.

In December 2023, the OEB approved annual IRM applications under the Price Cap IR process for both rate zones for changes to distribution rates effective January 1, 2024.

(c) Revenue recognition:

(i) Electricity distribution and sale:

Revenue from the sale of electricity is recognized over time as the performance obligations are satisfied as the electricity is transferred to the customer. The value of which is determined on the basis of cyclical meter readings plus the estimated customer usage since the last meter reading date to the end of the year. Revenue from the sale of electricity includes an estimate of unbilled revenue accrued in respect of electricity delivered but not yet billed at year end. Unbilled revenue is calculated based on OEB-approved rates for electricity consumption and electricity demand driven by number of days between a customer's last meter reading in the year and December 31. Actual billed revenue could differ from estimates due to energy demand, weather, line losses and changes in the composition of customer classes.

1. Material accounting policies (continued):

The difference between the amounts charged to customers, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs billed monthly by the IESO, is recorded as a settlement variance. In accordance with IFRS 14, Regulatory Deferral Accounts ("IFRS 14"), which permits a rate-regulated entity to continue to recognize and measure regulatory deferral account balances in accordance with its previous generally accepted accounting principles ("GAAP"), this settlement variance is presented within regulatory balances on the balance sheet and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by the Company in delivering electricity to customers. Revenue is recognized over time as the performance obligations are satisfied as the electricity is transferred to the customer. The value is determined on the basis of cyclical meter readings plus the estimated customer usage since the last meter reading date to the end of the year. There is also a fixed rate component to Distribution revenue which is a fixed monthly charge per customer. Distribution revenue also includes revenue related to collection of specific OEB-approved rate riders.

The carrying amount of accounts receivable, including unbilled revenue is measured at amortized cost and reduced through an allowance for doubtful accounts equal to the lifetime expected credit losses to be recognized at the reporting date.

(ii) Other income:

Other income, which includes revenue from electricity distribution-related services, is recognized as services are rendered. Capital contributions received from electricity customers to construct or acquire property, plant and equipment ("PP&E") for the purpose of connecting a customer to a network fall within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the term of the contract with the customer.

1. Material accounting policies (continued):

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15. Cash contributions, received from developers are recorded as deferred contributions. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred contributions. The deferred contributions, which represents the Company's obligation to continue to provide the future customers access to the supply of electricity, is amortized to income on a straight-line basis over the term of the contract with the customer.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as income in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received. Revenues and costs associated with CDM programs are presented using the net basis of accounting and recorded in other income.

(iii) Deferred revenue:

Amounts received in advance but not yet spent in relation to the IESO supported CDM initiatives and other unearned revenue are presented as deferred revenue (note 10).

(d) Rate setting:

The electricity distribution rates of the Company are subject to regulation by the OEB and these rates are based on a revenue requirement that includes a deemed rate of return of 9.36% for the Veridian rate zone, and 9.66% for the Whitby rate zone. The weighted average deemed rate of return for Elexicon is 9.43%.

On January 30, 2014, the IASB issued an interim standard, IFRS 14, to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the prices that an entity can charge to customers for rate-regulated goods or services.

1. Material accounting policies (continued):

The scope of this standard is limited to first-time adopters of IFRS and will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. The interim standard introduced new presentation requirements and permitted first-time adopters to continue to recognize amounts related to rate regulation in accordance with Chartered Professional Accountants of Canada Handbook Part V - Pre-changeover Accounting Standards (subsequently referred to as "previous Canadian GAAP") requirements and was effective from January 1, 2016, with early application permitted. The Company's former entities elected to early adopt IFRS 14 in their 2015 financial statements under IFRS, with a transition date of January 1, 2014 and determined that regulatory balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the "Accounting Procedures Handbook for Electricity Distributors".

The IASB's comprehensive project on rate-regulated activities is addressing whether IFRS should require entities operating in rate-regulated environments to recognize assets and liabilities arising from the effects of rate regulation. In January 2021, the IASB published the Exposure Draft "Regulatory Assets and Regulatory Liabilities", which sets out proposals for a model to account for regulatory assets and regulatory liabilities. If issued as a new IFRS standard, an entity would apply the final IFRS standard retrospectively to annual reporting periods beginning 18 to 24 months after the new IFRS standard is issued.

The IASB met on December 14, 2023:

- To redeliberate the proposals on the unit of account and on offsetting of regulatory assets and regulatory liabilities for presentation purposes;

- To redeliberate the presentation proposals; and

- To discuss its plan to redeliberate other proposals in the Exposure Draft.

It is anticipated that the IASB will complete its re-deliberations on the Exposure Draft by the end of 2024 with the final standard to be issued late 2025.

1. Material accounting policies (continued):

The OEB has the general power to include or exclude costs, revenue, losses or gains in the rates of a specific year, resulting in a change in the timing of accounting recognition from that, which would have applied in an unregulated company. Such change in the timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory balances. The Company's regulatory debit balances represent certain amounts receivable from customers or future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory credit balances, which represent obligations that are expected to be refunded to customers or future customers. The netting of regulatory debit and credit balances is not permitted under IFRS 14.

(e) Cash and bank indebtedness:

Cash is defined as cash in bank and bank indebtedness defined as obligations paid by the Company and outstanding as at year end.

(f) Materials and supplies:

Materials and supplies, which consists of parts and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

Any write-downs taken on materials and supplies are reversed if and when net realizable value subsequently recovers. Major spare parts and standby equipment are recorded as part of PP&E and depreciated once they are available for use.

An amount of $258 (2022 – $nil) was written down due to obsolescence in the year.

1. Material accounting policies (continued):

(g) Property, plant and equipment:

PP&E purchased or constructed by the Company are recorded at cost less accumulated depreciation. Costs include contracted services, materials, labour, engineering costs, directly attributable overheads and capitalized borrowing costs during construction when applied. Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the Company and the costs can be measured reliably. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. These contributions are used to connect customers to the Company's network and provide them with ongoing access to the supply of electricity. The contributions are recognized as deferred contributions and amortized into other income over the life of the related asset.

Upon energization of residential subdivision assets, a developer obligation is accrued (as per the offer to connect contract) for the amounts payable to the developer for the Company's investment in the subdivision.

Depreciation of PP&E is charged to net income on a straight-line basis over their estimated service lives at the following annual rates:

Land rights with fixed term	2.0%
Buildings	2.0% - 6.7%
Distribution station equipment	1.7% - 4.0%
Distribution system	1.7% - 10.0%
Meters	4.0% - 6.7%
Office equipment	10.0%
Computer hardware	20.0% - 33.3%
Vehicle fleet	6.7% - 16.7%
Renewable power generation	4.0%

The depreciation method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

1. Material accounting policies (continued):

Construction in progress comprises PP&E under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

Construction in progress, land rights with fixed term, major spare parts and standby equipment are not subject to depreciation until these assets are available for use. Land and land rights in perpetuity are not depreciated.

Borrowing costs directly attributable to the acquisition, construction or development of qualifying assets that necessarily take a substantial period of time to prepare for their intended use are capitalized until such time as the assets are substantially ready for their intended use. The weighted average cost of long-term borrowings is used as the capitalization rate. Qualifying assets are considered to be those that take in excess of six months to construct.

When portions of the Company's distribution facilities are replaced or relocated, the associated costs less the salvage value of any material returned to materials and supplies are capitalized to the new asset. Depreciation is then recorded at the same rate used for the original asset.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, might have decommissioning obligations, constructive or otherwise. The majority of the Company's easements and rights-of-way are subject to extension or renewal and are expected to be available for a perpetual duration. As the Company expects to use the majority of its installed assets into perpetuity, no removal date can be determined and consequently no reasonable estimate of the fair value of such asset retirement obligations can be made. If, at some future date, it becomes possible to estimate the fair value cost of removing the assets that the Company is legally or constructively required to remove, a related asset retirement obligation will be recognized at that time.

Assets are derecognized at their carrying value upon retirement, or when no remaining economic benefits are expected from its use. The related gain or loss arising on the disposal or retirement is determined as the difference between the proceeds from sale and the carrying value of the asset and is included in net income for the related fiscal year. The cost of replacing a part of an item of PP&E is recognized as an addition to the carrying amount of the asset and the carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of PP&E assets is recognized in net income as incurred.

1. Material accounting policies (continued):

(h) Intangible assets:

Intangible assets acquired, or internally developed, are recognized initially at cost and comprised of purchased software, labour, consulting costs, directly attributable overheads and capitalized borrowing costs, if applicable. Intangible assets qualifying for capitalized borrowing costs are considered to be those assets that take in excess of six months to develop. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is provided on a straight-line basis over the estimated service lives at the following annual rates:

Application software and intellectual property	33.3%
Internally generated software	20.0%

Software in development is not subject to amortization. The above-noted amortization rates apply to assets held within the application software and other intangible asset grouping (note 4). The amortization method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

(i) Goodwill:

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. It is allocated from the acquisition date to the Company's rate regulated cash generating unit ("CGU") that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

1. Material accounting policies (continued):

Goodwill is measured at cost less accumulated impairment losses, if any, and not amortized. Impairment testing for goodwill is carried out at each reporting date in the context of the CGU by comparing carrying amount with its recoverable amount. The recoverable amount of an asset or CGU is the greater of an asset's or CGU's fair value less costs of disposal and its value in use.

Impairment losses are recognized in net income. Impairment losses relating to the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

(j) Financial assets/liabilities measured at amortized cost:

Accounts receivable (including unbilled revenue), cash, customer deposits, accounts payable, credit facilities, long-term debt and leases are measured at amortized cost.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for that asset.

(k) Impairment of non-financial assets:

The carrying costs of non-financial assets: PP&E and finite lived intangible assets is reviewed for impairment at each reporting date to determine whether there is any indication of impairment, in which case, the asset's recoverable amount is estimated.

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the recoverable amount of an asset or CGU may be below their carrying value. The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU, a suitable discount rate in order to calculate a present value as a basis for determining impairment and an estimated terminal value calculated by discounting the final year in perpetuity.

1. Material accounting policies (continued):

For the regulated business, the carrying costs of most of the Company's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding work in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Impairment is tested at the CGU level, which is the smallest identifiable group of assets that generates independent cash flows. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount and is recognized in net income.

(l) Customer deposits and advance payments:

Customers may be required to post security deposits to obtain electricity or other services. Interest is paid on customer deposits at rates prescribed by the OEB: this is currently interest at Canada's prime business rate less 2.00%, which was 5.20% per annum as of December 31, 2023. The Company receives advance payments from customers in relation to construction projects and recognizes them as a liability until the projects are completed.

Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution services.

(m) Employee benefits:

(i) Short-term employee benefits:

The Company provides short-term employee benefits, such as: salaries, employment insurance, short-term compensated absences, health and dental care. These benefits are recognized as the related service is rendered and is measured on an undiscounted basis. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of the cost of an item of materials and supplies, PP&E, intangible assets or recoverable projects. A liability is recognized in respect of any unpaid short-term employee benefits for services rendered in the reporting year.

1. Material accounting policies (continued):

The Company recognizes a current liability for the expected cost of accumulated non-vested sick leave benefits at the end of the reporting year. The assumptions used for estimating the amount of the liability are analogous to those used in the valuation of employee future benefits.

(ii) Defined benefit pension plan:

The Company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

OMERS plan is a multi-employer defined benefit plan providing pension to employees of municipalities, local boards, public utilities and school boards. It is funded by equal contributions from participating employers and employees, as well as by investment earnings of the plan. Each year, an independent actuary determines the plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. OMERS does not track its investments by employer and actuarial assumptions are developed based on the entire plan membership on a commingled basis and, therefore, information for individual plans cannot be determined. As a result, the Company accounts for the OMERS plan as a defined contribution plan and contributions to the plan are recognized as an employee benefit expense.

(iii) Employee future benefits:

The Company provides all employees with life insurance benefits, as well as pays certain medical benefits on behalf of some of its retired employees.

The Company actuarially determines the cost of employee future benefits offered to employees. These unfunded plans are accounted for as defined benefit obligations. The Company applies the projected benefit method, prorated on service and based on management's best estimates and assumptions. Under this method, the projected employee future benefits is deemed to be earned on a pro rata basis over the years of service in the attribution year commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

1. Material accounting policies (continued):

Remeasurements of the net benefit liability comprise actuarial gains or losses that are recognized in the balance sheet with a credit or charge to other comprehensive income or loss. Current service costs are allocated to operating, maintenance and administration expenses and to capital recognized in the balance sheet.

(n) Income taxes:

Under the *Electricity Act, 1998*, the Company is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Company uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax bases of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable in the year or a later year.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date, expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of comprehensive income in the year that includes the date of enactment or substantive enactment.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. Previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. A valuation allowance is recorded against a deferred tax asset to the extent that the Company determines that it is probable that a deferred income tax asset will not be realized in the future.

1. Material accounting policies (continued):

Where the Company expects the deferred taxes to be recovered from or refunded to customers as part of the rate setting process, the deferred income tax assets and liabilities result in regulatory deferral debit balances or credit balances, respectively. Deferred tax assets that are not included in the rate-setting process result in a deferred tax provision that is charged or credited to the statement of income and comprehensive income.

(o) Provisions and contingencies:

The Company recognizes provisions if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

(p) Leases:

At inception of a contract, the Company assesses whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Company with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

1. Material accounting policies (continued):

The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease pre-payments, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for certain re-measurements of the lease liability. The right-of-use asset is depreciated using the straight-line method over the shorter of the lease term and the estimated remaining useful life of the asset.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company has elected to use a single discount rate for all lease portfolios with reasonably similar characteristics.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments, or a lease modification. A corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. Material accounting policies (continued):

(q) Use of judgments and estimates:

The preparation of the financial statements requires management to make estimates, judgments and assumptions: within reasonable limits of materiality and within the framework of the material accounting policies, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Due to inherent uncertainty involved in making such estimates, actual results reported in future years could differ from those estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following financial notes:

(i) Note 1(c)(i) - recognition and measurement of unbilled revenue;

(ii) Note 1(c)(i) and note 23(c) - expected credit losses; and

(iii) Note 1(i) and note 4(b) - determining goodwill value-in-use.

Management is required to make significant judgments in the area of:

(i) Note 1(g), (h) - determination of useful lives of PP&E and intangible assets;

(ii) Note 1(c)(i), 1(d) and note 6 - recognition and measurement of regulatory balances;

(iii) Note 1(m)(ii), (iii) and note 15 - measurement of employee future benefits: key actuarial assumptions;

(iv) Note 1(o) - recognition and measurement of provisions and contingencies; and

(v) Note 1(n) and note 7 - recognition of deferred tax assets - availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used.

Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant.

1. Material accounting policies (continued):

(r) Non-derivative financial instruments:

All non-derivative financial assets are classified as loans and receivables and all non-derivative liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized costs using the effective interest method less any impairment for the financial assets, as described in notes 1(j) and 23(c).

(s) Derivative financial instruments:

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date.

The Company has not elected to apply hedge accounting for its interest rate swap derivative contracts and does not enter into derivative agreements for speculative purposes. Changes in the fair value of the derivatives are recorded each year in the statement of income and comprehensive income.

(t) Capital disclosures:

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns. The Company's definition of capital includes shareholder's equity, short-term debt, bank indebtedness and long-term debt, less cash.

During the year, there have been no changes to how the Company assesses its capital structure.

(u) Changes in accounting policies:

There are no amended standards and interpretations (effective from January 1, 2023) that have a significant impact on the Company's financial statements.

1. Material accounting policies (continued):

(v) New standards and interpretations not yet adopted:

The IASB issues new standards, amendments and interpretations which do not have to be adopted in the current year. The Company is currently assessing the financial statement impact of adopting the following amendments to existing accounting standards:

(i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")):

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This right may be subject to compliance with covenants. After reconsidering certain aspects of the 2020 amendments, in October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

2. Accounts receivable:

	2023	2022
Energy revenue	$ 42,562	$ 37,376
Unbilled revenue	46,856	44,702
Project expenditures recoverable	11,070	7,937
Other	–	511
	100,488	90,526
Less: expected credit losses	5,275	5,400
	$ 95,213	$ 85,126

2. Accounts receivable (continued):

Trade receivables do not contain a significant financing component, and lifetime expected credit losses ("ECLs") are recognized as the maturities are typically 12 months or less. A provision matrix is used to determine ECLs on trade receivables. The amount of credit losses recognized is based on forward looking estimates that reflect current and forecast credit conditions.

Unbilled revenue represents amounts for which the Company has a contractual right to receive cash through future billings and are unbilled at the year end.

3. Property, plant and equipment:

	December 31, 2022	Additions/ depreciation	Disposals/ retirements	December 31, 2023
Cost				
Land	$ 2,190	$ 196	$ –	$ 2,386
Land rights	4,303	–	–	4,303
Buildings	31,742	1,290	–	33,032
Distribution station equipment	67,804	5,073	(43)	72,834
Distribution system	519,334	48,121	(1,917)	565,538
Meters	26,706	1,603	(40)	28,269
Office equipment	2,604	69	–	2,673
Computer hardware	10,606	1,535	–	12,141
Vehicle fleet (a)	15,441	1,656	(116)	16,981
Renewable power generation	1,252	–	–	1,252
Construction in progress	48,528	25,403	–	73,931
	$ 730,510	$ 84,946	$ (2,116)	$ 813,340
Accumulated depreciation				
Land rights	$ 104	$ 12	$ –	$ 116
Buildings	12,770	1,342	–	14,112
Distribution station equipment	13,479	2,053	(15)	15,517
Distribution system	85,515	14,830	(720)	99,625
Meters	16,431	2,067	(39)	18,459
Office equipment	1,902	139	–	2,041
Computer hardware	6,169	1,546	–	7,715
Vehicle fleet (a)	7,502	1,245	(80)	8,667
Renewable power generation	470	61	–	531
	$ 144,342	$ 23,295	$ (854)	$ 166,783
Net book value	$ 586,168	$ 61,651	$ (1,262)	$ 646,557

3. Property, plant and equipment (continued):

Right-of-use assets related to the leased properties that do not meet the definition of investment property are presented as PP&E.

(a) Includes $1,658 (2022 - $1,658) vehicle right-of-use assets and $1,324, (2022 - $1,147) accumulated amortization.

During the year, borrowing costs of $887 (2022 - $1,052) were capitalized to PP&E and credited to finance costs. Weighted average cost of long-term borrowings (note 13) is used for capitalizing borrowing costs as part of PP&E with an average rate of 4.66% (2022 - 2.81%).

Additions to construction in progress are net of transfers to other PP&E categories.

4. Intangible assets and goodwill:

(a) Intangible assets:

	December 31, 2022	Additions/ amortization	Disposals/ retirements	December 31, 2023
Cost				
Application software and other	$ 22,147	$ 2,593	$ –	$ 24,740
Construction in progress related to application software and other	1,145	1,072	–	2,217
Capital contributions (note 18(b))	2,772	–	–	2,772
	$ 26,064	$ 3,665	$ –	$ 29,729
Accumulated amortization				
Application software and other	$ 18,437	$ 2,347	$ –	$ 20,784
Capital contributions	411	164	–	575
	$ 18,848	$ 2,511	$ –	$ 21,359
Net book value	$ 7,216	$ 1,154	$ –	$ 8,370

No borrowing costs were capitalized on intangible assets under development in 2023 or 2022.

Application software and other includes externally acquired, as well as internally generated computer software. The remaining amortization period is between one to five years.

4. Intangible assets and goodwill (continued):

(b) Goodwill:

	December 31, 2022	Acquisition additions	Additions	Impairment	December 31, 2023
Goodwill	$ 64,348	$ –	$ –	$ –	$ 64,348

(c) Impairment test:

Goodwill with carrying amount of $64,348 was allocated to the Company's rate regulated CGU as a result of business acquisition and amalgamation. Impairment testing was carried out for December 31, 2023 by comparing the recoverable amount with the carrying amount. The recoverable amount of this CGU is based on its value in use, determined by discounting the future cash flows to be generated from the continuing operation of the CGU. The key assumptions used in the estimation of value in use were as follows.

Discount rate	5.8%
Terminal value growth rate	2.0%

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. Revenue growth was projected based on the average growth rate, the estimated sales volume and expected price increases for the next five years.

The discount rate was a post-tax measure based on the return of equity rate issued by OEB on October 31, 2023, and the rates of long-term and short-term debts that the Company currently holds.

The terminal growth rate was determined based on management's estimate of the long-term compounded annual earnings before interest, taxes, depreciation and amortization growth rate, consistent with the assumptions that a market participant would make.

The impairment test was performed by considering the latest developments and economic conditions.

The estimated recoverable amount of the CGU was determined to be higher than its carrying amount, therefore, no impairment was recorded.

