RATE BASE OVERVIEW

The rate base used for the purpose of calculating the revenue requirement in this Application follows the Chapter 2 Cost of Service Filing Requirements for Electricity Distribution Rate Applications issued by the Ontario Energy Board ("OEB") on May 7, 2025. Elexicon Energy Inc.'s ("Elexicon") Rate Base is determined by taking the average of the opening and closing net fixed asset balances of each year, plus a working capital allowance, which beginning in 2027 is 6.62% of the sum of the cost of power and Operating, Maintenance and Administration ("OM&A") expenses.

1. RATE BASE

Rate base represents the total capital investment on which Elexicon is permitted to earn a regulated return. It comprises the Net Book Value ("NBV") of Property, Plant and Equipment ("PP&E"), calculated as Gross Book Value less accumulated depreciation, excluding Construction Work in Progress ("CWIP"). In determining PP&E NBV, Elexicon relies on the half-year rule, as further discussed in Exhibit 2B - Tab 2 - Schedule 1. In addition, rate base includes a Working Capital Allowance ("WCA"), which represents the capital required to finance ongoing operations and is derived from the cost of power and OM&A, as further described in Exhibit 2A - Tab 3 - Schedule 1.

Table 1 summarizes Elexicon's rate base for the historical period (2020–2024), bridge years (2025–2026), and the forecast period (2027–2031). This table presents opening and closing Gross PP&E NBV, opening and closing Accumulated Depreciation, WCA, and resulting total rate base values for each year.

Table 1: 2020-2031 Rate Base Summary [1,2]

	Historical					Bridge		Test	Forecast			
Item	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Gross PP&E Open ($M)	438.3	467.5	513.0	549.3	594.5	629.7	680.8	807.6	869.3	988.9	1,119.0	1,240.1
Gross PP&E Close ($M)	467.5	513.0	549.3	594.5	629.7	680.8	723.0	869.3	988.9	1,119.0	1,240.1	1,487.4
Average PP&E ($M)	**452.9**	**490.2**	**531.2**	**571.9**	**612.1**	**655.2**	**701.9**	**838.5**	**929.1**	**1,053.9**	**1,179.5**	**1,363.7**
Accumulated Depreciation Open ($M)	(94.7)	(112.8)	(131.6)	(151.4)	(172.5)	(193.2)	(215.2)	(244.5)	(270.0)	(298.2)	(326.9)	(359.8)
Accumulated Depreciation Close ($M)	(112.8)	(131.6)	(151.4)	(172.5)	(193.2)	(215.2)	(238.2)	(270.0)	(298.2)	(326.9)	(359.8)	(398.6)
Average Accumulated Depreciation ($M)	**(103.8)**	**(122.2)**	**(141.5)**	**(162.0)**	**(182.8)**	**(204.2)**	**(226.7)**	**(257.2)**	**(284.1)**	**(312.5)**	**(343.4)**	**(379.2)**
Average Net PP&E ($M)	**349.1**	**368.1**	**389.7**	**409.9**	**429.2**	**451.1**	**475.2**	**581.2**	**645.0**	**741.4**	**836.2**	**984.5**
Working Capital Allowance ($M)	71.1	63.2	64.0	62.6	69.2	70.6	75.3	36.1	38.5	40.5	42.4	44.3
Rate Base ($M)	**420.2**	**431.3**	**453.7**	**472.6**	**498.4**	**521.6**	**550.5**	**617.3**	**683.5**	**781.9**	**878.5**	**1,028.9**

[1] As required per Accounting Procedures Handbook ("APH"), ICM related assets were excluded in the rate base calculation from 2022 to 2026 and included as part of the Rate Base balance in 2027 on rebasing. The ICM assets are recorded in OEB Account 1508 from 2022 to 2026.
[2] Numbers may not sum due to rounding.

As shown in Table 1, Elexicon's rate base has experienced steady growth over the historical and forecast periods, increasing from approximately $420 million in 2020 to approximately $1 billion by 2031. This growth reflects continued investment in system access, system renewal, system service and general plant capital programs to accommodate sustained customer growth, support regional load development, replace aging infrastructure, and maintain system reliability and resiliency.

As further discussed below, rate base variances are primarily driven by changes in the NBV of PP&E, which in turn result from in-service additions associated with Elexicon's capital programs as fully described in Exhibit 2B - Tab 4 - Schedule 1. Year-over-year changes in in-service additions reflect the timing and completion of capital projects, including multi-year sub-station renewals, underground/overhead system renewal, grid enhancements, system expansion, and IT systems, among others.

Elexicon notes that capital expenditures and in-service additions are not synonymous. Capital expenditures represent the total investment incurred during the year for both completed projects and those that remain under construction at year-end, while in-service additions capture only those assets that have been completed and placed into service during the year. The variance between these two measures is primarily attributable to CWIP balances for projects spanning multiple years. Elexicon records in-service additions when assets are available for their intended use, consistent with the company's Capitalization Policy provided in Exhibit 2A - Tab 4 - Schedule 1 - Attachment 1.

Overall, Elexicon's forecast rate base growth is reflective of prudent and necessary capital investments aligned with its Asset Management Plan and corporate strategic priorities. These investments are designed to enable customer growth, sustain asset performance, and ensure a safe, reliable, and modernized electricity distribution system in the years ahead.

2. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Elexicon's PP&E represents the cumulative investment in the utility's electricity distribution system and supporting assets. PP&E encompasses all tangible capital assets used to provide distribution services to customers, including poles, conductors, transformers, stations, metering equipment, and general plant assets such as buildings, vehicles, tools, and information technology systems. These assets form the foundation of Elexicon's regulated operations and enable the safe, reliable, and efficient delivery of electricity across its service territory.

Changes in PP&E are primarily driven by annual in-service additions arising from Elexicon's capital programs, offset by accumulated depreciation including derecognition. The year-over-year growth in PP&E reflects continued investment in system access, renewal, service and general plant initiatives aligned with Elexicon's Asset Management Plan and corporate strategy.

This evidence presents a summary and variance analysis of Elexicon's PP&E over the 2020 to 2031 period. For the purpose of this analysis, Elexicon has represented in-service additions, as opposed to capital expenditures, as in-service additions are reflective of rate base in a manner than capital expenditures are not. To facilitate this reporting and analysis, Elexicon has grouped its assets into the categories outlined in Table 2 below. A full breakdown of Elexicon's in-service additions by USoA can be found in OEB Appendix 2-BA filed with Attachment 1 to this Exhibit in live Excel form. The data provided excludes Incremental Capital Module ("ICM") PP&E for all years up to the 2027 Test Year. A breakdown of ICM amounts requested for inclusion in rate base effective January 1, 2027, is provided at Exhibit 2A - Tab 6 - Schedule 1. A separate Fixed Asset Continuity Schedule, consistent in presentation with OEB Appendix 2-BA, has been provided in Attachment 1 specific to ICM assets up to December 31, 2026, while OEB Appendix 2-BA provides all other PP&E excluding ICM PP&E.

Table 2: Asset Categories for In-Service Addition Summary and Analysis

Asset Category	USoA	Account Name
Land and Buildings	1612	Land Rights
	1805	Land
	1808	Buildings
	1905	Land
Other Distribution Assets	1610	Miscellaneous Intangible Plant
	2075	Renewables
	2005	Property Under Finance Lease7
General Plant	1908	Buildings & Fixtures
	1910	Leasehold Improvements
	1915	Office Furniture & Equipment (10 years)
	1915	Office Furniture & Equipment (5 years)
TS Primary above 50	1815	Transformer Station Equipment >50 kV
Distribution System	1820	Distribution Station Equipment <50 kV
Poles, Wires	1830	Poles, Towers & Fixtures
	1835	Overhead Conductors & Devices
	1840	Underground Conduit
	1845	Underground Conductors & Devices
Contributions and Grants	1609	Capital Contributions Paid
	2440	Deferred Revenue5
Line Transformers	1850	Line Transformers
Services and Meters	1855	Services (Overhead & Underground)
	1860	Meters
	1860	Meters (Smart Meters)
Equipment	1865	Other Installations on Customers Premises
	1930	Transportation Equipment
	1935	Stores Equipment
	1940	Tools, Shop & Garage Equipment
	1945	Measurement & Testing Equipment
	1955	Communications Equipment
	1955	Communication Equipment (Smart Meters)
	1960	Miscellaneous Equipment
	1980	System Supervisor Equipment
IT Assets	1611	Computer Software (Formally known as Account 1925)
	1920	Computer Equipment - Hardware
Exclusions	2075	Renewables, Other Misc[3]

[3] Includes Socialized Renewable Energy Generation Investments as shown in OEB Appendix 2-BA

Table 3 summarizes Elexicon's year-end gross assets, accumulated depreciation, and resulting NBVs for the historical period (2020–2024), bridge years (2025–2026), and the forecast period (2027–2031).

Table 3: 2020-2031 Closing PP&E Year-End December 31[4]

	Historical					Bridge		Test	Forecast			
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Land and Buildings ($M)	4.0	7.9	4.1	4.3	4.3	4.3	4.3	8.1	11.1	11.1	11.1	18.6
Other Distribution Assets ($M)	7.0	7.2	7.5	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
General Plant ($M)	26.4	27.2	32.5	33.9	34.6	34.8	35.3	40.5	42.4	47.9	49.3	50.1
TS Primary above 50 ($M)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	35.0	35.0	35.0	35.0	108.6
Distribution System ($M)	59.7	65.4	67.7	72.8	77.2	80.0	86.9	103.2	146.5	184.7	211.5	242.0
Poles, Wires ($M)	279.8	312.2	339.1	372.5	393.5	456.0	498.1	593.9	692.7	784.5	882.6	1,004.3
Contributions and Grants ($M)	-77.9	-93.6	-105.2	-119.3	-123.8	-158.3	-178.9	-215.0	-265.5	-301.5	-337.5	-355.1
Line Transformers ($M)	58.3	65.9	71.1	78.1	81.8	89.1	93.1	96.5	101.4	107.2	112.9	118.4
Services and Meters ($M)	68.1	72.3	75.9	81.8	87.2	93.2	97.7	104.5	112.4	124.4	137.0	149.6
Equipment ($M)	23.3	25.5	29.2	31.8	33.4	36.6	38.7	44.6	51.0	58.5	63.7	68.7
IT Assets ($M)	20.5	24.7	29.1	32.5	35.5	39.2	41.8	52.1	55.9	61.3	68.6	76.4
Exclusions ($M)	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9
Gross Assets ($M)	**467.5**	**513.0**	**549.3**	**594.5**	**629.7**	**680.8**	**723.0**	**869.3**	**988.9**	**1,119.0**	**1,240.1**	**1,487.4**
Accumulated Depreciation ($M)	-112.8	-131.6	-151.4	-172.5	-193.2	-215.2	-238.2	-270.0	-298.2	-326.9	-359.8	-398.6
Closing PP&E NBV ($M)	**354.7**	**381.5**	**397.9**	**421.9**	**436.5**	**465.6**	**484.8**	**599.3**	**690.7**	**792.1**	**880.2**	**1,088.9**

[4] Numbers may not sum due to rounding.

The following tables provide year-over-year variance analyses of in-service additions from 2020 through 2027, and a variance analysis of 2031 relative to 2027. In light of Elexicon's formation via merger in April of 2019, no prior analysis or OEB-approved comparator is available. No variance analysis is provided for exclusions, as there is no change in Gross PP&E applicable to this category. Each variance analysis provided summarizes material year-over-year changes. Exhibit 2B - Tab 4 - Schedule 1 provides further description of variances year over year.

Table 4: 2020 Historical vs 2021 Historical PP&E NBV[5]

Asset Class	2020	2021	Variance ($)	Variance (%)
Land and Buildings ($M)	4.0	7.9	3.9	95.5%
Other Distribution Assets ($M)	7.0	7.2	0.2	3.1%
General Plant ($M)	26.4	27.2	0.8	3.0%
TS Primary above 50 ($M)	0.2	0.2	0.0	0.0%
Distribution System ($M)	59.7	65.4	5.7	9.6%
Poles, Wires ($M)	279.8	312.2	32.4	11.6%
Contributions and Grants ($M)	-77.9	-93.6	-15.7	20.1%
Line Transformers ($M)	58.3	65.9	7.6	13.0%
Services and Meters ($M)	68.1	72.3	4.2	6.2%
Equipment ($M)	23.3	25.5	2.1	9.2%
IT Assets ($M)	20.5	24.7	4.3	21.0%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**467.5**	**513.0**	**45.6**	**9.7%**
Accumulated Depreciation ($M)	-112.8	-131.6	-18.8	16.7%
Closing PP&E NBV ($M)	**354.7**	**381.5**	**26.8**	**7.6%**

From 2020 to 2021, material PP&E variances by asset class were as follows:

- **Land and Buildings:** The increase of $3.9 million in 2021 relates largely to an addition of $3.8 million to 1612 – Land Rights relating to the Seaton TS. This amount was removed and placed into Account 1508 in 2022 as the asset was placed into service;
- **Other Distribution Assets:** The variance in 2021 was not material;

[5] Numbers may not sum due to rounding.