5. Depreciation and amortization:

	2023	2022
Total depreciation and amortization expense	$ 25,806	$ 23,825
Allocated to:		
Depreciation/amortization of vehicle fleet included in operating and maintenance expenses	1,245	1,195
Depreciation/amortization of assets in non-regulated utility operations included in other income	62	58
	1,307	1,253
Depreciation and amortization expense	$ 24,499	$ 22,572

6. Regulatory balances:

Regulatory balances can arise out of the rate-making process and result in accounting treatments that differ from IFRS for enterprises operating in a non-regulated environment and regulated entities that did not adopt IFRS 14.

Debit balances comprise the following:

	December 31, 2022	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2023	Remaining recovery/ reversal period (years)
Approved settlement variances (a)	$ 60	$ 12,337	$ (11,631)	$ –	$ 766	1 year
Future settlement variances - RSVA (a)	22,484	940	(8,344)	–	15,080	Note 1
Future settlement variances - RCVA (a)	725	27	–	–	752	Note 1
One-time IFRS conversion (b)	520	22	–	–	542	Note 1
IFRS transitional adjustments (c)	4,028	978	–	–	5,006	Note 1
Other (e)	8,568	1,854	(3,689)	316	7,049	Note 1, 3
Deferred taxes (f)	22,188	4,927	–	–	27,115	Note 2
	$ 58,573	$ 21,085	$ (23,664)	$ 316	$ 56,310	

6. Regulatory balances (continued):

	December 31, 2021	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2022	Remaining recovery/ reversal period (years)
Approved settlement variances (a)	$ 174	$ 9,817	$ (9,931)	$ –	$ 60	1 year
Future settlement variances - RSVA (a)	17,533	14,012	(9,061)	–	22,484	Note 1
Future settlement variances - RCVA (a)	723	2	–	–	725	Note 1
One-time IFRS conversion (b)	511	9	–	–	520	Note 1
IFRS transitional adjustments (c)	3,196	832	–	–	4,028	Note 1
Other (e)	6,021	3,172	(1,032)	407	8,568	Note 1, 3
Deferred taxes (f)	16,747	5,441	–	–	22,188	Note 2
	$ 44,905	$ 33,285	$ (20,024)	$ 407	$ 58,573	

Credit balances comprise the following:

	December 31, 2022	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2023	Remaining recovery/ reversal period (years)
Stranded meters (d)	$ 27	$ 5	$ –	$ –	$ 32	Note 1
Other (e)	2,408	225	–	316	2,949	Note 1, 3
Deferred taxes (f)	1,637	(548)	–	–	1,089	Note 2
Tax-related variances (g)	5,957	1,355	–	–	7,312	Note 1
	$ 10,029	$ 1,037	$ –	$ 316	$ 11,382	

	December 31, 2021	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2022	Remaining recovery/ reversal period (years)
Stranded meters (d)	$ 26	$ 1	$ –	$ –	$ 27	Note 1
Other (e)	1,984	17	–	407	2,408	Note 1, 3
Deferred taxes (f)	1,380	257	–	–	1,637	Note 2
Tax-related variances (g)	3,757	2,200	–	–	5,957	Note 1
	$ 7,147	$ 2,475	$ –	$ 407	$ 10,029	

Note 1 The Company intends to seek recovery or refund in future rate applications to the OEB.

Note 2 The Company will not seek disposition of the balance since it will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

Note 3 These balances have been reclassified from regulatory debit to credit balances or vice versa.

6. Regulatory balances (continued):

The balances arising in the period column are new additions (for both debits and credits). The recovery/reversal column are amounts collected or refunded through rate riders, disposition of OEB-approved regulatory balances, or other transactions which reduce existing regulatory balances. The other movements column consists of impairment (if the OEB disallowed certain amounts), and reclassification between the regulatory debit and credit balances. There is no impairment recorded for 2023 or 2022.

Regulatory balances descriptions:

(a) Settlement variances:

The amounts include the variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges, as compared to the amount billed to consumers based on the OEB-approved rates. This amount also includes variances between the amounts charged by Hydro One Networks Inc. ("Hydro One") for low voltage services and the amount billed to consumers based on the OEB-approved rates. Also included are retail cost variances, being the differences between the revenue charged to retailers and the incremental costs associated with providing the retail services.

For the 2023 rate year, the OEB approved:

- Lost revenue recovery for 2020-2022 conservation program impacts for both Whitby and Veridian rate zones. The Lost Revenue Adjustment Mechanism ("LRAM") regulatory balance relates to the difference between the level of CDM program activities included in the load forecast used to set approved rates and the actual impact of CDM activities achieved; and

- Disposition of Group 1 Deferral and Variance Accounts for both Veridian and Whitby rate zone. Group 1 accounts represent the variance(s) of the differences between purchased and billed power costs.

6. Regulatory balances (continued):

(b) One-time IFRS conversion costs:

In accordance with an OEB directive, a deferral account has been established for the one-time administrative costs during transition to IFRS for the Veridian rate zone. These amounts will be sought for disposition in the Company's first COS rebasing application under IFRS or in a future stand-alone application. The rebasing under IFRS will be due in ten years from the date of amalgamation (i.e., April 1, 2019).

(c) IFRS transitional adjustments:

Commencing in 2014, the Company's Veridian rate zone has recorded regulatory debit balances arising from derecognition of assets under IFRS. The Company's Whitby rate zone does not have approval to record these balances. If Whitby rate zone calculated value exceeds the approved materiality threshold in its 2019 OEB rate decision, it may request the establishment of a new deferral and variance account.

The Company's Veridian rate zone also records the capitalized borrowing costs difference between weighted average long-term borrowing costs under IFRS and the capitalization rate prescribed by the OEB. The Whitby rate zone is not required to record this difference based on the settlement agreement approved in its 2019 rate application.

This regulatory balance will be sought for disposition in the Company's first COS rebasing application under IFRS or in a future stand-alone application.

(d) Stranded meters:

These amounts are related to the provincial government's directive for licensed distributors to install smart meters for specific customer classes and represent the net book value of stranded meter assets arising from the Company's smart metering program. These amounts reflect the residual balances for stranded meters which will be addressed in a future application to the OEB.

6. Regulatory balances (continued):

(e) Other:

The debit balance relates to the deferral of costs or variances associated with OEB assessment costs, collection of account charges, as well as regulatory changes affecting the changes in estimated useful lives for the Whitby Rate Zone. In 2023, the OEB established a generic, sector-wide variance account, the Getting Ontario Connected Act ("GOCA") variance account, to specifically track incremental costs of locates in 2023 and future years arising from the implementation of recent provincial legislation: Bill 93 (the *Getting Ontario Connected Act*, S.O. 2022).

The credit balance primarily relates to the pole attachment revenue variance.

(f) Deferred taxes:

The Company records deferred tax assets or liabilities with a corresponding regulatory tax liability or asset. The Company will not seek disposition of these balances as they will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

The regulatory debit balance is the expected future electricity distribution rate increase for customers arising from timing difference in the recognition of deferred tax assets and the regulatory credit balance is the deferred tax amount reclassified under IFRS 14.

The deferred tax amount related to the expected future electricity distribution rate increase for customers was $27,115 (2022 - $22,188) as at December 31, 2023.

The amounts reclassified under IFRS 14 include the deferred tax liability related to regulatory balances of $1,089 (2022 - $1,637) as at December 31, 2023.

(g) Tax-related variances:

The regulatory balance primarily relates to the revenue requirement impact of accelerated capital cost allowance deductions from the Accelerated Investment Incentive tax measure which received Royal Assent on June 21, 2019.

7. Income taxes:

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and effective tax rates is provided as follows:

	2023	2022
Income before income taxes	$ 11,109	$ 13,379
Federal and Ontario statutory income tax rate	26.5%	26.5%
Provision for income taxes at statutory rate	$ 2,944	$ 3,545
Increase (decrease) resulting from:		
Temporary differences expected to be recovered from customers	(4,113)	(7,616)
Under (over) provided in prior periods	409	(129)
Other miscellaneous	(3,395)	5,470
Income taxes recorded in regulatory balances movements	5,473	5,183
Income tax expense	$ 1,318	$ 6,453
Effective income tax rate	11.9%	48.2%
Allocated:		
Current expense	$ 446	$ 501
Deferred (recovery) expense	(4,601)	769
Income taxes recorded in regulatory balances movements	5,473	5,183
Total income tax expense	$ 1,318	$ 6,453

7. Income taxes (continued):

Deferred tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. The tax effects of these differences are as follows:

	2023	2022
Deferred tax assets (liabilities):		
Property, plant and equipment and intangible assets (a)	$ (31,492)	$ (25,793)
Employee future benefits	2,291	2,097
Sick leave liability	394	400
Unrealized loss (gain) on interest rate swaps derivatives	2,937	(751)
Non-capital losses	4,797	3,833
Deferred revenue and others	1,351	1,364
	(19,722)	(18,850)
Deferred tax liabilities:		
Regulatory balances	1,089	1,637
Moved to regulatory deferral account credit balances	(1,089)	(1,637)
	–	–
Deferred tax liabilities	$ (19,722)	$ (18,850)

(a) Taxable temporary difference, book value is more than tax value.

8. Accounts payable and accrued liabilities:

	2023	2022
Cost of power accrual	$ 31,798	$ 30,973
Accounts payable	14,748	18,692
Accrued liabilities	4,298	8,526
Customer credit balances	5,364	5,369
Non-vested sick leave liability	1,094	1,110
Other	1,927	423
	$ 59,229	$ 65,093

9. Credit facilities:

As at December 31, 2023, the Company had the following external credit facilities with a Canadian chartered bank (the "Bank"):

(a) Uncommitted revolving demand credit facility. The facility is required to be no greater than $60,000, with a letter of credit ("L/C") carve-out availability; and

(b) Committed or demand revolver facility (note 13) with a combined total no greater than $353,645.

The financial covenants for the above facilities require a Consolidated Interest Coverage Ratio ("ICR") of not less than 1.75 for the fourth quarter of 2023 and stepping down to 1.40 for the first quarter of 2024 and thereafter, stepping up to 1.75 for the first quarter of 2026. The financial covenants are tested on a consolidated basis. The Corporation and the Company are compliant with all bank covenants as at December 31, 2023.

As at December 31, 2023, $nil (2022 - $22,500) was drawn out of facility (a); and $253,390 (2022 - $201,315) was outstanding from facility (b) above (note 13). During 2023, the Company increased a committed credit facility from $170,000 to $220,000 and then combined its two committed credit facilities into a single committed credit facility of $253,645. Subsequently, during 2023, the Company obtained an amendment from the Bank to increase facility (b) from $253,645 to $353,645. To cover the risk of fluctuating interest rates, facility (b) was structured with interest rate swap derivative agreements with the Bank, effectively converting the obligations into two fixed interest rate loans of 5.096% and 4.84%, respectively.