- **General Plant Assets:** The increase of $0.8 million was driven by investments in 1908 – Buildings & Fixtures. All individual investments in this category were immaterial;
- **Distribution System Assets:** The increase of $5.7 million was driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;
- **Poles and Wires Assets:** The increase of $32.4 million was driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;
- **Contributions and Grants:** The variance in contributions and grants of ($15.7) million results from higher capital contributions received in 2021 relative to 2020 for System Access as a result of growth;
- **Line Transformers:** The increase of $7.6 million in Line Transformers was driven by a higher volume of new line transformer installations to facilitate growth;
- **Services and Meter Assets:** The increase of $4.2 million in Services and Meters was driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;
- **Equipment Assets:** The increase in $2.1 million was most notably driven by incremental Transportation Equipment assets to meet fleet needs, as well as incremental system supervisory equipment, and smaller increases to other categories of equipment (e.g. Tools, Measurement and Testing); and,
- **IT Assets:** The increase of $4.3 million relates to incremental software costs, driven by upgrades, as well as hardware investments, including OT Network Infrastructure.

Table 5: 2021 Historical vs 2022 Historical PP&E NBV[6]

Asset Class	2021	2022	Variance ($M)	Variance (%)
Land and Buildings ($M)	7.9	4.1	-3.8	-48.5%
Other Distribution Assets ($M)	7.2	7.5	0.2	3.0%
General Plant ($M)	27.2	32.5	5.4	19.8%
TS Primary above 50 ($M)	0.2	0.2	0.0	0.0%
Distribution System ($M)	65.4	67.7	2.3	3.5%
Poles, Wires ($M)	312.2	339.1	26.9	8.6%
Contributions and Grants ($M)	-93.6	-105.2	-11.6	12.4%
Line Transformers ($M)	65.9	71.1	5.3	8.0%
Services and Meters ($M)	72.3	75.9	3.6	4.9%
Equipment ($M)	25.5	29.2	3.7	14.5%
IT Assets ($M)	24.7	29.1	4.4	17.8%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**513.0**	**549.3**	**36.3**	**7.1%**
Accumulated Depreciation ($M)	-131.6	-151.4	-19.8	15.1%
Closing PP&E NBV ($M)	**381.5**	**397.9**	**16.4**	**4.3%**

From 2021 to 2022, material PP&E variances by asset class were as follows:

- **Land and Buildings:** The decrease of ($3.8) million in 2022 relates to the reversal of the addition of $3.8 million to 1612 – Land Rights in 2021, as noted above;
- **Other Distribution Assets:** The variance in 2022 was not material;
- **General Plant Assets:** The increase of $5.4 million was driven by investments in 1908 – Buildings & Fixtures, a significant portion of which related to the completion of Elexicon's new Belleville Service Centre;
- **Distribution System Assets:** The increase of $2.3 million was driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;

[6] Numbers may not sum due to rounding.

- **Poles and Wires Assets:** The increase of $26.9 million was driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;

- **Contributions and Grants:** The variance in contributions and grants of ($11.6) million results from higher capital contributions received in 2022 relative to 2021 for System Access as a result of growth;

- **Line Transformers:** The increase of $5.3 million in Line Transformers was driven by a higher volume of new line transformer installations to facilitate growth;

- **Services and Meter Assets:** The increase of $3.6 million in Services and Meters was driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;

- **Equipment Assets:** The increase in $3.7 million was most notably driven by incremental Transportation Equipment assets to meet fleet needs, as well as incremental system supervisory equipment, and smaller increases to other categories of equipment (e.g. Tools, Measurement and Testing); and,

- **IT Assets:** The increase of $4.4 million relates to incremental software costs, driven by upgrades and refinement, as well as hardware investments, including a network infrastructure refresh of approximately $1.5 million.

Table 6: 2022 Historical vs 2023 Historical PP&E NBV[7]

Asset Class	2022	2023	Variance ($M)	Variance (%)
Land and Buildings ($M)	4.1	4.3	0.2	4.8%
Other Distribution Assets ($M)	7.5	7.8	0.3	4.2%
General Plant ($M)	32.5	33.9	1.4	4.2%
TS Primary above 50 ($M)	0.2	0.2	0.0	0.0%
Distribution System ($M)	67.7	72.8	5.1	7.6%
Poles, Wires ($M)	339.1	372.5	33.4	9.8%
Contributions and Grants ($M)	-105.2	-119.3	-14.1	13.4%
Line Transformers ($M)	71.1	78.1	7.0	9.8%
Services and Meters ($M)	75.9	81.8	5.9	7.7%
Equipment ($M)	29.2	31.8	2.7	9.2%
IT Assets ($M)	29.1	32.5	3.4	11.6%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**549.3**	**594.5**	**45.2**	**8.2%**
Accumulated Depreciation ($M)	-151.4	-172.5	-21.1	13.9%
Closing PP&E NBV ($M)	**397.9**	**421.9**	**24.0**	**6.0%**

From 2022 to 2023, material PP&E variances by asset class were as follows:

- **Land and Buildings:** The variance in 2023 was not material;
- **Other Distribution Assets:** The variance in 2023 was not material;
- **General Plant Assets:** The increase of $1.4 million was driven by investments in 1908 – Buildings & Fixtures;
- **Distribution System Assets:** The increase of $5.1 million was driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;
- **Poles and Wires Assets:** The increase of $33.4 million was driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;

[7] Numbers may not sum due to rounding.

- **Contributions and Grants:** The variance in contributions and grants of ($14.1) million results from higher capital contributions received in 2023 relative to 2022 for System Access as a result of growth;

- **Line Transformers:** The increase of $7.0 million in Line Transformers was driven by a higher volume of new line transformer installations to facilitate growth;

- **Services and Meter Assets:** The increase of $5.9 million in Services and Meters was driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;

- **Equipment Assets:** The increase in $2.7 million was mostly driven by incremental Transportation Equipment assets to meet fleet needs, as well as incremental system supervisory equipment, and smaller increases to other categories of equipment (e.g. Tools, Measurement and Testing); and,

- **IT Assets:** The increase of $3.4 million relates to incremental software costs, driven by upgrades and refinement, as well as hardware investments, including server and firewall upgrades.

Table 7: 2023 Historical vs 2024 Historical PP&E NBV

Asset Class	2023	2024	Variance ($M)	Variance (%)
Land and Buildings ($M)	4.3	4.3	0.0	0.0%
Other Distribution Assets ($M)	7.8	7.8	0.0	0.0%
General Plant ($M)	33.9	34.6	0.7	2.0%
TS Primary above 50 ($M)	0.2	0.2	0.0	0.0%
Distribution System ($M)	72.8	77.2	4.3	5.9%
Poles, Wires ($M)	372.5	393.5	21.0	5.6%
Contributions and Grants ($M)	-119.3	-123.8	-4.5	3.8%
Line Transformers ($M)	78.1	81.8	3.7	4.8%
Services and Meters ($M)	81.8	87.2	5.4	6.6%
Equipment ($M)	31.8	33.4	1.5	4.8%
IT Assets ($M)	32.5	35.5	3.0	9.3%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**594.5**	**629.7**	**35.2**	**5.9%**
Accumulated Depreciation ($M)	-172.5	-193.2	-20.6	11.9%
Closing PP&E NBV ($M)	**421.9**	**436.5**	**14.6**	**3.5%**

From 2023 to 2024, material PP&E variances by asset class were as follows:

- **Land and Buildings:** The variance in 2024 was not material;
- **Other Distribution Assets:** The variance in 2024 was not material;
- **General Plant Assets:** The variance in 2024 was not material;
- **Distribution System Assets:** The increase of $4.3 million was driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;
- **Poles and Wires Assets:** The increase of $21.0 million was driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;
- **Contributions and Grants:** The variance in contributions and grants of ($4.5) million results from higher capital contributions received in 2024 relative to 2023 for System Access as a result of growth;
- **Line Transformers:** The increase of $3.7 million in Line Transformers was driven by a higher volume of new line transformer installations to facilitate growth;

- **Services and Meter Assets:** The increase of $5.4 million in Services and Meters was driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;

- **Equipment Assets:** The increase in $1.5 million was mostly driven by incremental Transportation Equipment assets to meet fleet needs, as well as incremental system supervisory equipment, and smaller increases to other categories of equipment (e.g. Tools, Measurement and Testing); and,

- **IT Assets:** The increase of $3.0 million relates to incremental software costs, driven by increasing software costs and refinement/upgrades of the software packages procured and utilized, as well as increased hardware costs.

Table 8: 2024 Historical vs 2025 Bridge PP&E NBV

Asset Class	2024	2025	Variance ($M)	Variance (%)
Land and Buildings ($M)	4.3	4.3	0.0	0.0%
Other Distribution Assets ($M)	7.8	7.8	0.0	0.0%
General Plant ($M)	34.6	34.8	0.2	0.6%
TS Primary above 50 ($M)	0.2	0.2	0.0	0.0%
Distribution System ($M)	77.2	80.0	2.8	3.6%
Poles, Wires ($M)	393.5	456.0	62.5	15.9%
Contributions and Grants ($M)	-123.8	-158.3	-34.5	27.9%
Line Transformers ($M)	81.8	89.1	7.2	8.8%
Services and Meters ($M)	87.2	93.2	6.0	6.9%
Equipment ($M)	33.4	36.6	3.2	9.7%
IT Assets ($M)	35.5	39.2	3.6	10.2%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**629.7**	**680.8**	**51.1**	**8.1%**
Accumulated Depreciation ($M)	-193.2	-215.2	-22.1	11.4%
Closing PP&E NBV ($M)	**436.5**	**465.6**	**29.0**	**6.7%**

From 2024 to 2025, material PP&E variances by asset class are forecast as follows:

- **Land and Buildings:** The variance in 2025 is not forecast to be material;

- **Other Distribution Assets:** The variance in 2025 is not forecast to be material;

- **General Plant Assets:** The variance in 2025 is not forecast to be material;
- **Distribution System Assets:** The increase of $2.8 million is driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;
- **Poles and Wires Assets:** The increase of $62.5 million is forecast to be driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;
- **Contributions and Grants:** The variance in contributions and grants of ($34.5) million relates to higher capital contributions received in 2025 relative to 2024 for System Access as a result of growth;
- **Line Transformers:** The increase of $7.2 million in Line Transformers is driven by a higher volume of new line transformer installations to facilitate growth;
- **Services and Meter Assets:** The increase of $6.0 million in Services and Meters is driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;
- **Equipment Assets:** The increase in $3.2 million is mostly driven by incremental Transportation Equipment assets to meet fleet needs, as well as increases to other categories of equipment (e.g. Tools, Measurement and Testing), and a smaller increase to system supervisory equipment; and,
- **IT Assets:** The increase of $3.6 million relates to incremental software and hardware costs, notably $1.5 million related to Elexicon's main operations centre.