The Company utilized (a) for: $100 to issue an irrevocable L/C in favour of the Ministry of Environment; $3 to issue an irrevocable L/C in favour of the City of Belleville; and $50 to issue an irrevocable L/C in favour of the Region of Durham.

9. Credit facilities (continued):

The Ministry of Environment requires security to ensure adequate funds are available, to effect suitable remedial action, if an event occurs resulting in a health and safety hazard to any person, or the natural environment.

The City of Belleville requires security for land site development for the building in the City of Belleville, and it could draw on the L/C if the Company does not fulfill the obligations of the site plan agreement.

The Region of Durham requires security for land site development for the Seaton TS in the City of Pickering, and it could draw on the L/C if the Company does not fulfill the obligations of the servicing agreement.

Short-term debt:

As at December 31, 2023, the Company had $71,926 notes payable due to the Corporation's shareholders on demand at a rate of 4.13%. The noteholders have a right to demand repayment of these notes together with any accrued interest, in whole or part, with 60 days' prior written notice to the Company. As the Company does not have any unconditional right to defer settlement of this liability for at least twelve months after the reporting year, the notes issued to the shareholders $71,926 are classified as short-term debt.

10. Deferred revenue:

(a) As at December 31, 2023, $1,620 (2022 - $1,620) of deferred revenue represents the balance of unearned revenue from funding received from the IESO to deliver CDM programs.

An agreement was entered with the IESO on December 16, 2014 and on June 8, 2015, whereby the IESO conditionally approved a CDM plan that was jointly submitted by the Company (Veridian and Whitby Hydro) to deliver CDM programs covering the period from January 1, 2015 to December 31, 2020. This CDM plan was most recently updated on April 18, 2017 and conditionally approved by the IESO on May 12, 2017.

10. Deferred revenue (continued):

All programs under the IESO agreement and all relevant wind down costs are expected to be fully funded and paid by the IESO. The IESO is invoiced monthly for the costs incurred on various CDM programs and wind down expenditures. The Company received some initial funding in the form of a pre-payment from the IESO for the delivery of CDM programs under the energy conservation agreement. Amounts received but not yet spent are presented on the balance sheet under current liabilities as deferred revenue.

(b) As at December 31, 2023, $3,476 (2022 - $3,422) of deferred revenue represents the balance of unearned revenue related to the ICM projects and $112 (2022 - $328) in other non-current assets represents the deferred rate application costs associated with the ICM projects.

11. Deposits and developer obligations:

	2023	2022
Advance payments - construction deposits	$ 190	$ 208
Customer deposits	5,550	5,869
Developer obligations	10,962	12,424
Deposits and developer obligations	$ 16,702	$ 18,501

12. Related party transactions:

The Company provides electricity and services to the Corporation's shareholders, the Town of Ajax, the Municipality of Clarington, the City of Pickering, the City of Belleville and the Town of Whitby (collectively, the "shareholders"). Electrical energy is sold to the Corporation's shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

Summary of transactions with the Corporation's shareholders:

	Town of Ajax	Town of Whitby	City of Pickering	City of Belleville	Municipality of Clarington	Total
Electricity and services revenue	$ 2,710	$ 2,003	$ 2,400	$ 1,733	$ 456	$ 9,302
Finance costs on the notes payable	581	1,171	742	231	246	2,971
Property taxes paid	243	252	46	116	35	692
Accounts receivable balance	228	463	367	102	40	1,200

Summary of transactions with the Corporation and Elexicon Group Inc. ("EG"), an associate of the Company:

	2023	2022
Administrative and management services revenue (a)	$ 471	$ 546
Finance costs on the notes payable to the Corporation	1,062	1,082
Dividends paid to the Corporation	5,478	8,618

12. Related party transactions (continued):

	2023	2022
Accounts receivable balance (b)	$ 540	$ 902

(a) The Company purchases or supplies administrative and management services from and to the Corporation and EG. Charges for these services are recorded at exchange amounts established and agreed to by the related parties.

(b) Without interest or terms of repayment.

	2023	2022
Compensation paid to key management personnel[(i)]	$ 3,320	$ 2,571

[(i)] Comprising the senior management team and members of the Board of Directors. The compensation includes salaries, performance pay and taxable benefits. This includes OMERS contributions of $323 (2022 - $273).

The Company has renewable generation projects and holds interest in the following entities joint operations:

(a) Claremont Community Centre Solar:

The Company, TREC SolarShare Co-Operative (No.1) Inc. and Solera Sustainable Energies Company Limited are parties to a joint operation agreement with an equity interest of 39%, 51% and 10%, respectively, to build, own, operate and maintain a solar generation project at Claremont Community Centre owned by the City of Pickering, located at 4941 Old Brock Road, Pickering, Ontario L1V 7E2. This project is approved under the Feed-in Tariff government program.

The joint venture started operation in July 2015. In 2023, the Company included its share of net income $7 (2022 - $5) in the financial statements.

12. Related party transactions (continued):

In 2016, the Corporation financed the above project for an amount of $264 for a 15-year term at an interest rate of 5.00%. An amount of $62 (2022 - $68) (net of repayments and intercompany funding) is included in the Company's long-term debt as at December 31, 2023 (note 13). The funding provided by the Corporation was in the same proportion as the equity interest: Company 39%, TREC Solar Share Co-Operative (No. 1) Inc. 51% and Solera Sustainable Energies Company Limited 10%.

(b) Elexicon, Lakefront, Solera Joint Operation:

The Company, Lakefront Utility Services Inc. and Solera Sustainable Energies Company Limited entered into a joint operation agreement with an equity interest of 42.5%, 42.5% and 15% respectively, to build, own, operate and maintain a solar generation project at the property owned by The Corporation of the Town of Cobourg, located at 739 D'Arcy Street, Cobourg, Ontario (Building 13).

The joint venture started operations in 2019. In 2023, the Company included its share of negligible loss in the financial statements.

In 2019, the Town of Cobourg Holding Inc. financed the above project for an amount of $202 for a 25-year term at an interest rate of 5.75%. An amount of $77 (2022 - $79) is included in the Company's long-term-debt as at December 31, 2023 (note 13). The funding provided by the Corporation of the Town of Cobourg was in the same proportion as the equity interest: Company 42.5%, Lakefront Utility Services Inc. 42.5% and Solera Sustainable Energies Company Limited 15%.

The Company, as a joint operator accounts for the assets, liabilities, revenue and expenses relating to its interest in the joint operations in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

13. Long-term debt:

	2023	2022
Notes payable to the shareholders of the Corporation, due on demand, at the rate of 4.13% (note 9)	$ –	$ 71,926
Notes payable to the Corporation, maturing on December 9, 2034, at a rate of 4.58%	15,000	15,000
Notes payable to the Corporation, maturing on December 17, 2039, at a rate equal to the OEB-deemed long-term debt rate, less 30-basis-points	11,200	11,900
Loan payable to the Corporation, maturing on September 1, 2031, at a rate of 5.00%	62	68
Loan payable to Town of Cobourg Holding Inc., maturing in February 2044, at a rate of 5.75%	77	79
Long-term debt from the Bank, maturing on November 02, 2028, at a rate of 5.096% (note 9(b))	33,390	–
Long-term debt from the Bank, maturing on August 02, 2028, at a rate of 4.84% (note 9(b))	220,000	–
	279,729	98,973
Less: current portion	2,709	708
	$ 277,020	$ 98,265

Scheduled principal repayments for the next five years and thereafter as of December 31, 2023:

2024	$ 2,709
2025	710
2026	710
2027	710
2028	254,100
Thereafter	20,790
	279,729
Less: current portion	2,709
	$ 277,020

13. Long-term debt (continued):

Scheduled interest payments for the next five years and thereafter as of December 31, 2023:

2024	$ 13,398
2025	13,257
2026	13,236
2027	13,216
2028	9,504
Thereafter	4,950
	$ 67,561

Expected weighted average borrowing costs:

2024	4.81%
2025	4.79%
2026	4.80%
2027	4.80%
2028	6.43%

Finance costs related to short-term debt and long-term debt comprise:

	2023	2022
Interest on:		
Notes payable and loans	$ 16,180	$ 9,518
Customer deposits and other	830	571
	17,010	10,089
Less: capitalized borrowing costs	887	1,052
	$ 16,123	$ 9,037

14. Deferred contributions:

Deferred contributions are the capital contributions received from electricity customers and developers, which have not yet been recognized into other income.

The continuity of deferred contributions is as follows:

	2023	2022
Deferred contributions, beginning of year	$ 126,360	$ 107,961
Contributions received	39,846	21,361
Contributions amortized as other income	(2,936)	(2,533)
Contributions removed with asset disposals	(80)	(429)
Deferred contributions, end of year	163,190	126,360
Less: current portion	3,836	3,052
Non-current	$ 159,354	$ 123,308

Customer and developer contributions for the acquisition or construction of PP&E are considered to be deferred contributions and amortized over the useful lives of the related assets as other income.

15. Employee future benefits:

(a) Pensions:

During the year, the Company made contributions totaling $3,145 (2022 - $2,985) to OMERS. These contributions have been recognized as an operational expenditure net of the amount capitalized in assets. The expected payment for 2024 is $3,254, representing less than 1% of the group plan contributions. As at December 31, 2022, and subject to the estimates, assumptions and valuations of OMERS, the plan obligations are 95% funded by its assets. OMERS has a strategy to return the plan to a fully funded position. The Company is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

15. Employee future benefits (continued):

(b) Post-retirement benefits other than pension:

The Company pays certain benefits on behalf of its retired employees and recognizes these post-retirement costs in the year in which the employees render the services.

Information about the Company's non-contributory defined benefit plan to fund life insurance, health and dental care benefits and a retiree Health Care Spending Account ("HCSA"), is as follows:

	2023	2022
Accrued benefit liability recognized, beginning of year	$ 5,816	$ 9,786
Current service costs	120	196
Interest costs	286	289
Benefit payments	(432)	(324)
Remeasurements recognized in other comprehensive income	565	(4,131)
Accrued benefit liability recognized, end of year	$ 6,355	$ 5,816

The amounts presented are based upon an actuarial valuation performed as at December 31, 2022 with an update to the accounting extrapolations for the year ending December 31, 2023.

The main actuarial assumptions employed for the valuations are as follows:

(i) General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index, are assumed at 2.00% (2022 - 2.00%) for future years.

(ii) Interest (discount) rate:

Amounts were determined using an annual discount rate of 4.60% (2022 - 5.05%).