Table 9: 2025 Bridge vs 2026 Bridge PP&E NBV

Asset Class	2025	2026	Variance ($M)	Variance (%)
Land and Buildings ($M)	4.3	4.3	0.0	0.0%
Other Distribution Assets ($M)	7.8	7.8	0.0	0.0%
General Plant ($M)	34.8	35.3	0.5	1.4%
TS Primary above 50 ($M)	0.2	0.2	0.0	0.0%
Distribution System ($M)	80.0	86.9	6.9	8.7%
Poles, Wires ($M)	456.0	498.1	42.1	9.2%
Contributions and Grants ($M)	-158.3	-178.9	-20.5	13.0%
Line Transformers ($M)	89.1	93.1	4.0	4.5%
Services and Meters ($M)	93.2	97.7	4.4	4.8%
Equipment ($M)	36.6	38.7	2.1	5.6%
IT Assets ($M)	39.2	41.8	2.7	6.8%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**680.8**	**723.0**	**42.2**	**6.2%**
Accumulated Depreciation ($M)	-215.2	-238.2	-22.9	10.7%
Closing PP&E NBV ($M)	**465.6**	**484.8**	**19.3**	**4.1%**

From 2025 to 2026, material PP&E variances by asset class are forecast as follows:

- **Land and Buildings:** The variance in 2026 is not forecast to be material;
- **Other Distribution Assets:** The variance in 2026 is not forecast to be material;
- **General Plant Assets:** The variance in 2026 is not forecast to be material;
- **Distribution System Assets:** The increase of $6.9 million is driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;
- **Poles and Wires Assets:** The increase of $42.1 million is forecast to be driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;
- **Contributions and Grants:** The variance in contributions and grants of ($20.5) million relates to higher capital contributions to be receive in 2026 relative to 2025 for System Access as a result of growth;

- **Line Transformers:** The increase of $4.0 million in Line Transformers is driven by a higher volume of new line transformer installations to facilitate growth;

- **Services and Meter Assets:** The increase of $4.4 million in Services and Meters is driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;

- **Equipment Assets:** The increase in $2.1 million is most notably driven by incremental Transportation Equipment assets to meet fleet needs, as well as incremental system supervisory equipment, and smaller increases to other categories of equipment (e.g. Tools, Measurement and Testing); and,

- **IT Assets:** The increase of $2.7 million relates primarily to $2.2 million in hardware investments.

Table 10: 2026 Bridge vs 2027 Test PP&E NBV

Asset Class	2026	2027	Variance ($M)	Variance (%)
Land and Buildings ($M)	4.3	8.1	3.8	90.3%
Other Distribution Assets ($M)	7.8	7.8	0.0	0.0%
General Plant ($M)	35.3	40.5	5.2	14.7%
TS Primary above 50 ($M)	0.2	35.0	34.8	15458.0%
Distribution System ($M)	86.9	103.2	16.4	18.8%
Poles, Wires ($M)	498.1	593.9	95.8	19.2%
Contributions and Grants ($M)	-178.9	-215.0	-36.1	20.2%
Line Transformers ($M)	93.1	96.5	3.4	3.7%
Services and Meters ($M)	97.7	104.5	6.8	7.0%
Equipment ($M)	38.7	44.6	6.0	15.5%
IT Assets ($M)	41.8	52.1	10.3	24.5%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**723.0**	**869.3**	**146.3**	**20.2%**
Accumulated Depreciation ($M)	-238.2	-270.0	-31.8	13.4%
Closing PP&E NBV ($M)	**484.8**	**599.3**	**114.4**	**23.6%**

From 2026 to 2027, material PP&E variances by asset class are forecast as follows:

- **Land and Buildings:** The variance in 2027 relates solely to the transfer of Land Rights from Account 1508 to Account 1612 relating to the Seaton TS;
- **Other Distribution Assets:** The variance in 2027 is not forecast to be material;
- **General Plant Assets:** The variance of $5.2 million relates to additions for Buildings and Fixtures (1908) and Office Furniture & Equipment (1915) driven by $5.2 million of facilities upgrade projects;
- **TS Primary above 50:** The increase of $34.8 million relates to the transfer of Seaton TS from account 1508 to account 1815;
- **Distribution System Assets:** The increase of $16.4 million is driven solely by investments in Distribution Station Equipment under 50kV, in Account 1820;
- **Poles and Wires Assets:** The increase of $95.8 million is forecast to be driven by Elexicon's System Access and System Renewal investments to facilitate customer growth and replace aging or deteriorated assets;
- **Contributions and Grants:** The variance in contributions and grants of ($36.1) million relates to higher capital contributions to be receive in 2027 relative to 2026 for System Access as a result of growth;
- **Line Transformers:** The increase of $3.4 million in Line Transformers is driven by a higher volume of new line transformer installations to facilitate growth;
- **Services and Meter Assets:** The increase of $6.8 million in Services and Meters is driven by a higher volume of services installed, as well as a higher volume of smart meters installed, as a result of customer growth;
- **Equipment Assets:** The increase in $6.0 million is most notably driven by incremental Transportation Equipment assets to meet fleet needs, as well as incremental system supervisory equipment, and smaller increases to other categories of equipment (e.g. Tools, Measurement and Testing); and,
- **IT Assets:** The increase of $10.3 million relates to the incorporation of ICM IT Assets previously held in Account 1508, as well as some incremental software costs, and $2.3 million in

computer hardware costs, $1.6 million of which relates to network additions/enhancements and data centre enhancements.

Table 11: 2027 Test vs 2031 Test PP&E NBV

Asset Class	2027	2031	Variance ($M)	Variance (%)
Land and Buildings ($M)	8.1	18.6	10.5	129.7%
Other Distribution Assets ($M)	7.8	7.8	0.0	0.0%
General Plant ($M)	40.5	50.1	9.6	23.7%
TS Primary above 50 ($M)	35.0	108.6	73.6	210.2%
Distribution System ($M)	103.2	242.0	138.8	134.4%
Poles, Wires ($M)	593.9	1,004.3	410.3	69.1%
Contributions and Grants ($M)	-215.0	-355.1	-140.1	65.2%
Line Transformers ($M)	96.5	118.4	21.9	22.7%
Services and Meters ($M)	104.5	149.6	45.1	43.2%
Equipment ($M)	44.6	68.7	24.1	54.0%
IT Assets ($M)	52.1	76.4	24.3	46.7%
Exclusions ($M)	-1.9	-1.9	0.0	0.0%
Gross Assets ($M)	**869.3**	**1,487.4**	**618.1**	**71.1%**
Accumulated Depreciation ($M)	-270.0	-398.6	-128.6	47.6%
Closing PP&E NBV ($M)	**599.3**	**1,088.9**	**489.6**	**81.7%**

Exhibit 2B provides Elexicon's Distribution System Plan, which fully articulates the expenditures and assets required to service customers in a safe and reliable manner over the 2027 to 2031 period. As shown above, increased PP&E is broadly dispersed across Elexicon's business, with assets relating to customer growth and system renewal showing more noticeable increases over the term (e.g. TS Primary above 50kV, Distribution System, Poles & Wires, Contributions & Grants). Please see Elexicon's Distribution System Plan for further detail (Exhibit 2B – Tab 4 – Schedule 3).

3. LIST OF ATTACHMENTS

- Attachment 1 (Excel): OEB Appendix 2-AA Capital Projects,
  OEB Appendix 2-AB Capital Expenditures,
  OEB Appendix 2-BA Fixed Asset Continuity Schedule,
  OEB Appendix 2-BB Service Life Comparison, and
  OEB Appendix 2-C Depreciation and Amortization Expense

EXHIBIT 2A - TAB 1 - SCHEDULE 1: ATTACHMENT 1
“OEB APP.2-AA-AB-BA-BB-C”
(REFER TO ATTACHMENT IN EXCEL FORMAT)

DEPRECIATION AND AMORTIZATION

This schedule details Elexicon's depreciation and amortization expense. Elexicon has operated under IFRS since its inception in 2019 via the merger of Veridian Connections and Whitby Hydro. Both Veridian Connections and Whitby Hydro converted to IFRS effective January 1, 2015. This application represents Elexicon's first rebasing application as a combined entity, and its first rebasing application under MIFRS.

1. DEPRECIATION AND AMORTIZATION

Elexicon confirms the following with respect to depreciation and amortization expense:

- Elexicon's capital assets and capital contributions are amortized on a straight-line basis over the effective useful life ("EUL") of the asset in question;
- Elexicon utilizes the half-year rule in determining depreciation/amortization expense in the in-service year of a capital addition;
- Significant parts or components of each item of Property, Plant and Equipment ("PP&E") are depreciated separately; and,
- Construction Work in Progress ("CWIP") assets are not amortized until the project is complete and placed into service.

Elexicon has filed a completed OEB Appendix 2-BB (Exhibit 2A – Tab 1 – Schedule 1, Attachment 1) up to 2031, which provides EULs and depreciation/amortization rates by USoA. The following identifies assets which have EULs outside of the ranges established by the Asset Depreciation Study prepared by Kinectrics ("Kinectrics Report"), filed with the OEB in EB-2010-0178, and provides Elexicon's explanation of variances where Elexicon's EULs are below that of Kinectrics ranges:

- **Account 1835—Overhead Integral Switches**: Legacy Veridian relied on an average of Overhead Line Switch Motors, RTUs and Integral Switches to establish EUL, which incorporated the shorter EUL of Overhead Line Switch Motors and RTUs in the EUL applied. This was implemented in response to the reality that these three components are by necessity replaced simultaneously as part of switch replacement. As such, the average EUL applied to these assets results in an EUL that is lower than the Kinectrics EUL applied only to Overhead Integral Switches.

- **Account 1835—Reclosers**: Elexicon's experience operating reclosers over time informs its implemented EUL, which is 5 years below the minimum EUL identified by Kinectrics. Elexicon notes these assets make up a small proportion of its rate base, with Gross PP&E of approximately $1.7 million. As such, the difference in depreciation expense resulting from this minor variance is immaterial.
- **Account 1908—Administrative Buildings**: As shown in OEB Appendix 2-BB (filed as Attachment 1 of Exhibit 2A – Tab 1 – Schedule 1), Elexicon has divided this asset class into 4 categories, with 3 of the 4 categories having EULs below the minimum identified by Kinectrics. The three categories identified relate to building exterior, building interior, and HVAC systems; each of which have EULs below the 50 year minimum identified by Kinectrics for entire administrative buildings.

In addition, Elexicon has certain EULs which exceed the maximum identified by Kinectrics, as shown in OEB Appendix 2-BB. In each instance, Elexicon has identified these assets as safe and effective for continued use to the EULs identified within Elexicon's circumstances. The result is a lower depreciation and amortization expense for customers than would otherwise occur, while maintaining safe and reliable service.

Elexicon's depreciation policy is included within the capitalization policy attached as Exhibit 2A – Tab 4 – Schedule 1 – Attachment 1. This is the first capitalization policy (including depreciation) prepared by Elexicon post-merger, and it has not required any revision since original issuance May 11, 2020.

2. DECOMMISSIONING & ASSET RETIREMENT OBLIGATIONS

Elexicon's policy with respect to decommissioning provision and asset retirement obligations is outlined in section 5.11 of the capitalization policy, attached as Exhibit 2A – Tab 4 – Schedule 1 – Attachment 1. Elexicon does not currently have asset retirement obligations and has not forecast any decommissioning provision over the 2027 to 2031 period.

3. DEPRECIATION AND AMORTIZATION EXPENSE

Elexicon's depreciation and amortization expense are a function of the collective tangible and intangible assets put into service by the utility to distribute electricity to its customers. As such, depreciation and amortization show a year over year increase through the historical, bridge, and test

periods as a result of system growth, as further described in Exhibit 2B – Tab 1 – Schedule 1: Distribution System Plan.

The depreciation and amortization expense in this application has been prepared in accordance with MIFRS, and comprises the following components:

- **Depreciation & Amortization**: Elexicon has included derecognition within its depreciation and amortization expense associated with tangible and intangible assets;
- **Fully Allocated Depreciation**: Depreciation and amortization associated with Transportation in Account 1930 are removed from depreciation expense, as these amounts are recovered via burden rates applied to major work activities;
- **Deferred Revenue Offset**: For the purpose of this application prepared under MIFRS, Deferred Revenue balances in Account 2440 has not been removed from depreciation expense. As such, annual recognition of deferred revenue included within the Accumulated Depreciation Additions column of OEB Appendix 2-BA, provided in Attachment 1 of Exhibit 2A – Tab 1 – Schedule 1, acts as a credit offset lowering depreciation expense. Conversely, no amounts associated with deferred revenue recognition have been included in Other Revenue / Revenue Offsets; and,
- **Gains and Losses on Disposals (Derecognition)**: Article 410 of the OEB Accounting Procedures and Handbook for Electricity Distributors requires derecognition of disposed assets, or when their use is no longer expected to offer future economic benefits. The gain or loss is calculated as the difference between net disposal proceeds (if any) and the carrying amount of the item. The result is included within Elexicon's profit or loss during the period in which the item is derecognized. Elexicon's forecast derecognition expense is based upon actual derecognition expense and is informed by its forecasted capital expenditures outlined in this application and is calculated based on the net book values associated with assets Elexicon expects to remove from service. Gains and Losses on Disposals, recorded in Accounts 4357 and 4362 respectively, are applied against depreciation expense. Conversely, no amounts in Accounts 4357 and 4362 are included in Other Revenue / Revenue Offsets.