(iii) Salary levels:

Future general salary and wage levels were assumed to increase at 3.20% (2022 - 3.20%) per annum.

15. Employee future benefits (continued):

(iv) Health and dental care:

The health and dental care cost increases are 4.90% (2022 - 4.70%) and 5.10% (2022 - 4.90%), respectively.

(c) Sensitivity analysis:

Discount rate is one of the significant actuarial assumptions for benefit obligation measurement purposes.

Changes in discount rate assumptions would have had the following effect on the benefit obligation:

Discount rate	Estimated value of future payments	% difference
Base (4.60%)	$ 6,355	–
(3.60%) or - 1.00%	7,474	18 %
(5.60%) or +1.00%	5,487	(14)%

(d) Risks associated with the plan:

Significant actuarial assumptions related to discount rates, future health and dental costs, mortality rates, retirement age, utilization rate of the HCSA and other factors may affect the valuation of the expected accrued benefit liability.

16. Share capital:

	2023	2022
Authorized:		
Unlimited Common Shares		
Issued:		
1,000 Common Shares	$ 98,796	$ 98,796

17. Dividends:

The Company's current dividend policy states:

(a) an annual dividend to the Corporation of at least $11,280, $11,310 and $11,390 for the first fiscal year (2019), second fiscal year (2020) and third fiscal year (2021), respectively, and provided that, where such first fiscal year begins on a date other than January 1 and ends on December 31, such dividends shall be pro-rated for the number of days in the first financial year;

(b) the dividend target in respect of the fourth fiscal year (2022) of the Company and each year thereafter will be 52.5% of the Company's net income in respect of such year;

(c) the Board of Directors will consider the following factors in assessing the Company's ability to pay a dividend:

(i) the ability of the Company to meet the solvency requirements of the Business Corporations Act (Ontario);

(ii) the ability of the Company and the Corporation to adhere to OEB policies and administrative decisions;

(iii) the Corporation's consolidated debt to total capitalization ratio for the current and following fiscal year should be 70% or lower and 60% or lower in the context of its regulated capital structure;

(iv) the capital expenditure requirements of the Company in the current and following fiscal years;

(v) the net income positive or negative variance to the budget of the Company in the current fiscal year;

(vi) the ability of the Company to meet covenants required by its lenders in the current and following fiscal years;

17. Dividends (continued):

(vii) the ability of the Company to meet its obligations and capital re-investment needs in the coming year; and

(viii) any tax consequences that will adversely affect the Company, its affiliates, the Corporation, or the Corporation's shareholders.

On February 28, 2023, the Board of Directors of the Company declared dividends of $8,222 on the issued and outstanding Common shares in respect of the 2022 fiscal year.

Dividends and dividend advances paid in 2023 were $5,478 and include the following:

- 2022 Q4 dividends of $1,028
- 2023 Q1, Q2, Q3 and Q4 dividend advances of $4,450

Dividends and dividend advances paid in 2022 were $8,618 and include the following:

- 2021 Q4 dividends of $1,424
- 2022 Q1, Q2, Q3 and Q4 dividend advances of $7,194

On February 27, 2024, the Board of Directors of the Company declared dividends of $7,124 on the issued and outstanding Common shares in respect of the 2023 fiscal year. Dividend advances of $4,450 were paid during 2023 with the remainder of $2,674 to be paid no later than March 5, 2024.

18. Contingencies and guarantees:

(a) Insurance claims:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Company.

Insurance premiums charged to each member electric utility consist of a levy per $1 of service revenue subject to a credit or surcharge based on each electric utility's claims experience.

(b) Contractual obligation - Hydro One Networks Inc.:

The Company is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet the Company's anticipated electricity load growth. Construction of the project was completed during 2007 and the Company connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenue, the Company is obligated to pay a capital contribution equal to the difference between this revenue and the construction costs allocated to the Company. The construction costs allocated to the Company for the project are $19,950.

Hydro One has performed a true-up based on actual load at the end of the tenth anniversary of the in-service date and is expected to perform another true-up based on actual load at the end of the fifteenth anniversary of the in-service date.

18. Contingencies and guarantees (continued):

(c) Prudential support:

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of default based on their expected activity in the market. The IESO could draw on this security if the Company fails to make the payment required on a default notice issued by the IESO. The Corporation has provided a $64,000 guarantee to the IESO on behalf of the Company.

(d) General claims:

From time to time, the Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's financial position and results of operations or cash flows.

19. Leases:

The Company is committed to lease agreements for various vehicles.

When measuring the lease liabilities for leases, the Company discounted lease payments using the implicit rate of each lease agreement with a range of 5.65% to 7.20%.

Future minimum non-cancellable lease payment obligations under finance leases are as follows:

2024	$ 124
2025	95
2026	71
2027	44
2028	–
	$ 334

As at December 31, 2023, a lease obligation of $124 (2022 - $177) is recorded as a current liability and $210 (2022 - $335) is recorded as a non-current liability.

19. Leases (continued):

The Company has also recognized $25 (2022 - $37) in interest costs (recognized as finance costs in the statement of income and comprehensive income and the statement of cash flows) and $177 (2022 - $217) in lease repayments (recognized as changes in operating working capital in the statement of cash flows).

20. Revenue and other income (loss):

	2023	2022
Commodity revenue	$ 421,522	$ 430,139
Distribution revenue	97,459	84,574
Other income:		
Late payment charges	$ 1,474	$ 1,392
Customer charges (a)	789	786
Pole rentals	1,100	1,047
Amortization of deferred contributions	2,936	2,533
Renewable energy	102	147
Miscellaneous	1,219	501
	$ 7,620	$ 6,406
Other loss (disposal of PP&E)	$ (1,048)	$ (1,160)

(a) Includes reconnection/disconnection, collection and change of occupancy charges from customers.

Energy sales and distribution revenue by customer class are as follows:

	2023	2022
Residential service	$ 245,343	$ 240,410
General service	251,395	246,201
Large users	22,243	28,102
Total commodity and distribution revenue	$ 518,981	$ 514,713

21. Operating, maintenance and administration expenses:

	Operating and maintenance	Administration	Total 2023	Total 2022
Salaries and benefits	$ 10,407	$ 17,663	$ 28,070	$ 26,475
External services	5,611	14,223	19,834	17,461
Materials and supplies	81	29	110	650
Vehicle	1,312	130	1,442	1,393
Other	12	574	586	924
	$ 17,423	$ 32,619	$ 50,042	$ 46,903

22. Statement of cash flows:

Changes in operating working capital provided by (used in) include the following:

	2023	2022
Accounts receivable	$ (10,087)	$ (3,693)
Related parties	362	(221)
Materials and supplies	(3,208)	(2,678)
Prepaid expenses	522	(972)
Accounts payable and accrued liabilities	(2,008)	5,684
Deferred revenue	54	3,422
	$ (14,365)	$ 1,542

Reconciliation between the amount presented on the statement of cash flows and total additions to PP&E and intangible assets:

	2023	2022
Purchase of PP&E, cash basis	$ 88,627	$ 100,421
Net change in accruals related to PP&E	(3,681)	(1,857)
Total additions to PP&E	$ 84,946	$ 98,564
Purchase of intangible assets, cash basis	$ 3,839	$ 2,424
Net change in accruals related to intangible assets	(174)	70
Total additions to intangible assets	$ 3,665	$ 2,494

23. Financial instruments and risk management:

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk due to the flow-through nature of energy purchases and costs. All variances due to timing of customer billing or regulated pricing are recorded in retail settlement variance accounts and are recovered from or returned to customers in accordance with regulatory directives. The foreign exchange risk is considered not material and is limited to U.S. dollar cash holdings of $209 (2022 - $51) as at December 31, 2023.

(b) Interest rate risk:

The Company enters into fixed interest rate long-term debt agreements to minimize cash flow and interest rate fluctuation exposure. During 2023, the Company unwound its interest rate swap derivative maturing March 2, 2045. The Company then entered into a new interest rate swap derivative agreement of $33,390 maturing on November 2, 2028. Additionally, the Company entered into a new interest rate swap derivative agreement of $220,000 maturing on August 2, 2028. The Company entered into interest rate swap derivative agreements with the Bank to exchange interest rate cash flows. Under these agreements, the Company and the Bank have the periodic exchange of payments without exchanging the notional principal amount on which the payments are based. This effectively provided the Company with a fixed rate loan, which reduces the impact of fluctuating interest rates on long-term debt. The Company does not enter into any such financial instrument for speculative purposes.

The Company is also exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Credit risk:

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Company's distribution revenue is earned on a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any individual customer.

23. Financial instruments and risk management (continued):

The inflationary pressures and a higher interest rate environment create a higher degree of uncertainty due to economic and business disruption. Management considers current economic and credit conditions in revising the estimates and judgments used in preparation of the expected credit losses provision on its accounts receivable balances. The Company applies provision rates based on recent and changing trends to customer aging balances, customer collection patterns and risk of customer default and has recorded a decrease to the expected credit loss allowance of $125. The impact of the OEB's moratorium on disconnections impacted the Corporation's ability to mitigate credit risk from customer accounts receivable balances.

The Company manages counterparty credit risk through various techniques, including limiting total exposure levels with individual counterparties consistent with the Company's policies and monitoring the financial condition of counterparties.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

(i) There is a broad base of customers with no one customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance.

(ii) The Company, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or L/C from customers to mitigate risk of payment default.

(iii) The percentage of accounts receivable that is outstanding more than 90 days is approximately 6.9% (2022 - 9.9%) of the total net outstanding balance.

(iv) The Company includes an amount of accounts receivable write-offs within net income for rate-setting purposes.

Expected credit risk losses:

2022	$ 5,400
Additional allowances	1,279
Write-offs	(1,404)
	(125)
2023	$ 5,275

23. Financial instruments and risk management (continued):

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2023	2022
Total accounts receivable	$ 100,488	$ 90,526
Less: expected credit losses	5,275	5,400
Total accounts receivable, net	$ 95,213	$ 85,126
Of which:		
Unbilled revenue	$ 46,856	$ 44,702
Outstanding less than 30 days	41,067	33,167
Outstanding 31 days but not more than 60 days	4,211	2,260
Outstanding 61 days but not more than 90 days	1,821	1,947
Outstanding 91 days but not more than 120 days	1,223	1,388
Outstanding more than 120 days	5,310	7,062
	100,488	90,526
Less: expected credit losses	5,275	5,400
	$ 95,213	$ 85,126

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has access to credit facilities and monitors cash balances daily. Short-term liquidity is provided through cash on hand, funds from operations and a revolving credit facility. Short-term liquidity is expected to be sufficient to fund normal operating requirements.