Table 1 presents depreciation and amortization expense from 2020 (Actual) through 2026 (Bridge), while Table 2 presents depreciation and amortization expense from 2027 through 2031. Consistent

with presentation in OEB Appendix 2-BA, depreciation expense has been represented as a negative value in the tables below.

Table 1: Depreciation and Amortization Expense 2020 to 2026[1]

	Actual					Bridge	
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Accumulated Depreciation Additions ($M)	**(18.3)**	**(19.4)**	**(20.7)**	**(21.9)**	**(21.9)**	**(22.9)**	**(23.6)**
Less:							
Fully Allocated Depreciation: Transportation ($M)	(0.9)	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)	(1.4)
Fully Allocated Transportation Leases ($M)	0.0	0.0	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Plus:							
Gains on Disposals ($M)	0.0	0.0	0.4	0.1	0.1	0.1	0.0
Losses on Disposals ($M)	(0.9)	(0.5)	(1.8)	(1.2)	(1.4)	(1.4)	(1.1)
Depreciation and Amortization Expense ($M)	**(18.3)**	**(19.0)**	**(20.9)**	**(21.8)**	**(21.9)**	**(22.9)**	**(23.3)**

Table 2: Depreciation and Amortization Expense 2027 to 2031[1]

	Test	Forecast			
	2027	**2028**	**2029**	**2030**	**2031**
Accumulated Depreciation Additions ($M)	**(27.4)**	**(29.6)**	**(33.3)**	**(37.5)**	**(43.3)**
Less:					
Fully Allocated Depreciation: Transportation ($M)	(1.6)	(1.9)	(2.2)	(2.4)	(2.5)
Plus:					
Gains on Disposals ($M)	0.1	0.1	0.1	0.1	0.1
Losses on Disposals ($M)	(2.8)	(1.5)	(2.6)	(2.4)	(2.5)
Depreciation and Amortization Expense ($M)	**(28.5)**	**(29.1)**	**(33.6)**	**(37.4)**	**(43.3)**

As required, Elexicon has completed OEB's Appendix 2-C template, provided as Attachment 1 to Exhibit 2A – Tab 1 – Schedule 1. As noted in Appendix 2-C, there are some minor variances between financial system calculated depreciation and amortization and the amounts calculated using formulas in the appendix. An example of such variances is due to the financial system using the exact date of the asset removal to calculate the depreciation for a given year while the OEB formula assumes asset removal at the beginning of the year.

[1] Numbers may not sum due to rounding.

WORKING CAPITAL ALLOWANCE (WCA)

The purpose of this Schedule is to demonstrate the calculation of Elexicon's Working Capital Allowance ("WCA") for inclusion in rate base.

Table 1 below presents Elexicon's Working Capital Allowance actuals over the 2020 to 2024 period, relying on an allowance rate of 13.8%. This rate represents the weighted average of previously approved allowance rates for Veridian Connections[1] and Whitby Hydro[2], of 13.4% and 15%, respectively.

Table 1: WCA Summary: 2020 to 2024[3]

	Historical				
Years	**2020**	**2021**	**2022**	**2023**	**2024**
OM&A* ($M)	42.3	42.9	44.9	46.7	53.6
Property Taxes ($M)	0.7	0.7	0.8	0.8	0.8
Cost of Power ($M)	472.6	414.9	418.4	406.9	447.3
Total Expenses for Working Capital ($M)	**515.6**	**458.5**	**464.1**	**454.3**	**501.8**
Working Capital Allowance Rate (%)	13.8%	13.8%	13.8%	13.8%	13.8%
Working Capital Allowance ($M)	**71.1**	**63.2**	**64.0**	**62.6**	**69.2**

*Including LEAP

Beginning in the 2027 Test Year, Elexicon will establish WCA based on a weighted WCA rate of 6.62%. This rate has been determined by a lead-lag study completed by Power Advisory in accordance with Section 2.2.5 of the Filing Requirements, which is provided below as Appendix A. Table 2 below shows derivation of Elexicon's WCA of the 2025 and 2026 Bridge Years (relying on its legacy WCA rate of 13.8%), and the 2027 to 2031 period (relying on a WCA rate of 6.62%).

[1] Ontario Energy Board, EB-2013-0174, "Veridian Draft Rate Order Revenue Requirement Workform", Tab 4, (April 16, 2014).
[2] Ontario Energy Board, EB-2009-0274, "Proposed Settlement Agreement", Appendix F, Page 2, (December 8, 2010).
[3] Numbers may not sum due to rounding.

Table 2: WCA Summary: 2025 to 2031[4]

	Bridge		Forecast				
Years	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
OM&A* ($M)	58.2	61.8	77.3	84.1	86.0	88.4	90.8
Property Taxes ($M)	0.8	0.8	0.8	0.8	0.8	0.9	0.9
Cost of Power ($M)	452.8	483.2	467.0	496.7	524.4	550.7	578.1
Total Expenses for Working Capital ($M)	**511.7**	**545.8**	**545.1**	**581.6**	**611.3**	**640.0**	**669.8**
Working Capital Allowance Rate (%)	13.8%	13.8%	6.62%	6.62%	6.62%	6.62%	6.62%
Working Capital Allowance ($M)	**70.6**	**75.3**	**36.1**	**38.5**	**40.5**	**42.4**	**44.3**

*Including LEAP

In accordance with Section 2.2.5 of the Filing Requirements, Elexicon confirms that Cost of Power used to derive Total Expenses for Working Capital appropriately relied upon the split between RPP and Non-RPP Class A and Class B customers based on actual data. Elexicon also confirms that the most current RPP prices, Uniform Transmission Rates, Smart Metering Entity, and regulatory charges available at the time of preparing this application were used.

LIST OF ATTACHMENTS

- Appendix A: Lead-Lag Study
- Attachment 1 (Excel): OEB Appendix 2-ZA Commodity Expense and OEB Appendix 2-ZB Cost of Power (2027-2031)

[4] Numbers may not sum due to rounding.

EXHIBIT 2A - TAB 3 - SCHEDULE 1: APPENDIX A
"LEAD-LAG STUDY"

POWER ADVISORY

Elexicon Energy Inc. Lead-Lag Study

September 12, 2025

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Elexicon Energy Inc. Lead-Lag Study

September 12, 2025

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POWER ADVISORY

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EXECUTIVE SUMMARY

Power Advisory LLC ("Power Advisory") was retained to conduct an analysis of Elexicon Energy's working capital requirements.

Working capital is the amount of funds required to finance the day-to-day operations of a regulated utility which is determined by a lead-lag study and are included as part of the rate base for determining distribution rates. This report provides the results of this study.

The lead-lag days are calculated based on a complete 2024 study period year and the results are weighted by Elexicon Energy's forecast 2027 to 2031 expense data. The results of the study are provided below.

Table ES-1. Working Capital Summary

Budget Item Description	Revenue Lag Days	Expense Lead Days	Net Lag (Lead) Days	WCA Factor	Expenses ($ million)	WCA ($ million)	WCA (%)
Cost of Power	55.41	35.52	19.89	5.4%	$590.4	$32.1	
OM&A Expenses	55.41	16.87	38.54	10.5%	$85.0	$8.9	
Long Term Debt	55.41	5.34	50.07	13.7%	$20.7	$2.8	
PILs	55.41	11.01	44.40	12.1%	$2.2	$0.3	
Sub-Total					**$698.3**	**$44.1**	**6.54%**
HST (Net)	28.75		28.75	7.9%	$7.3	$0.6	
Total (inc. HST)					**$705.6**	**$44.7**	**6.62%**

Accordingly, Power Advisory recommends for Elexicon Energy to adopt a 6.62% working capital allowance for ratemaking purposes in its 2027 to 2031 rebasing application.

1. INTRODUCTION AND METHODOLOGY

1.1 Introduction

Power Advisory LLC ("Power Advisory") was retained to conduct an analysis of Elexicon Energy Inc.'s ("Elexicon Energy") working capital requirements. This report provides the results of Elexicon Energy's working capital analysis.

Working capital is the amount of funds an organization has available to operate. Elexicon Energy incurs expenses before it receives revenues from its customers, so it requires money to fund the working capital tied up in the timing difference. As per the Ontario Energy Board's Chapter 2 Filing Requirements, an LDC's working capital is included as a component of its rate base.

A lead-lag study recognizes the timing differences between Elexicon Energy's provision of service and payment by its customers and the timing differences between when an expense is incurred and paid by Elexicon Energy. The difference between service and payment from customers is the revenue lag and the difference between expense incurrence and payment is the expense lead. The difference between the revenue lag and expense lead is the net lag. A working capital ratio is calculated based on the net lag divided by the number of days in the year (366 in 2024).

Revenue lags include service lag, collection lag, billing lag, and payment processing lag. Expense leads include cost of power, operations, maintenance, and administration expenses (OM&A), interest on debt, payments in lieu of taxes (PILs), and HST.

1.2 Methodology

Elexicon Energy provided 2024 revenue and expense data to conduct the lead-lag analysis. The components of working capital are weighted by average expenses in the 2027 to 2031 rebasing period to derive the working capital ratio used in each year for ratemaking purposes.

Elexicon Energy receives payments for services provided over a period of time, typically one month. The service is considered to be provided evenly over each day in the period. Service lags are calculated as the mid-point between the first and last day of the service period. The same approach is used for service leads for cost of power and services Elexicon Energy receives.

Within each revenue and expense category lags and leads are calculated for a subset of revenues, expenses, or time periods. A weighted lag or lead is calculated based on a dollar-based weighting and the total lag or lead is the sum of the weighted values.

The lead-lag study is meant to represent cash flows in a typical year. In one circumstance, an adjustment was made to the timing of payments to exclude the impact of an atypical circumstance that is not expected to continue in future years. Due to a billing issue, Elexicon Energy paid a portion of its cost of power at the end of the year for power it received earlier in the year. The correction payment was excluded and the monthly payments were increased to the amount that would have been billed without the issue. This is discussed further in Section 3.1.

2. REVENUE LAGS

2.1.1 *Distribution Service Revenue Lag*

The distribution service revenue lag is the number of days between Elexicon Energy providing service to its customers and the date payment is received and the funds are available to the LDC. The revenue lag consists of four components: the service lag, the billing lag, the collection lag, and the payment processing lag.

2.1.1.1 *Service Lag*

Elexicon Energy's retail customers are billed on a monthly basis so the service lag is calculated as the average monthly mid-point in 2024. The service lag is 15.25 days.

Table 1. Service Lag

	Month	No. of Days in Month	Monthly Mid-point
1	Jan	31	15.5
2	Feb	29	14.5
3	Mar	31	15.5
4	Apr	30	15.0
5	May	31	15.5
6	Jun	30	15.0
7	Jul	31	15.5
8	Aug	31	15.5
9	Sep	30	15.0
10	Oct	31	15.5
11	Nov	30	15.0
12	Dec	31	15.5
Total		**366**	
Monthly Mid-point			**15.25**
Annual Mid-Point			**183.00**

2.1.1.2 *Billing Lag*

The billing lag is the number of days between a meter being read and the bill being issued. Most rate classes are billed 12 days after the meter reading date, however, there is a longer period of 14.5 days for metered demand-billed classes. The billing lag is weighted based on the sales of each rate class to produce a weighted average billing lag of 12.95 days.

Table 2. Billing Lag

Customer Type	Sales ($ Million)	Weight	Days between meter read and billing	Weighted Lag
Residential	$272.5	48.2%	12	5.79
Seasonal Residential	$4.8	0.9%	12	0.10
General Service < 50 kW	$69.3	12.3%	12	1.47
General Service 50 - 2,999 kW	$181.7	32.2%	14.5	4.66
General Service 3,000 - 4,999 kW	$11.1	2.0%	14.5	0.28
Large Use	$21.3	3.8%	14.5	0.55
Street Lighting	$1.2	0.2%	12	0.03
Sentinel Lighting	$0.1	0.0%	12	0.00
Unmetered Scattered Load	$3.0	0.5%	12	0.06
Total	**$565.0**	**100.0%**		**12.95**

2.1.1.3 *Collection Lag*

The collection lag is derived based on the amount of revenue that was outstanding after each month in 2024 and the number of days the payment is outstanding. The collection lag is calculated as the mid-point of the accounts receivable aging category and weighted by the average accounts receivable in each category. The balance for Overdue > 91 days is reduced by the bad debt expense and the allowance for doubtful accounts.

Table 3. Weighted Collection Lag

Aging Categories	Mid-Point	Average A/R ($ Million)	Weight	Collection Lag
Current 0-30	15	$39.1	86.04%	12.91
Overdue 31-60	45.5	$2.6	5.72%	2.60
Overdue 61-90	75.5	$1.6	3.60%	2.72
Overdue > 91	136.75	$2.1	4.63%	6.34
Total		**$45.5**	**100.00%**	**24.57**

2.1.1.4 *Payment Processing Lag*

Revenue is received from customers in many forms of payment. Over half of payments are received from electronic fund transfers (EFTs) and electronic data interchange (EDI) payments which have two processing periods. Some other forms of payment, like preauthorized payment plans (PAP) and credit cards take one day while Elexicon Energy continues to receive payments by cheque and bank lockbox that days longer. The weighted average payment processing lag is 1.97 days, as shown in Table 4 below.

Table 4. Payment Processing Lag

Payment Method	Amount ($ Million)	Days	Weight	Weighted Lag
EFT	$128.8	2.0	21.3%	0.43
EDI	$251.1	2.0	41.6%	0.83
PAP	$12.5	1.0	27.3%	0.27
Kubra	$164.6	1.5	2.1%	0.03
Credit Card	$0.4	1.0	0.1%	0.00
Bank Wire	$4.9	1.0	0.8%	0.01
Cheque Payment	$19.5	8.0	3.2%	0.26
Bank Lockbox	$21.6	4.0	3.6%	0.14
Telepay Payment	$0.2	1.0	0.0%	0.00
Total	**$603.6**		**100.0%**	**1.97**

2.1.1.5 *Service Distribution Revenue Lag Summary*

The overall lag from distribution service is 54.74 days, which is the sum of the service lag, billing lag, collection lag, and payment processing lag.

Table 5. Revenue Lag Summary

Type of Lag	Days
Service Lag	15.25
Billing Lag	12.95
Collection Lag	24.57
Payment Processing Lag	1.97
Total	**54.74**

2.1.2 *Total Revenue*

Elexicon Energy's total revenue lag in 2024 is 55.41 days.

Table 6. Total Revenue

Sources of Revenue	Revenue Lag	Amount ($ Million)	Weighting Factor	Weighted Revenue Lag
Distribution Service Revenue	54.74	$565.0	90.69%	49.64
Ontario Energy Rebate	62.81	$47.0	7.56%	4.75
Revenue from Other Sources	58.38	$10.9	1.75%	1.02
Total	**175.93**	**$623.0**	**100.0%**	**55.41**

3. EXPENSE LEADS

3.1 Cost of Power

Elexicon Energy receives cost of power invoices from the IESO and Hydro One (HONI), with adjustments made to account for a billing issue. In 2024 Elexicon Energy was underbilled by Hydro One Network Inc. for service in its Veridian rate zone. To address this billing issue Elexicon Energy made payments in December 2024 and January 2025 for service it received throughout the 2024 year.

For the cost of power expense lead analysis, adjustments were made to assign the amounts paid in these correction payments to the month the service was received such that the adjusted monthly balances reflect the amounts that should have been paid each month. The correction payments were separated by service month and the payment date for each month is set to the date the underbilled balances were paid. This correction was made because the underbilling issue is an extraordinary circumstance that does not reflect Elexicon Energy's typical cost of power spending patterns.

Based on actual 2024 invoices and payment dates, and the adjustment described above, the average expense lead time for the cost of power is 35.52 days.

Table 7. Veridian Rate Zone Cost of Power Lead

Month	Amount ($ Million)	Service Lead	Payment Lead	Total Lead	Weight	Weighted Lead
Jan-24	$36.8	15.5	19.0	34.5	8.55%	2.95
Feb-24	$32.6	14.5	20.7	35.2	7.58%	2.67
Mar-24	$33.5	15.5	19.4	34.9	7.79%	2.72
Apr-24	$31.2	15.0	18.6	33.6	7.26%	2.44
May-24	$29.9	15.5	20.7	36.2	6.93%	2.51
Jun-24	$40.1	15.0	19.7	34.7	9.30%	3.23
Jul-24	$42.9	15.5	21.7	37.2	9.97%	3.71
Aug-24	$42.4	15.0	21.7	36.7	9.84%	3.61
Sep-24	$32.0	15.0	20.6	35.6	7.44%	2.65
Oct-24	$35.3	15.5	21.5	37.0	8.21%	3.04
Nov-24	$34.4	15.0	20.0	35.0	7.98%	2.79
Dec-24	$39.3	15.5	19.6	35.1	9.13%	3.21
Total	**$430.4**				**100.00%**	**35.52**

3.2 OM&A

3.2.1 *Payroll and Benefits*

Elexicon Energy employees are paid bi-weekly and pension and benefits are paid monthly. Withholdings (CPP, EI, and income tax) are paid semi-monthly, within the first 15 days of a month are remitted by the 25th of the month and withholdings after the 16th of the month are paid by the 10th calendar day of the following month. Pensions and WSIB are paid on the last day of the following month. Benefits are typically

paid by the 15th of the following month, except GSC benefits that are paid within a few days of the end of the month. The weighted average payroll and benefits expense lead is 18.48 days.

Table 8. Payroll and Benefits Lead

	Expenses ($ Million)	Service Lead	Payment Lead	Total Lead	Weighting Factor (%)	Weighted Lead
Payroll - Union	$19.9	7	6	13.00	32.46%	4.22
Withholdings - Union	$6.0	7.5	10	17.50	9.73%	1.70
Payroll and Withholdings - Management	$18.3	7	6	13.00	29.89%	3.89
Withholdings-Management	$5.7	7.5	10	17.50	9.30%	1.63
Pensions	$7.3	15.25	30.5	45.75	11.91%	5.45
WSIB	$0.2	15.25	30.5	45.75	0.27%	0.12
Benefits	$1.5	15.25	15	30.25	2.52%	0.76
GSC Benefits	$2.4	15.25	3	18.25	3.93%	0.72
Total	**$61.2**				**100.00%**	**18.48**

3.2.2 *Total OM&A*

The OM&A lead days are calculated based on the total payroll and benefits expense lead and total payments to vendors split by vendor terms. The expense lead is comprised of the service lead, in which the mid-point of the period is used, and the payment lead. Purchases without prepaid comprises of primarily of monthly invoices that are paid the following month. The overall weighted OM&A expense lead is 16.87 days.

Table 9. OM&A Lead

	Amount ($ Million)	Expense Lead (days)	Weighting Factor	Weighted Lead
Employees	$61.2	18.48	65.42%	12.09
Annual Prepaids	$4.2	-138.00	4.50%	-6.21
Quarterly Prepaids	$1.1	-0.63	1.13%	-0.01
Purchases Without Prepaid	$27.1	38.00	28.95%	11.00
Total	**$93.5**		**100.0%**	**16.87**

3.3 Interest on Debt

Elexicon Energy debt is primarily with two issuers. Debt with the largest issuer is paid monthly at the start of the month and debt with the other primary issuer is paid semi annually at the end of the period. The weighted average interest on debt expense lead is 5.34 days.

Table 10. Interest on Debt Lead

Debt Issuer	Total Paid ($) (Interest + Principal)	Service Lead (Days)	Payment Lead (Days)	Total Lead (Days)	Weighting Factor (%)	Weighted Lead
Issuer #1	$12.4	15.25	-30.50	-15.25	79.12%	-12.07
Issuer #2	$3.0	91.50		91.50	19.03%	17.41
Issuer #3	$0.0			0.00	1.85%	0.00
Total	**$15.6**					**5.34**

3.4 PILS

Elexicon Energy made regular monthly PILs payments of $50,000 in most months, typically on the last day of the month so there is no payment lead. A higher true-up payment was made in August, followed by three months without PILs payments as Elexicon Energy had a credit balance with the Ministry of Finance. The weighted PILs expense lead is 11.01 days.

Table 11. PILs Lead

Month	Payment Date	Amount ($)	Payment Lead	Service Lead	Total Lead	Weight	Weighted Lead
Jan-24	2024-01-31	$50,000	0.0	15.0	15.0	10.6%	1.58
Feb-24	2024-02-29	$50,000	0.0	14.0	14.0	10.6%	1.48
Mar-24	2024-03-31	$50,000	0.0	15.0	15.0	10.6%	1.58
Apr-24	2024-04-30	$50,000	0.0	14.5	14.5	10.6%	1.53
May-24	2024-05-31	$50,000	0.0	15.0	15.0	10.6%	1.58
Jun-24	2024-06-30	$50,000	0.0	14.5	14.5	10.6%	1.53
Jul-24	2024-07-31	$50,000	0.0	15.0	15.0	10.6%	1.58
Aug-24	2024-08-07	$73,472	-24.0	15.0	-9.0	15.5%	-1.40
Sep-24	2024-09-30	$50,000	0.0	14.5	14.5	10.6%	1.53
Oct-24						0.0%	0.00
Nov-24						0.0%	0.00
Dec-24						0.0%	0.00
Total		**$473,472**				**100%**	**11.01**

3.5 HST

Elexicon Energy collects HST on revenues, including cost of power and other revenues, and pays HST on cost of power and other expenses. The net amount is its HST payable, which is typically paid on the last day of the month.

Table 12. Net HST Lead

Month	HST Collected	Cost of Power	General Vendors	HST Paid	HST Payable
	A	B	C	D = B + C	E = A - D
Jan-24	$7.6	$5.5	$0.5	$6.0	$1.6
Feb-24	$6.6	$5.0	$0.6	$5.6	$0.3
Mar-24	$6.8	$4.7	$1.2	$6.0	$1.5
Apr-24	$7.0	$5.0	$0.8	$5.8	-$0.2
May-24	$6.2	$4.4	$1.1	$5.5	$0.2
Jun-24	$5.8	$4.6	$1.1	$5.7	-$0.3
Jul-24	$7.6	$5.5	$1.3	$6.9	$0.3
Aug-24	$8.0	$5.9	$1.5	$7.4	$1.6
Sep-24	$7.0	$6.1	$1.5	$7.5	-$0.8
Oct-24	$8.3	$5.7	$1.0	$6.8	$1.5
Nov-24	$6.0	$4.9	$1.6	$6.5	$0.5
Dec-24	$6.8	$5.9	$1.8	$7.7	$0.9
Total	**$83.7**	**$63.2**	**$14.1**	**$77.3**	**$7.3**

Table 13. Weighted Net HST Lead

Month	HST Payable	HST Payment Date	Payment Lead	Weight	Weighted Lead
Jan-24	$1.6	2024-01-31	30	21.64%	6.49
Feb-24	$0.3	2024-02-29	28	4.81%	1.35
Mar-24	$1.5	2024-03-31	30	20.94%	6.28
Apr-24	-$0.2	2024-04-30	29	-2.95%	-0.86
May-24	$0.2	2024-05-31	30	2.57%	0.77
Jun-24	-$0.3	2024-06-30	29	-3.51%	-1.02
Jul-24	$0.3	2024-07-31	30	4.04%	1.21
Aug-24	$1.6	2024-08-31	30	22.16%	6.65
Sep-24	-$0.8	2024-10-30	59	-10.59%	-6.25
Oct-24	$1.5	2024-10-30	29	21.01%	6.09
Nov-24	$0.5	2024-12-31	60	6.88%	4.13
Dec-24	$0.9	2024-12-31	30	13.00%	3.90
Total	**$7.3**				**28.75**

The weighted average HST lead is 28.75 days.

4. WORKING CAPITAL SUMMARY

Elexicon Energy's working capital summary is calculated below using the revenue lag from Section 2, expense leads from Section 3, and its forecast average 2027 to 2031 expenses. The average 2027 to 2031 working capital allowance for Elexicon is $44.7 million, or 6.62% of forecast cost of power and OM&A expenses. The working capital allowance percentage ("WCA %") is calculated as the working capital allowance divided by the sum of cost of power and OM&A expenses. Table 14 shows the details of the working capital calculation.