The current challenging economic climate affected by factors including but not limited to uncertain macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Company's operating results and financial position in the future. Accordingly, the Company continues to monitor and adapt its response plan as the economic climate evolves.

23. Financial instruments and risk management (continued):

The liquidity risks associated with financial commitments are as follows:

Financial commitments as of December 31, 2023:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities:			
Accounts payable and accrued liabilities - undiscounted	$ 59,229	$ –	$ –
Short-term debt - undiscounted (note 9)	71,926	–	–
Long-term debt - undiscounted	2,709	256,230	20,790
Leases - discounted	124	210	–
	$ 133,988	$ 256,440	$ 20,790

Financial commitments as of December 31, 2022:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities:			
Accounts payable and accrued liabilities - undiscounted	$ 65,093	$ –	$ –
Short-term debt - undiscounted (note 9)	223,815	–	–
Long-term debt - undiscounted	708	89,764	8,501
Leases - discounted	177	335	–
	$ 289,793	$ 90,099	$ 8,501

(e) Fair values:

The Company included $11,081 of unrealized loss (2022 – unrealized gain $2,835) in its financial statements. This is the fair value of the interest rate swap derivative which represents the amount that the Company would have paid to unwind its position as at December 31, 2023. This unrealized loss is not expected to affect cash as the Company intends to hold the financial instrument until its maturity.

Fair value measurements recognized in the statement of income and comprehensive income are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

23. Financial instruments and risk management (continued):

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

The interest rate swap derivatives are all Level 2 as at December 31, 2023.

There were no transfers between levels during the year.

The carrying amounts of all financial instruments, except the short-term debt and long-term debt approximate fair values due to the immediate or short-term maturity of these financial instruments.

The estimated fair values of the loans payable, including related party loans, are as follows:

	2023		2022	
Instrument	Fair value	Carrying value	Fair value	Carrying value
Town of Ajax promissory note, due on demand	$ 14,060	$ 14,060	$ 14,060	$ 14,060
Town of Whitby promissory note, due on demand	28,338	28,338	28,338	28,338
City of Pickering promissory note, due on demand	17,974	17,974	17,974	17,974
City of Belleville promissory note, due on demand	5,588	5,588	5,588	5,588
City of Clarington promissory note, due on demand	5,966	5,966	5,966	5,966
Notes payable to the Corporation, maturing on December 9, 2034	15,027	15,000	14,969	15,000
Notes payable to the Corporation, maturing on December 17, 2039	9,739	11,200	10,079	11,900
Loan payable to the Corporation, maturing on September 1, 2031	62	62	68	69
Loan payable to the Town of Cobourg Holding Inc., maturing in February 2044	84	77	84	79
Long-term debt from the Bank, maturing on November 02, 2028	36,883	33,390	–	–
Long-term debt from the Bank, maturing on August 02, 2028	231,347	220,000	–	–
Short-term debt	–	–	223,815	223,815
Total	$ 365,068	$ 351,655	$ 320,941	$ 322,789

23. Financial instruments and risk management (continued):

(f) Capital management:

The Company considers its capital structure to consist of shareholder's equity, short-term debt, long-term debt, bank indebtedness, less cash. The Company's capital structure was as follows:

	2023	2022
(Cash) bank indebtedness	$ (1,495)	$ 1,305
Short-term debt	71,926	223,815
Long-term debt	279,729	98,973
	351,655	322,788
Share capital	98,796	98,796
Retained earnings	63,650	62,952
Contributed surplus	77,849	77,849
Contributed capital	23	23
Accumulated other comprehensive income	2,500	3,121
	242,818	242,741
Total capital	$ 592,978	$ 566,834

EXHIBIT 1 - TAB 8 - SCHEDULE 1: ATTACHMENT 5
"2025 ELEXICON DBRS RATING REPORT"
(REFER TO ATTACHMENT IN PDF FORMAT)

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Credit Rating Report
Elexicon Corporation

Morningstar DBRS
October 29, 2025

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Credit Rating

Issuer	Obligation	Credit Rating	Credit Rating Action	Trend
Elexicon Corporation	Issuer Rating	A (low)	Downgraded	Negative

Credit Rating Drivers

Positive Credit Rating Drivers	Negative Credit Rating Drivers
We do not view a positive credit rating action as likely without a material improvement in Elexicon Corporation's (Elexicon or the Company) business risk assessment (BRA) accompanied by a strengthening of its credit metrics.	We may take a negative credit rating action if Elexicon's credit metrics remain below the levels consistent with the "A" credit rating category and if regulatory outcomes are insufficient to stabilize the Company's cash flow and coverage metrics.

Key Credit Rating Considerations

On October 20, 2025, we downgraded Elexicon's Issuer Rating to A (low) from "A" and maintained the Negative trend. The credit rating downgrade reflects a sustained weakening of the Company's financial risk profile relative to the prior credit rating level, driven by higher operating costs, inflationary pressures, and increased borrowing to fund an elevated multiyear investment program. We expect the cash flow-to-debt ratio to remain below 12.5%, which is typically associated with the "A" credit rating category and EBIT interest coverage to remain weak through the medium term before improving as revenues and costs align under future regulatory determinations.

We acknowledge shareholder support measures, including the conversion of approximately $62 million of shareholder promissory notes to equity, which is expected to modestly strengthen the capital structure. However, this provides only modest balance sheet relief while the cash flow and coverage metrics are expected to remain strained over the medium term. The Negative trend also reflects persistent pressure on the Company's earnings and interest coverage from inflation and debt-funded investments, alongside regulatory timing risk that could delay the alignment of revenues and costs.

We could change the trend to Stable from Negative if there is a clear and sustained improvement in key measures, most notably if the cash flow-to-debt ratio trends toward 12.5%, supported by additional permanent equity or other balance sheet-enhancing actions and/or regulatory outcomes that provide a timely and adequate recovery of prudently incurred costs.

Earnings Outlook

Elexicon's earnings are expected to remain constrained through the medium term as rate revenues continue to reflect the prior rebasing framework, while operating and financing costs rise. We expect modest year-over-year growth under the price cap incentive rate-setting (Price Cap IR) mechanism, primarily driven by inflationary adjustments and customer growth within Ontario's Durham Region. However, higher operations, maintenance, and administrative expenses and increasing depreciation and interest costs associated with new assets entering service ahead of rate recovery may largely offset these gains. As a result, the Company is expected to under-earn its Ontario Energy Board (OEB)-approved return on equity (ROE) until rates are next reset to align with its current investment and cost profile.

Financial Outlook

We expect Elexicon's financial metrics to remain pressured in the near term as the Company advances its investment program, with debt continuing to represent a significant portion of its funding needs. The debt-to-capital ratio is expected to remain broadly consistent with the OEB's deemed 60% debt/40% equity structure, supported by the equity conversion.

Financial Information

	For the Year Ended December 31			
	2024	**2023**	**2022**	**2021**
Cash Flow-to-Total Debt Ratio (%)	7.8	10.5	12.4	15.6
Total Debt in Capital Structure (%)	59.8	57.2	54.4	50.8
EBIT Interest Coverage (Times)	1.44	1.62	2.14	3.17

Issuer Description

Elexicon is a municipally owned holding company that in turn owns and operates Elexicon Energy Inc. (EEI), which is primarily a regulated electricity distribution company that services over 181,000 residential and business customers in Eastern Ontario. Elexicon is 32.0% owned by the Town of Whitby, 27.9% by the City of Pickering, 21.8% by the Town of Ajax, 9.3% by the Municipality of Clarington, and 9.0% by the City of Belleville.

Comprehensive Business Risk Assessment (CBRA)

Elexicon's CBRA of "A"/AL reflects the Company's strong, predominantly regulated distribution business operating under an established OEB framework, with predictable COS mechanics and price-cap indexing between rebasing periods. The franchise enjoys effective monopoly characteristics and above-average growth prospects given its service territory demographics, which together temper volumetric risks.

1. Stable, Regulated Operations

The vast majority of Elexicon's earnings are generated from its regulated distribution business, which operates under a reasonable regulatory framework. We note, however, that the Company has nonregulated projects, such as rooftop solar. However, we expect no material growth in nonregulated operations over the long term.

2. Strong Franchise Area With Good Growth

Elexicon operates in a growing franchise area and is expected to connect tens of thousands of new customers over the next two decades. Additionally, residential customers represent an above-average contribution to Elexicon's distribution revenues compared with an average OEB-regulated utility, which reduces Elexicon's exposure to revenue variability.

3. Supportive Shareholders

We continue to view Elexicon's municipal shareholders as supportive of the Company. Approximately one-quarter of Elexicon's total debt was previously owed to its owners through subordinated promissory notes. In 2025, approximately $62 million of these notes were converted to equity, and additionally, dividends to municipal shareholders were also suspended, which modestly improves the Company's capital structure and reduces refinancing risk. We expect the municipalities to maintain a cooperative approach toward financial policy.

4. Performance Pressure Under the Price Cap IR

Under the Price Cap IR method, annual rate increases are limited by a regulatory formula that includes inflation, a productivity factor, and a stretch factor. The Company must achieve productivity at least equal to the regulatory parameters to achieve the allowed ROE. We expect Elexicon's ROE to be below the approved ROE until the next rebasing because of higher operations, maintenance, and administrative expenses and increasing depreciation and interest costs associated with new assets entering service ahead of recovery.

Comprehensive Financial Risk Assessment (CFRA)

Elexicon's CFRA of BBBL/BBH reflects a leveraged capital structure and weak coverage metrics through the investment cycle, with the cash flow-to-debt ratio below the "A" credit rating category threshold of 12.5%. Debt is anticipated to remain the dominant funding source absent additional permanent equity, and the Company's access to external equity is structurally limited by municipal ownership. While the recent $62 million shareholder note conversion modestly strengthens capitalization, the Company's financial profile remains sensitive to interest rate costs, the execution timing of capital projects, and the cadence of regulatory cost recovery.

1. Capital Expenditure (Capex) Risk and Increased Leverage

Elexicon is advancing a sizable multiyear capital investment program to support regional growth and infrastructure modernization. The program is expected to result in higher borrowing requirements and weaker financial metrics in the near term, with improvement dependent on the pace of regulatory cost recovery. While recent shareholder actions provide some balance sheet support, we expect leverage to remain elevated relative to historical levels until cash flow and earnings more closely align with the expanded asset base.

2. Limited Access to Equity Markets

Five municipalities own the Company, and as a result, Elexicon does not have access to public equity markets. As such, any significant capex will likely be debt funded, which could negatively affect key credit metrics. If equity funding is required, it will likely need to be provided by the shareholders.

Intrinsic Assessment (IA)

The IA of AL is within the Intrinsic Assessment Range and is based on the CBRA and CFRA. To account for the Company's stable, regulated monopoly franchise and supportive ownership structure, we selected the higher end of the IA Range. However, the Negative trend reflects that this headroom has narrowed and could be eroded if Elexicon's financial performance does not improve as expected.

Additional Considerations

Elexicon's credit rating includes no further negative or positive adjustments because of additional considerations.

IA Framework

Further details on the Issuer's IA can be found below.

Elexicon Corporation

Industry Regulated Utility

(1) Comprehensive BRA

Description	Assessment	Weight
Regulation	A	33.3%
Diversification (Products/Markets)	AL	25.0%
Franchise and Customer Mix	A	25.0%
Operating Efficiency (Inputs and Costs)	BBBL	16.7%
BRA	**AL**	
BRA Adjustment	0.0	
Comprehensive BRA	**AL**	

(2) Comprehensive FRA

Metric	Assessment	Weight
Cash flow-to-debt (%)	BB	40.0%
Debt-to-capital (%)	AH/A	30.0%
EBIT-to-interest (x)	BH	30.0%
FRA	**BBBL/BBH**	
FRA Adjustment - Other Financial Considerations	0.0	
FRA Adjustment - Liquidity Considerations	0.0	
Comprehensive FRA	**BBBL/BBH**	

(3) IA

Component	Assessment	Weight
(1) Comprehensive BRA	AL	75.0%
(2) Comprehensive FRA	BBBL/BBH	25.0%

Intrinsic Assessment Range (IAR)	High	Mid	Low
	AL	BBBH	BBB

Intrinsic Assessment (IA) **AL**

(4) Issuer Rating

Additional Considerations	Assessment
Parent-Subsidiary Relationships	0.0
Third Party Support	0.0
Sovereign Constraint	0.0
Issuer Rating	**A (low)**
Trend	**Negative**

Environmental, Social, and Governance (ESG) Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	**N**	**N**
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	**N**	**N**
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	**N**	**N**
	Land Impact and Biodiversity	Is there a financial risk to the issuer due to the loss of biodiversity and/or the mitigation of such loss, including land conversion and rehabilitation?	**N**	**N**
	Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	**N**	**N**
		In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by physical and/or transition risks under key IPCC climate scenarios?	**N**	**N**
		Climate and Weather Risks	**N**	**N**
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	**N**	**N**
Social		**Overall:**	**N**	**N**
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services pose a financial or regulatory risk to the issuer?	**N**	**N**
		Do changes in consumer behaviour or secular social trends pose a financial or regulatory risk to the issuer?	**N**	**N**
		Social Impact of Products and Services	**N**	**N**
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	**N**	**N**
		Do violations of rights create a potential liability that can negatively affect the issuer's financial wellbeing or reputation?	**N**	**N**
		Human Capital and Human Rights	**N**	**N**
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	**N**	**N**
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	**N**	**N**
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	**N**	**N**
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	**N**	**N**
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	**N**	**N**
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	**N**	**N**
Governance		**Overall:**	**N**	**N**
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	**N**	**N**
		Are there any political risks that could affect the issuer's financial position or its reputation?	**N**	**N**
		Bribery, Corruption, and Political Risks	**N**	**N**
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	**N**	**N**
	Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	**N**	**N**
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	**N**	**N**
		Does the board and/or management lack a formal framework to assess climate related financial risks to the issuer?	**N**	**N**
		Corporate / Transaction Governance	**N**	**N**
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	**N**	**N**
		Consolidated ESG Criteria Output:	**N**	**N**

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

ESG Considerations

Environmental

There were no Environmental factors that had a relevant or significant effect on credit analysis. Elexicon, as a regulated electric utility, is exposed to physical environmental risks from winter and windstorms, which could result in a significant increase in operating costs or capital replacement costs. We expect most storm-related costs to be recovered through rates from a Z-factor application with the OEB. Operating primarily as an electricity distributor, Elexicon has limited exposure to carbon transition risk. Elexicon should benefit from the carbon transition because of increased demand for electricity compared with other forms of energy.

Social

There were no Social factors that had a relevant or significant effect on the credit analysis. Elexicon provides an essential service to its customers. Failure to maintain adequate service levels for customers could result in a loss of reputation and financial costs. Elexicon plans to invest in initiatives aimed at maintaining resilient operations. The Company also has a health, safety, and environmental program in place.

Governance

There were no Governance factors that had a relevant or significant effect on the credit analysis. EEI is governed by four independent directors and one mayor or delegate of a municipal shareholder. Elexicon is governed by six independent board members and the five mayors or delegates of the municipal owners. Elexicon's board is responsible for setting up the Company's Corporate, Environmental and Social Responsibility initiatives.

Credit Rating History

	Current	2024	2023	2022	2021
Issuer Rating	A (low)	A	A	A	A

Previous Report

- Elexicon Corporation: Rating Report, July 3, 2024

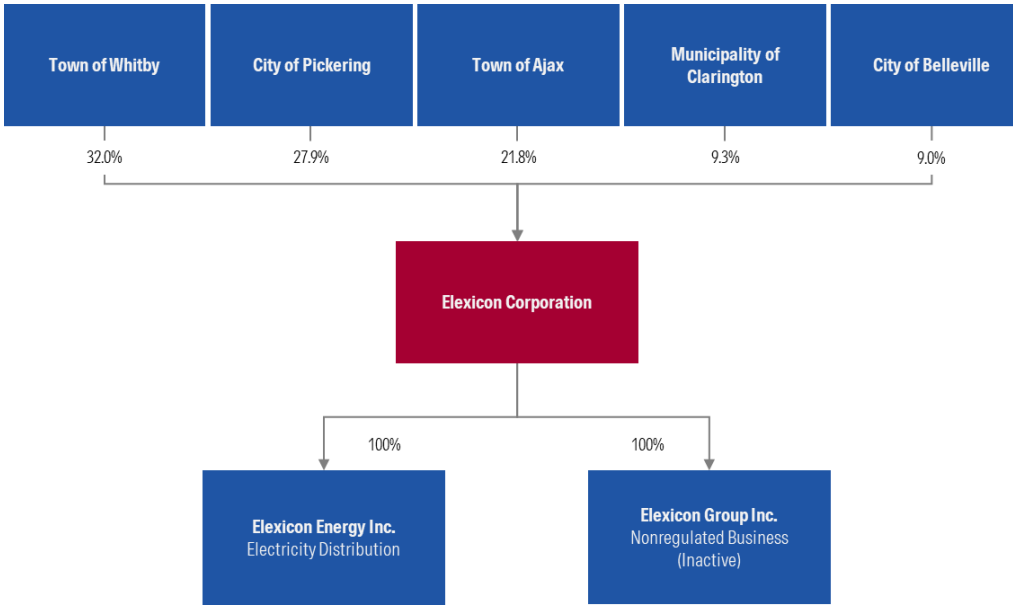
Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on dbrs.morningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

Appendix 1: Corporate Structure

Organizational Chart



Source: Morningstar DBRS.

Appendix 2: Debt and Liquidity Profile

Instrument	Debt Repayments (CAD Millions) as of December 31
	2024
Notes Payable to Shareholders	89.1
Uncommitted Revolving Demand Credit Facility Utilized	5.2
Loan Payable to Town of Cobourg Holding Inc., Maturing in February 2044	0.1
Long-Term Debt From Bank, Maturing on November 2, 2028	33.4
Long-Term Debt From Bank, Maturing on August 2, 2028	220
Long-Term Debt From Bank, Maturing on June 29, 2026	30
Subtotal	**377.8**
Less: Current Portion	(0.0)
Total Long-Term Debt	**377.8**

Debt Maturities						
(CAD Millions)	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
Principal Repayments	0.0	30	0.0	253.4	0.1	**283.5**
Short-Term Debt	94.3	-	-	-	-	**94.3**
Total						**377.8**

As at December 31, 2024.

We note that, as per Elexicon's press release dated September 16, 2025, approximately $62 million of the promissory notes were converted to equity.

Appendix 3: Regulation

- EEI is regulated by the OEB under the Ontario Electricity Act, 1998.
- In July 2018, Veridian Corporation (Veridian) and Whitby Hydro Energy Corporation (Whitby Hydro) filed a Mergers, Acquisitions, Amalgamations, and Divestitures application with the OEB. The OEB approved the application largely as submitted in December 2018 with the following requirements:
    - EEI can defer rebasing for up to 10 years following the closing of the merger. This will allow EEI to keep all efficiency gains for five years before being subject to an earnings-sharing mechanism of any returns in excess of 300 basis points above the allowed ROE for the latter five years.
    - During the deferral period, Veridian's and Whitby Hydro's rates and franchise areas will remain as separate rate zones.
- The Veridian and Whitby Hydro rate zones will operate under Price Cap IR where EEI is subject to a formula price cap that allows for an annual increase in distribution rates based on inflation less productivity and utility-specific stretch factors, which can be reset annually.
- Under Price Cap IR, EEI can file an Incremental Capital Module (ICM) for each rate zone to request funding for incremental capital investment needs during the Price Cap IR term.
- EEI is allowed to fully recover its purchased power costs on a monthly basis, eliminating its exposure to power price risk. We view this as a positive factor in the current regulatory framework in Ontario.
- EEI has a deemed equity component of 40% and a debt component of 60%, which is composed of 56% long-term debt and 4% short-term debt.
- EEI's residential customers have transitioned to 100% fixed rates, which eliminates a significant portion of the volume risk faced by Ontario's distribution utilities, as revenues from residential customers will no longer fluctuate as a result of weather sensitivities.