Table 14. Working Capital Summary

Budget Item Description	Revenue Lag Days	Expense Lead Days	Net Lag (Lead) Days	WCA Factor	Expenses ($ million)	WCA ($ million)	WCA (%)
Cost of Power	55.41	35.52	19.89	5.4%	$590.4	$32.1	
OM&A Expenses	55.41	16.87	38.54	10.5%	$85.0	$8.9	
Long Term Debt	55.41	5.34	50.07	13.7%	$20.7	$2.8	
PILs	55.41	11.01	44.40	12.1%	$2.2	$0.3	
Sub-Total					**$698.3**	**$44.1**	**6.54%**
HST (Net)	28.75		28.75	7.9%	$7.3	$0.6	
Total (inc. HST)					**$705.6**	**$44.7**	**6.62%**

Accordingly, Power Advisory recommends for Elexicon Energy to adopt a 6.62% working capital allowance for ratemaking purposes in its 2027 to 2031 rebasing application.

EXHIBIT 2A - TAB 3 - SCHEDULE 1: ATTACHMENT 1
"OEB APP.2-Z COMMODITY EXPENSE AND COST OF POWER"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

CAPITALIZATION POLICY

This schedule addresses section 2.2.9 of the OEB's Filing Requirements, which require an electricity distributor applying for rebasing to file its capitalization policy and identify any changes to its capitalization policy.

1. BACKGROUND

Elexicon was formed in 2019 via the merger of Veridian Connections and Whitby Hydro, neither whom had previously filed capitalization policies with the OEB prior to their respective transitions to IFRS effective January 1, 2015. As such, this application represents Elexicon's first rebasing application under MIFRS. Elexicon confirms that for the purpose of establishing Rate Base, provided as Exhibit 2A - Tab 1 - Schedule 1, Elexicon's capitalization practices conform with MIFRS.

2. CAPITALIZATION POLICY

A copy of Elexicon's current capitalization policy has been filed as Attachment 1 to this schedule.

3. CHANGES TO CAPITALIZATION POLICY

Elexicon's unified capitalization policy was finalized shortly after completion of the Veridian-Whitby Hydro merger, with a version date of May 11, 2020. Elexicon has not changed its capitalization policy since this original version date and confirms its capitalization practices comply with the policy.

4. OVERHEAD COSTS

Elexicon has completed and filed OEB Appendix 2-D regarding overhead costs associated with self-constructed assets, provided as Attachment 2 to this schedule.

5. BURDEN RATES

Elexicon employs burden rates as a means to allocate pooled costs which are directly attributable to bringing an asset to the location and condition necessary for service. Elexicon's burden rates are reviewed annually by its Finance department to ensure that only qualifying, directly attributable costs are capitalized. Elexicon's four categories for which burden rates are applicable are described below.

5.1 Stores Burden

Salaries and benefits of material handlers, associated information technology costs, supplies costs and warehousing costs. The stores burden is applied when any items are issued from the warehouse.

5.2 Fleet Burden

Expenses for mechanics, tools, protective equipment, fuel, external repairs, and depreciation of fleet. Vehicle hourly charge-out rates are periodically developed in consideration of the vehicle class cost and utilization rates. The hourly fleet burden is applied based on the time that each vehicle is used.

5.3 General Labour Burden

Employee benefits such as paid time leaves, statutory benefits (e.g. CPP & EI), and other benefits (e.g. pension plan expenses). Annually, a general labour burden rate is calculated as a percentage of the direct labour cost for available working hours. The general labour burden is applied on a per-hour basis based on employee timesheets.

5.4 Engineering Labour Burden

Tools (which are not capitalized due to their low value), and personal protective equipment. The engineering labour burden is calculated and applied in the same manner as the general labour burden.

6. LIST OF ATTACHMENTS

- Attachment 1: Capitalization Policy
- Attachment 2 (Excel): OEB Appendix 2-D Overhead Expense

EXHIBIT 2A - TAB 4 - SCHEDULE 1: ATTACHMENT 1
"CAPITALIZATION POLICY"
(REFER TO ATTACHMENT IN PDF FORMAT)

FI01-EE
Capitalization Policy
for
All Departments

Approved by Executive Leadership Team: 11-May-2020

Policy Owner: Manager, Financial Reporting & Controller

Revision History

Policy Issue Date	List of Changes or Reason for Issue	Policy Version #
11-May-2020	Original issue.	Version 1

Review Schedule

Every two years.

TABLE OF CONTENTS

1.0 Introduction

The rationale of recording expenditures as capital assets is to provide for an equitable allocation of costs among current and future periods, and thus for electricity distributors an equitable allocation of cost among existing and future customers.

As capital assets are expected to provide future economic benefits for more than a year, expenditures incurred for the acquisition, construction or development of capital assets should be capitalized and allocated over the estimated useful lives of the associated capital assets in the form of amortization/depreciation expense. All other expenditures should be expensed in the accounting period incurred.

1.1 Purpose

This capitalization policy describes the processes, criteria and guidelines to be used for proper determination of expenditures as either capitalized assets on the Balance Sheet or as period expenses to operations, and the conditions for de-recognition of capitalized assets.

Adherence to this policy is necessary to ensure proper classification of expenditures in accordance with International Financial Reporting Standards ("IFRS") and Ontario Energy Board ("OEB") regulatory reporting standards included in the Accounting Procedures Handbook ("APH").

1.2 Related Policies

The following policies and procedures include provisions related to elements of this Capitalization Policy:

- Disposal of Surplus Assets
- Leasing
- Guidelines on Lease, Rent, Buy Decisions

1.3 Scope and Responsibilities

This policy applies to the capitalization of assets for Elexicon Energy Inc. ("Elexicon").

1.4 Responsibilities

Within their specific functional areas of responsibility, Elexicon's staff is accountable to ensure proper classification of Elexicon's expenditures in accordance with IFRS and OEB regulatory reporting standards. Any issues of non-compliance with this policy and any associated policies and procedures that cannot be resolved at the management level must be raised to the CFO or CEO.

2.0 References

2.1 Ontario Energy Board – APH for Electric Distributors (dated December 2011, effective January 1, 2012), Article 410 – Property Plant & Equipment and Intangible Assets.

2.2 Ontario Energy Board – letter issued on July 17, 2012 to Electricity Distributors "Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013".

2.3 Ontario Energy Board – APH Frequently Asked Questions July 2012, Questions and Answers to #1 and #19; regarding regulatory policy direction to Electricity Distributors deferring adoption of IFRS and status of the "CGAAP-based" APH.

2.4 Chartered Professional Accountants Canada ("CPA") Handbook, Part I – IFRS Standards: IAS 16 Property, plant and equipment, IAS 23 Borrowing Costs, IAS 36 Impairment of Assets, IAS 237 Provisions, Contingent Liabilities and Contingent Assets, and IAS 38 Intangible Assets.

3.0 Criteria

Subject to the Materiality Limit level as outlined in 5.1, expenditures will be capitalized only if it meets recognition criteria as follows:

- The transaction or event has already occurred;
- It is probable that future economic benefits associated with the asset will flow to Elexicon (potential to contribute to the flow of cash);
- Elexicon can control the benefit;
- The cost of an item can be measured reliably.

Expenditures not meeting this recognition criteria will be expensed in the period incurred.

Capital assets include tangible and intangible assets (see 4.1, 4.2) and are expenditures for which the economic benefits are expected to extend over one or more accounting years.

Expenditures incurred relating to existing capital assets should be evaluated against the recognition criteria i.e., it is probable that future economic benefits will flow to Elexicon, Elexicon controls the benefit, and the cost can be measured reliably. Subsequent costs should be capitalized only if they meet the recognition criteria, otherwise, costs should be expensed.

Expenditures associated with the acquisition, development, construction or betterment of an asset should be capitalized as an asset and allocated/amortized over the estimated useful life of the asset.

Maintenance and non-major repairs associated with an asset should be recorded as a period expense to operations. These expenditures may be incurred to keep the capital asset in normal operating condition, but do not improve the value of the asset or prolong its life appreciably.

For complex transactions, or in the event of uncertainty surrounding the determination of expenditure to be capitalized or expensed to operations, or the applicability of Materiality Limit in 5.1, guidance should be sought from the Finance department.

4.0 Definitions

4.1 Tangible Assets

Property, plant and equipment (PP&E) are identified as tangible assets provided that they are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, such as distribution assets, equipment, land and buildings; and are expected to be used during more than one year.

4.2 Intangible Assets

An intangible asset is an asset that lacks physical substance; a non-physical resource which provides a benefit or advantage, such as computer software and capital contributions paid.

4.3 Goodwill

When an asset is acquired for a cost over and above the net amount of the acquired asset and assumed liability, the excess cost is considered goodwill.

4.4 Betterment/Major Repairs

A betterment is defined as the cost incurred to enhance the service potential of a capital asset. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs are lowered, the life or useful life is extended or the quality of the output of the asset is improved.

4.5 Development

The development of an asset includes preparation work for further capital work such as construction. Development may also refer to costs of intangible assets such as software development. Software development expenditures should be capitalized once the technical feasibility of the software has been established.

4.6 Construction

Construction refers to the costs to construct capital assets and include such items as the cost of labour, materials and supplies; transportation; work done by others; injuries and damages incurred in construction work; privileges and permits; special machinery services; borrowing costs; and such portion of overhead related costs as may be properly included in construction costs.

4.7 Maintenance and Repairs

Maintenance and minor repairs are the costs incurred in maintaining the service potential or normal operation level of an asset. They do not enhance the service potential, useful life or output of an asset. Expenditures for maintenance and repairs are expensed in the period in which they occur. Major repairs will be capitalized.

5.0 Guidelines

5.1 Materiality Limits

All expenditures for capital assets are subject to materiality limits as at times the administrative costs of capitalizing an asset may outweigh the intended benefits. While an expenditure may meet the definition of a capital asset, a level is set, which if the expenditure falls below, it is not capitalized. This level is known as the Materiality Limit.

Expenditures meeting the definition of a capital asset but costing less than the materiality limit $500 will not be capitalized and will be expensed, unless they are a component of like assets of which the value, when totaled, exceeds the materiality limit. An example of which may be the expenditure of a single instance software license which is a member of a like asset of software licenses.

5.2 Grouped Assets

Grouped assets are those assets that by their nature make identification of individual components impractical or irrelevant. Recognition criteria are applied to the aggregate value rather than to individual items. Grouped assets are managed as a pool for the purpose of amortization. Examples include poles, conductor, low voltage transformers and low value meters.

5.3 Readily Identifiable Assets

A readily identifiable asset is an asset that has a material unit cost for financial reporting purposes and can be individually tracked and recorded as a discrete asset unto itself. Accordingly, readily identifiable assets should be separately accounted for and depreciated over their estimated useful life. Examples include buildings, stations, vehicles, and meters of significant value.

5.4 Cost to be Capitalized

The capital asset cost is the amount of consideration given up to acquire, construct, develop, or better an item of property, plant and equipment and includes all costs directly attributable to the acquisition, construction, development or betterment of the asset including installing it at the location and in the condition necessary for its intended use. This may also include borrowing costs applied to construction work in progress, (refer to 5.6 and 5.7). Capital assets are recognized at cost.

After determination has been made that an expenditure should be capitalized, certain amounts are to be included in the cost of a capital asset as identified below:

i. Purchased capital assets include the purchase price and other acquisition costs such as option costs when an option is exercised, brokers' commissions; installation costs including architectural; design and engineering fees; legal fees; survey costs; site preparation costs; freight charges, transportation insurance costs, duties, and testing and preparation charges.

ii. Constructed assets include direct construction or development costs such as: labour; transportation; materials and supplies; contractors; design; permits; as well as overhead costs directly attributable to the construction or development activity which includes such portion of general engineering, administrative salaries and expenses, insurance, taxes and other similar items as may be properly included in construction. It may also include borrowing costs applied to construction work in progress (refer to 5.6 and 5.7), if applicable.

5.5 Burdens and their Allocation

PP&E is measured initially at its cost, which includes all expenditures that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, also included in the cost of self-constructed or acquired capital assets are directly attributable overhead burden costs.

Burdens are payroll benefits and overhead costs that are pooled and through the use of burden rates are allocated to the major work activities of: operating; maintenance; capital; and recoverable projects. The costs allocated to the work activities through burden rates are applied in accordance with IFRS.

These burden rates are reviewed and determined every year by the Finance department to ensure that only qualifying, directly attributable costs are capitalized.

Elexicon has four burdens that can result in capitalized costs and within each grouping there are a number of specific identified costs. These groups are:

i. Stores Burden

The stores burden is made up of material handlers' salaries (plus associated benefits), material handlers' computers, supplies costs, and warehousing costs.

Annually stores burden rates are calculated and applied as a percentage of material costs. The stores burden is applied when any items are issued from the warehouse and used in the major work activities mentioned above.

ii. Fleet Burden

The fleet includes large utility trucks, vans, trailers, boats, skidoos, and similar vehicles. The fleet burden includes: mechanics, mileage for mechanics, internal repairs, tools, protective equipment, fuel & external repairs, and the depreciation on the fleet.

Vehicle hourly charge-out rates are periodically developed considering costs per class of vehicle and utilization rates.

Elexicon tracks the time that each vehicle is used within the major work activities as identified above and applies the hourly fleet burden.

iii. General Labour Burden

The general labour burden includes employee benefits such as: paid time leaves and absences e.g. vacation, floater days, statutory holidays, and sick days; statutory benefits such as Canada Pension Plan, Employment Insurance benefits; as well as various other benefits including pension plan expenses, retiree benefits, long-term disability, dental, extended health and other miscellaneous employee benefits.

Annually, a general labour burden rate is calculated as a percentage of the direct labour cost for available working hours (total hours excluding overtime less non-available hours such as vacation, statutory holidays, etc.).

Employees use timesheets to record hours worked. These timesheets track time charged to jobs and whether the hours are capital, operating, maintenance, administration or overhead. The general labour burden rate is applied to the employees hourly rate (excluding overtime) as it gets charged to the jobs.

iv. Engineering Labour Burden

The engineering labour burden includes: health and safety costs; tools (not capitalized due to low value); and personal protective equipment used by field staff employees.

The engineering labour burden is calculated and allocated in the same manner as the general labour burden in (iii) above, with the exception that it is calculated and applied to Elexicon's field staff employees.

5.6 Construction Work in Progress

Capital costs for assets are recorded initially as construction work in progress ("CWIP") until such time as the asset is placed in-service. CWIP costs are under construction assets and are reported under property, plant and equipment or intangible assets respectively. When assets are placed in-service, the respective costs are transferred from CWIP to the appropriate tangible or intangible asset account and continue to be recorded under property, plant and equipment or intangible assets.

In-service assets status requires the asset to be substantially complete in construction or implementation, to be serving or be able to serve its final intended function or purpose. Examples of in-service assets would be:

a) distribution equipment fully built and energized and;

b) computer software in production (testing and implementation complete).

5.7 Borrowing Costs

For projects with construction duration of greater than six (6) months' a financing charge will be included in the cost of the asset and capitalized. The weighted average cost of long-term borrowing is used as the capitalization rate.

Capitalization of borrowing costs cease when the asset is substantially complete and ready for productive use.

5.8 Amortization

Only in-service assets will be amortized.

Effective January 1, 2012, capital assets are generally amortized with consideration given to information contained in the Depreciation Study for Use by Electricity Distributors (EB-2010-0178), ("Kinectrics Report") July 8, 2010 and reflect service lives suitable to Elexicon's particular circumstances, and reviewed annually. The Kinectrics report provides a range of service lives for components of PP&E and Elexicon is within that range.

Major components of PP&E are depreciated separately. The straight line method of depreciation is used to depreciate capital assets, except for land, over the estimated useful lives of the related assets.

One-half of a full year's depreciation is allowed for the asset in its first year when placed in-service regardless of when it was actually placed in-service.

A schedule of Asset Classes by components and their corresponding useful lives for purposes of amortization is appended as Schedule A.

5.9 Capital Spares and Stand-by Equipment

Major spare parts and stand-by equipment qualify as PP&E when an entity expects to use them during more than one period.

Spare transformers, switchgear, and meters are accounted for as capital assets as they are:

a) Expected to be used for more than a year and not intended for resale;

b) Costs can be reliably measured;

c) Have a longer period of future benefit as compared to inventory items;

d) Form an integral part of the original distribution plant by enhancing the system reliability of the original distribution plant;

e) Provide future benefits because they are expected to be placed in-service.

Spare and stand-by transformers, switchgear, and meters will not be amortized until placed in-service.

5.10 Leasehold Improvements

Expenditures incurred in the renovating of a structure/building leased for a period of more than one (1) year will be capitalized as leasehold improvements.

5.11 Decommissioning Costs

Where there is a legal or constructive obligation to remove and dispose of an asset at the end of its useful life, Elexicon recognizes a liability, known as a decommissioning provision (or an Asset Retirement Obligation), for future removal and handling costs for contamination in distribution equipment and for the future environmental remediation of certain properties, as assessed on a case to case basis.

Decommissioning or dismantling obligations may arise from contractual agreements (such as leases) or legislation governing the disposal requirements for an asset. When such obligations arise as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, a liability (measured at present value) will be recorded. The initial estimate of such a liability is included in the cost of the asset.

5.12 Derecognition (Removals and Disposals)

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

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Addendum A: Schedule of Useful Lives by Asset Class and Components

Schedule A - Schedule of Useful Lives by Asset Class and Components						
				Components		Useful Life (years)
Account	**Account Description**				**Account Description**	
1610	Miscellaneous Intangible Plant			a	Miscellaneous Intangible Plant	3
1725	Sub Trans Poles and Fixtures			a b	Wood Poles Concrete Poles	40 60
1730	Sub Trans Conduct etc Overhead			a b c	Conductor Load Interrupter Switch Disconnect In-Line Switch	60 20 40
1735	Sub Trans Conduit UG			a	Sub Trans Conduit UG	60
1740	Sub Trans Cond & Device-UG			a	Sub Trans Cond & Device-UG	40
1800	Land			a	Land	n/a
1806 (1612)	Land Rights			a	Land Rights	50
1808	Distribution Buildings and Fixtures			a	Distribution Building and Fixtures	50
1815	Transformer Station Equipment			a	Transformer Station Equipment removal costs	40
1820	Substations Note: Componentized by locations			a b c d e f g	Transformer High Voltage Switchgear Low Voltage Switchgear Breaker & Relay Building Structure, Oil Containment and Civil Works Cable Wholesale Meters	40 40 40 25 60 40 25
1830	Poles Towers and Fixtures			a b	Wood Poles Concrete Poles	40 60
1835	OH Conductors and Devices (non - 44KV)			a b c	Conductor(KM) Load Interrupter Switch Disconnect In-Line Switch	60 20 40
1840	Underground Conduit Primary Cable			a	DB Ductwork, PVC	60
1845	Underground Conductors and Devices			a b	Conductor Switchgear - Padmount	40 25

Schedule A - Schedule of Useful Lives by Asset Class and Components

				Components		Useful Life (years)
Account	**Account Description**				**Account Description**	
1850	Line Transformers			a	Padmount	30
				b	Polemount	40
1855	Service System - OH / UG			a	Overhead	50
				b	Underground	40
1860	Meters			a	Interval Meters	25
				b	Smart Meters	
				i	- Residential	15
				ii	- Commercial	15
				iii	- Collectors	15
1908	Buildings			a	Building Structure - Foundation	50
				b	Building - exterior	25
				c	Building - interior	15
	Note: Componentized by building locations			d	Building - HVAC	25
1905	Land			a	Land	n/a
1910	Leasehold Improvements			a	Leasehold Improvements	Term of the lease
1915	Office Furniture			a	Office Furniture	10
1920	Computer Hardware			a	Others	5
				b	Desktop	4
				c	Laptop	3
1925 (1611)	Computer software			a	Acquired software	3
				b	Internally generated software	5
1930	Vehicles			a	Light Vehicles	6
				b	Bucket Trucks	12
				c	Heavy Duty Trucks	15
				d	Tension Machine	20
1940	Tools & Equipment			a	Tools & Equipment	10
1945	Measure and Test Equipment			a	Measure and Test Equipment	10
1955	Communications Equipment			a	Communication Equipment	10
1960	Misc Equipment			a	Misc Equipment	10

Schedule A - Schedule of Useful Lives by Asset Class and Components						
				Components		Useful Life (years)
Account	**Account Description**				**Account Description**	
1980	System Supervisory Equipment SCADA system			a	System Supervisory Equipment	15
1935	Stores Equipment			a	Stores Equipment	10
1865	Other Installations on Customer Premises			a	Other Installations on Customer Premises	10

EXHIBIT 2A - TAB 4 - SCHEDULE 1: ATTACHMENT 2
"OEB APP.2-D OVERHEAD EXPENSE"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

RENEWABLE GENERATION CONNECTION RATE PROTECTIONS (RGCRP)

1. REQUEST FOR CONTINUATION OF RGCRP

Elexicon was approved rate protection for two previous projects, detailed below, and as those assets have not yet fully depreciated, is requesting a continuation of rate protection in accordance with Table 9, below.

This schedule includes an update to the actual costs incurred for the investments as well as a depreciation adjustment to calculate a new capital amount for input into Appendices 2-FA through 2-FC, provided in excel format as Attachment 1 to this schedule.

2. HISTORY OF RGCRP APPROVALS

When Veridian rebased in 2014 (EB-2013-0174), the OEB approved provincial rate protection payments under O.Reg 330/09 for a Renewable Enabling Improvement Project and a Renewable Expansion Project for the period of 2014 to 2018. One project was a microgrid project run by Elexicon, and the other project was an expansion required to connect a renewable generator.

In accordance with section 2.2.2.7 of the OEB's Chapter 2 Filing Requirements, Veridian was required to provide an update to the rate protection amounts in its next rebasing application, which was scheduled for 2019. However, due to a potential corporate merger at the time, Veridian instead elected to defer its 2019 application. In December 2018 the OEB approved the consolidation between Veridian Connections Inc. and Whitby Hydro Electric Corporation (EB-2018-0236) which permitted a ten-year deferred rebasing for the newly amalgamated company (Elexicon Energy Inc. formed on April 1, 2019). As a result of the approved rebasing deferral, Veridian did not have the opportunity to update the rate protection amount, so it proceeded with a standalone request post-merger in 2019.

In a letter to the OEB dated December 19, 2019, Elexicon made a request for a Renewable Generation Connection Rate Protection ("RGCRP") compensation amount of $217,996 ($18,166 per month) from the IESO for the renewable investments that were approved in the 2014 CoS decision and order. In the letter, Elexicon stated that it had only received IESO funding for one renewable expansion project and did not receive IESO funding for the microgrid project. Elexicon received a decision from the OEB confirming that the 2020 RGCRP Compensation Amount (EB-2019-0279) was approved and that it "… expects Veridian to

provide evidence supporting the actual amounts for these two projects in its 2021 rate proceeding (due to be filed in fall 2020) so that the OEB may be in a position to finalize these amounts. Veridian should also be providing evidence supporting the remaining enabling project should it be scheduled to go into service in 2021."

In EB-2020-0013, Elexicon filed evidence with regards to the renewable expansion and microgrid projects and requested the finalization of the 2020 interim amounts, as well as 2021 RGCRP funding for these two projects. Elexicon updated its evidence to extend its proposed RGCRP payments to 2028 (to account for the extended rebasing deferral period following amalgamation). The OEB approved the funding for the two projects as well as their proposed funding schedule set out in Table 2 below.

Table 1: Summary of the 2020 True Up Request

		2014	2015	2016	2017	2018	2019	2020	Total
MicroGrid	Required ($)	-	-	28,128	55,344	54,108	52,788	51,408	241,776
	Received ($)	-	-	-	-	-	-	-	-
Subtotal ($)		**-**	**-**	**28,128**	**55,344**	**54,108**	**52,788**	**51,408**	**241,776**
Renewable Generation Connection	Required ($)	12,036	24,300	24,588	24,912	25,176	25,080	24,936	161,028
	Received ($)	-11,568	-30,488	-36,600	-35,916	-35,232	-35,004	-	-184,808
Subtotal ($)		**468**	**-6,188**	**-12,012**	**-11,004**	**-10,056**	**-9,924**	**24,936**	**- 23,780**
Total requested for 2020 ($)									**217,996**

Table 2: 2021-2028 Funding

Years	2021	2022	2023	2024	2025	2026	2027	2028
Annual Amount Requested ($)	70,705	74,507	74,071	79,471	76,717	73,964	71,210	68,457
Monthly Amount Paid by IESO ($)	5,892	6,209	6,173	6,623	6,393	6,164	5,934	5,705

Table 3: Funding Breakdown[1]

Years	2021	2022	2023	2024	2025	2026	2027	2028
MicroGrid ($)	49,967	49,601	48,843	51,560	49,422	47,285	45,147	43,010
Renewable Generation Connection ($)	24,753	24,906	25,227	27,911	27,295	26,679	26,063	25,447
True Up[2] ($)	-4,014							
Total ($)	**70,705**	**74,507**	**74,071**	**79,471**	**76,717**	**73,964**	**71,210**	**68,457**

3. CURRENT STATUS OF ASSETS

Elexicon has provided an update on the status of the assets associated with the two previously approved projects below in Tables 4 and 5. The status of the two projects, and the forecasted value of the assets as of the end of 2026 show the microgrid project retains a NBV of $128,658, and the renewable connection project retains an NBV of $198,440.