Assessment of Regulatory Framework		
Criteria	Score	Analysis
1. Deemed Equity	Excellent Good **Satisfactory** Below Average Poor	The OEB allows EEI to have a deemed equity of 40%, which is consistent with other electricity distribution companies in Ontario.
2. Allowed ROE	Excellent **Good** Satisfactory Below Average Poor	The Veridian and Whitby Hydro rate zones continue to allow ROEs of 9.36% and 9.66%, respectively, which are in line with other distribution companies in Ontario. Any difference in ROE between EEI and other distribution companies is mainly due to the timing of the regulatory filings and the interest environment prevalent at that time.
3. Energy Cost Recovery	**Excellent** Good Satisfactory Below Average Poor	There is no power risk for EEI as it is not responsible for purchasing power from generation facilities or the wholesale market. Power costs are passed on to ratepayers at rates set by the OEB, and EEI collects payments from its customers on a monthly basis.
4. Capital and Operating Cost Recovery	Excellent **Good** Satisfactory Below Average Poor	Some capital costs are pre-approved at the time of the COS application. Subsequent capital spending after the base year will not be approved until the next rate application and approval of the rate base. If incremental capital costs are significant and prudent, EEI can file under the ICM to request the recovery of the costs. Additionally, rate cases incorporate future test years, which reduces some regulatory lag for the cost recoveries. We consider the inputs for the annual price cap adjustment as reasonable for EEI to recover its operating costs. All residential customers are charged a fully fixed monthly fee, which significantly reduces volume risk.
5. COS Versus IRM	Excellent Good **Satisfactory** Below Average Poor	EEI is regulated under the Price Cap IR framework. As a result of the merger, EEI does not have to file a COS application until 2029. EEI can file an ICM if there are significant and prudent incremental capital needs.
6. Political Interference	Excellent Good Satisfactory **Below Average** Poor	The Government of Ontario plays a significant role in the electricity sector in Ontario, given that the majority of the utilities are government owned (Elexicon is owned by five municipalities). Furthermore, stakeholders such as the Independent Electricity System Operator are also effectively government owned. As a result, the government has direct and indirect influence on Ontario's electricity industry.
7. Stranded Cost Recovery	Excellent **Good** Satisfactory Below Average Poor	Electricity distribution companies in Ontario have a limited history of stranded costs. The OEB approves the most prudently incurred or budgeted capex.
8. Rate Freeze	Excellent Good **Satisfactory** Below Average Poor	Rising rates in the period from 2002 to 2005 as a result of Ontario's utility deregulation phase resulted in a province-wide distribution-rate freeze being imposed. There have been no subsequent province-wide rate freezes.

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EXHIBIT 1 - TAB 8 - SCHEDULE 1: ATTACHMENT 6A "FINANCIAL STATEMENT RECONCILIATION (2024)" (REFER TO ATTACHMENT IN EXCEL FORMAT)

EXHIBIT 1- TAB 8 - SCHEDULE 1: ATTACHMENT 6B "FINANCIAL STATEMENT RECONCILIATION (2023)" (REFER TO ATTACHMENT IN EXCEL FORMAT)

FACILITATING INNOVATION AT ELEXICON

Elexicon's foundational investments over the historical and bridge periods set the stage for the utility to embed innovation into its business processes over the upcoming forecast period. These include implementing backbone IT solutions, investing in grid modernization technology and investing in drone technology to assist with vegetation management, each of which is discussed below.

The execution of Elexicon's Dx NEXT project, a cloud Enterprise Resource Planning solution, over the bridge years will bring scalability and flexibility, enhanced security and compliance features, and centralized data and advanced analytics features to the utility. Dx NEXT will equip Elexicon with the capability to provide its customers with customized and innovative service including enhanced self-serve offerings that will improve the quality of information and experience for customers. Dx NEXT will also support data gathering and data analytics, enabling Elexicon to take innovative and tailored approaches to its asset management, program delivery and distribution operations practices. Elexicon has refined its Asset Management Process to strengthen decision-making, improve data integration, and support continuous improvement across each planning cycle. Building on this foundation, Elexicon introduced enhancements over the historical period to improve data quality, analytical capability, and integration across planning functions. Elexicon's updated processes, in conjunction with the capabilities established by Dx NEXT, will enable the utility to integrate innovative approaches more deeply into its planning processes over the forecast period. More information about the Dx NEXT project is available at Exhibit 4 - Tab 1 - Schedule 6, Appendix 1, and more information about Elexicon's Asset Management Process is available at Exhibit 2B - Tab 3 - Schedule 1.

Elexicon is investing in a comprehensive portfolio of grid modernization technologies including SCADA-enabled switches and reclosers, communicating fault circuit indicators, self-resetting fuses, station modernization, Advanced Distribution Management System (ADMS), Advanced Metering Infrastructure (AMI 2.0), Distributed Energy Resource Management System (DERMS) and supporting operational technologies to improve reliability performance by reducing the length of outages and the numbers of customers impacted by an outage, as well as, preparing for the growth of customer-owned DER installations like rooftop solar, battery energy storage systems, and other non-wires solutions. Electrification and the proliferation of NWS are actively shaping system operations through changing load patterns and increased requirements for utilities to take innovative actions that meet system needs and customer demands. Elexicon's investments will deliver near-term reliability and resiliency

improvements and prepare the system for deeper DER integration and the use of NWS to address distribution system needs. For further details see Elexicon's Grid Modernization Plan at Exhibit 2B – Tab 3 – Schedule 2, Appendix A.

Aligned with other efforts to collect, integrate and leverage data at Elexicon, the utility will pilot an AI-powered vegetation management solution that leverages high-resolution satellite imagery to identify and prioritize feeders with elevated vegetation risk. By integrating these insights into maintenance planning, Elexicon can proactively target the areas of highest reliability impact and support its new, enhanced feeder-based approach to vegetation management. More details on this initiative can be found at Exhibit 4 - Tab 1 - Schedule 4.

IMPACTS OF THE COVID-19 PANDEMIC

This evidence describes the effects of the Covid-19 Pandemic on Elexicon's business during the historical period, including impacts on its load forecast, operating expenses and bad debt.

1. IMPACTS OF THE PANDEMIC ON LOAD FORECAST

To capture pandemic-related impacts across different customer classes, Elexicon tested a range of Covid-19 variables for each rate class and applied only those that demonstrated a statistically significant relationship to energy consumption. For the Residential classes, certain weather interaction variables (HDD COVID and CDD COVID) were found to be statistically significant and were included in load forecasts to isolate incremental heating and cooling loads from 2020 to 2022 as customers spent more time at home. These variables were applied at full parameter value from March 2020 to December 2021, after which they were then reduced to 50% in 2022, then set to 0 in 2023 and 2024. For the Large Use class and most General Service classes, the time-based variable (COVID_AM) was found to be statistically significant and was included to reflect work-from-home and operational changes, such as reduced on-site staffing and modified business hours, at full parameter value in April to May 2020, reduced in stages during 2022, and then removed in 2023 and 2024. The inclusion of these variables in Elexicon's load forecasts ensured that temporary pandemic-driven consumption patterns in the historical period were accurately captured without embedding them in long-term growth assumptions and in order to improve model fit and forecast reliability. If these variables were not applied, the model would have interpreted the pandemic-related increase in Residential consumption as permanent growth, inflating the trend coefficient and overstating future load forecasts for 2027 and beyond. Conversely, excluding the variables from the General Service models would have understated forecast volumes for these classes for 2027 and beyond. More information on the impact of the Covid-19 pandemic on Elexicon's load forecasts is provided in the Power Advisory Report, filed as Exhibit 3 - Tab 1 - Schedule 1, Appendix A.

2. IMPACT OF THE PANDEMIC ON INFLATION

The Covid-19 pandemic caused inflation rates to be higher than expected during the historical period due to associated supply chain disruptions that reduced the availability of commodities and products and that increased input costs for goods and services. These pressures drove up prices for Elexicon's frequently purchased materials and equipment such as hardware, connectors, wire and cable, wood poles, arresters, switches, switchgear, transformers, large equipment such as vehicles, and

external services costs. The costs of capital projects increased as a result of this trend. In addition, long lead times required Elexicon to maintain higher inventory levels, resulting in more materials being warehoused and increasing the risk of theft with more assets stored on properties. This elevated inflation directly impacted Elexicon's historical capital project costs. Inflation caused by Covid-19-related supply pressures has largely diminished and has not been included in the forecast inflation assumptions. However, inflationary pressures do persist for the electricity sector as a whole which has seen inflation well above that of the broader economy, particularly for materials and equipment. More information on the impact of inflation at Elexicon is provided in Exhibit 1 - Tab 5 - Schedule 2.

3. IMPACT OF THE PANDEMIC ON OM&A COSTS

The Covid-19 pandemic increased operational expenses during the 2020-2022 period when Elexicon was required to stop the performance of certain in-person operations and maintenance activities due to social distancing requirements. As described in Elexicon's System Operations and Sustainment programs, (Exhibit 4 - Tab 1 - Schedule 3 and 4, respectively), Covid-19 safety protocols like social distancing and related work interruptions resulted in higher labour costs because labour that would typically be capitalized was instead expensed, as crews were placed on standby due to health and safety restrictions. During this time, employees performed non-capital tasks such as remote training and a backlog of maintenance work accumulated. After crews returned to regular deployment on capital work, Elexicon implemented staggered crews and modified deployment to meet enhanced health and safety requirements, it performed outsourcing to address the surge in maintenance activities that had been deferred during lockdowns, and it recorded an increase in sick time increased compared to historical trends, further driving costs up during the first half of the historical period. Sustainment costs trended downwards in 2023 following the normalizing of operations after the removal of Covid-19 restrictions.

In addition to increasing costs captured within Elexicon's System Operations and Sustainment programs, the switch to remote and hybrid work that Elexicon underwent following the lockdown in 2020 generated new costs as well, as captured in its Common Corporate Program (Exhibit 4 - Tab 1 - Schedule 6) over the 2020-2022 period. The Covid-19 pandemic required Elexicon to rapidly shift to remote work while maintaining service continuity for customers. Core IT capabilities such as remote access, mobile device management, endpoint protection, and cloud collaboration tools were required to ensure that staff could perform critical functions outside the office without disruption. Other activities included the provisioning and deployment of end user devices to ensure that staff could

remain productive and connected. The subsequent shift from remote to a hybrid work model also required the provisioning and deployment of endpoint equipment in offices for employees hired during the pandemic who worked remotely prior to a return to the office and adoption of the hybrid model, along with implementing online tools to track COVID-19 testing compliance.

4. IMPACT OF THE PANDEMIC ON COLLECTIONS AND BAD DEBT COSTS

Elexicon's collections costs were unusually low in 2020 and 2021 due to suspended collection activities during the Covid-19 pandemic and extended disconnection moratorium periods imposed by the OEB to assist vulnerable customers. Costs slowly increased and stabilized as collection activities resumed during 2021 and onwards. Elexicon's bad debt costs in 2020 were anomalously high due to the uncertainty related to recovery of overdue balances at this time, which increased Elexicon's provision for expected credit losses. Costs decreased moving into 2021 relative to the significant bad debt amounts in 2020, and levelized in 2022 and 2023 because the bad debt provision declined as the economy stabilized following the pandemic and collection activities on overdue balances were reintroduced. More information on bad debt and collections costs is available at (Exhibit 4 - Tab 1 - Schedule 5).