Table 4: 2026 Status of Microgrid Assets

REI		End of 2026
Microgrid	Cost 100% ($)	429,231
	Accumulated Depreciation ($)	-300,573
	NBV ($)	128,658
	EE (%)	6%
	Province (%)	94%
	Collected from IESO ($)	538,454
	NBV Province ($)	120,939

Table 5: 2026 Status of Renewable Expansion Project

Expansion		End of 2026
Renewable Generation Connection	Cost 100% ($)	328,023
	Accumulated Depreciation ($)	-129,583
	NBV ($)	198,440
	EE (%)	17%
	Province (%)	83%
	Collected from IESO ($)	317,799
	NBV Province ($)	164,705

[1] Numbers may not sum due to rounding.
[2] Ontario Energy Board Staff noted that the 2020 interim RGCRP funding was immaterially overstated by $4,014. That difference has been included in the 2021 RGCRP funding as an offsetting amount.

In preparing the Appendix 2-FA and 2-FC schedules, Elexicon detected an error in the calculation of costs. The actual cost for the renewable generation connection project as per Elexicon's records is lower than what was used in the model in the funding request in EB-2020-0013. The result of this error is a difference between what was recovered from the province and what should have been recovered.

Based on the updated models, Elexicon will have over-collected $21,452 for the microgrid project, and $21,360 for the renewal generation connection project. The calculations of these over-collections are captured in Table 6, below. Elexicon is proposing to deduct these amounts in its updated funding request, at Table 9, below.

Table 6: Over-collected Amounts

Item	MicroGrid	Renewable Generation Connection
Project to Date ($)	518,002	296,439
Collected ($)	538,454	317,799
Over Collected ($)	-20,452	-21,360

3.1 Requested Funding for Approval in this Application

The revenue requirement for the assets related to the RGCRP approved projects is captured in Tables 7 and 8 below (and is reflected in appendices 2-FA through 2-FC). Elexicon calculated these amounts using the most up to date cost of capital parameters.

Table 7: Microgrid Project - Revenue Requirement

MicroGrid	2027	2028	2029	2030	2031
Provincial ($)	40,016	38,427	36,607	34,862	15,174
Direct ($)	2,554	2,453	2,337	2,225	969
Total Rev. Req. ($)	**42,570**	**40,880**	**38,944**	**37,087**	**16,143**

Table 8: Renewal Generation Connection Project - Revenue Requirement[3]

Renewable Generation Connection	2027	2028	2029	2030	2031
Provincial ($)	21,596	21,171	20,661	18,393	16,242
Direct ($)	4,423	4,336	4,232	3,767	3,327
Total Rev. Req. ($)	**26,019**	**25,507**	**24,893**	**22,160**	**19,568**

Elexicon is requesting Rate Protection in the amounts outlined in Table 9 below for each project. As noted, the over-collection identified has been deducted from the proposed amount for 2027.

Table 9: Funding Request

Total Provincial Protection	2027	2028	2029	2030	2031
MicroGrid ($)	40,016	38,427	36,607	34,862	15,174
Renewable Generation Connection ($)	21,596	21,171	20,661	18,393	16,242
True Up[4] ($)	-41,812				
Total ($)	**19,800**	**59,598**	**57,268**	**53,255**	**31,416**

4. LIST OF ATTACHMENTS

- Attachment 1 (Excel): OEB Appendix 2-FA RGC Investment Summary, OEB Appendix 2-FB Renewable Enabling Improvement Investments and OEB Appendix 2-FC Renewable Expansion Investments

[3] Numbers may not sum due to rounding.
[4] Over collected.

EXHIBIT 2A - TAB 5 - SCHEDULE 1: ATTACHMENT 1
"OEB APP.2-F RENEWABLE GENERATION CONNECTION"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

ADDITION OF PREVIOUSLY APPROVED ICM PROJECT ASSETS TO RATE BASE

1. HISTORY OF ELEXICON'S ICM PROJECTS

Over the course of its deferred rebasing period, Elexicon was approved for three incremental capital module projects, the Seaton Transformer Stations ("Seaton") (EB-2021-0015), the Bus Rapid Transit-Highway 2 project ("BRT") (EB-2021-0015), as well as the Whitby Smart Grid ("WSG") (EB-2022-0024).

Elexicon has calculated true ups on the Seaton and BRT approved projects, described in further detail below. The true up for the WSG will be provided later in the application process once Elexicon's 2025 approved financials are available. Elexicon has incorporated these projects into rate base in 2027.

In addition to the above, there are two ICM projects which were requested for approval in Elexicon's 2026 IRM, EB-2025-0046: the Sandy Beach Substation, and a HONI contribution for a new DESN at Belleville Transformer Station. Both of these projects are projected to go in service in late 2026 and are expected to be trued up in a subsequent rebasing application. The forecast costs of these projects have been included in Elexicon's rate base.

2. SEATON TS

The Seaton project entailed the construction of Seaton TS, a new 230 kV to 27.6 kV TS that serves the Pickering-Ajax-Whitby sub-region. Elexicon noted significant growth within the area, specifically within the Seaton development area, which is expected to cause load to exceed the capacity at the existing Whitby TS currently serving the area. The new Seaton TS alleviates capacity concerns and is owned and operated by Elexicon. In the OEB's Decision and Order for EB-2021-0015, no party took issue with the ICM request meeting the prudence, means and materiality tests. The OEB approved the funding for the project. Rate riders were approved, effective from January 1, 2022, until Elexicon's next rebasing application. The OEB-approved amounts are provided in Table 1 below.

Table 1: OEB-approved Amounts for Seaton TS

Description	OEB Approved
Capital Expenditure ($)	40,762,000
Annual Revenue Requirement ($)	3,404,259
Effective Date of Rate Rider	Jan 1, 2022
Sunset Date of Rate Rider	Dec 31, 2026

Elexicon has tracked project costs and variances and is providing a summary of the variance between approved spending and actual expenditures in Table 2, below.

Table 2: Variance Between Approved Amounts and Actual Expenditures

Description	OEB Approved	Actual	Variance
Capital Expenditure ($)	40,762,000	44,084,687	3,322,687
Annual Revenue Requirement ($)	3,404,259	3,574,025	

Details of the variance between approved spending and actual expenditure is provided in Table 3 below.

Table 3: Breakdown of Cost Variance

Costs	OEB Approved	Actuals	Variance	Explanation
Seaton TS - Miscellaneous Intangible H1 TS ($)	-	3,244,400	**3,244,400**	Related to Hydro One true-up of the Connection and Cost Recovery Agreement between Elexicon and Hydro One for the building of the transmission connection to Seaton MTS.
Seaton TS - Land Rights-Seaton MTS ($)	1,186,000	3,841,402	**2,655,402**	Costs related to Environmental Assessment were driven by additional archaeological and consultation costs related to the discovery of human remains on the site, later determined to be Indigenous.
Seaton TS - Transformer Station Equipment >50 kV ($)	35,626,000	33,419,576	**-2,206,424**	Major equipment costs including station Transformers, switchgear, primary metering came in lower than budgeted.
Seaton TS – SCADA ($)	2,500,000	1,454,907	**-1,045,093**	Overall spend on SCADA related equipment was less than forecasted in the ICM.
Total ($)	**40,762,000**	**44,084,687**	**3,322,687**	
Variance (%)			**8%**	

Elexicon provides a comparison of the approved revenue requirement and the actual revenue requirement to the amounts collected from customers in Table 4 below.

Table 4: Comparison of Revenue Requirement to Revenue Collected

Description	OEB Approved	Actual
Annual Revenue Requirement ($)	3,404,259	3,574,025
Total Revenue Requirement 2022-2026 ($)		17,870,125
Rate Rider Collected ($)		-17,735,011
Due from Ratepayers – Net ($)		135,114

A comparison of revenue requirement indicates Elexicon under-recovered $135,144 from ratepayers. However, given that the net amount owing is not material, Elexicon is not proposing rate rider recovery. The amounts recorded in the sub-accounts of Account 1508 - Regulatory Assets are captured in Table 5 below.

Table 5: Actual/Expected Amounts recorded for Seaton TS

Accounts	2026 Cumulative
1508 -Capital Expenditures ($)	44,084,687
1508 -Capital Expenditures cc ($)	7,132,048
1508 - Depreciation ($)	3,767,796
1508 - Accumulated Amortization ($)	-3,767,796
1508 - Rate Rider revenue ($)	-17,735,011
1508 - RR revenue cc ($)	-1,633,915

For carrying charges, Elexicon has used the rate of interest prescribed by the OEB for DVAs for the respective quarterly period as published on the OEB's website.

Elexicon is proposing to add to rate base $40,316,891 for the Seaton TS, as per Table 6, below.

Table 6: Amounts Proposed to be incorporated into Rate Base in 2027

Description	Seaton TS
Gross Fixed Assets ($)	44,084,687
Accumulated Depreciation ($)	-3,767,796
Net Fixed Assets ($)	40,316,891

3. BUS RAPID TRANSIT ("BRT") – HIGHWAY 2 PROJECT

The BRT Highway 2 project is a road relocation project initiated by transportation authorities (Metrolinx, Region of Durham, Durham Region Transit). Elexicon Energy was required to relocate its existing overhead and underground infrastructure along a section of Highway 2 to accommodate the expansion of the BRT network. This section of Highway 2 contains a mixture of overhead and underground assets which Elexicon Energy planned to relocate on a like-for-like basis. Elexicon Energy noted that this project was non-discretionary in accordance with its obligations under the *Public Service Works on Highways Act*. In the OEB's Decision and Order in EB-2021-0015, no party took issue with the ICM request, noting it met the need and prudence test. The OEB found the project was material in the context of Elexicon's 2022 capital budget. The OEB approved the funding for the project, and rate riders were approved, effective from January 1, 2022, to Elexicon's next rebasing application. The OEB-approved amounts are provided in Table 7 below.

Table 7: OEB-approved Amounts BRT

Description	OEB Approved
Capital Expenditure – Gross ($)	5,299,300
Capital Contributions ($)	-1,920,000
Capital Expenditure – Net ($)	**3,379,300**
Annual Revenue Requirement ($)	279,278
Effective Date of Rate Rider	Jan 1 2022
Sunset Date of Rate Rider	Dec 31 2026

A summary of the variance between approved spending and actual expenditure is provided in Table 8 below.

Table 8: Variance between approved and actual spending

Description	OEB Approved	Actual	Variance
Capital Expenditure – Gross ($)	5,299,300	8,264,614	
Capital Contributions ($)	-1,920,000	-2,900,128	
Capital Expenditure – Net ($)	**3,379,300**	**5,364,486**	**1,985,186**
Annual Revenue Requirement ($)	279,278	437,138	

Details of the variance between approved spending and actual expenditure is provided in Table 9 below.

Table 9: Details of Cost Variance[1]

Costs	OEB Approved	Actual	Variance
Hwy 2 BRT - Wood Poles, OH Conductor, UG Conduit ($)	1,560,883	1,041,275	-519,608
Hwy 2 BRT - UG Conductor ($)	1,118,417	1,468,584	350,167
Hwy 2 BRT - Switchgear ($)	700,000		-700,000
Hwy 2 BRT - Overhead Conductor & Devices-Conductors ($)		587,684	587,684
Hwy 2 BRT - Underground Conduit ($)		2,159,441	2,159,441
Hwy 2 BRT - Line Transformers-Padmount ($)		89,681	89,681
Hwy 2 BRT - Services-Overhead ($)		6,370	6,370
Hwy 2 BRT - S.C A.D.A. ($)		11,451	11,451
Total ($)	**3,379,300**	**5,364,486**	**1,985,186**
Variance (%)			59%

When comparing the project's actual expenditures to the OEB application, the reason for the variance is due to the timing of the ICM application. The application was filed prior to the completion of detailed design and field investigations. Later investigations revealed additional civil work that was required which was unknown at the time due to the region's road design not being finalized at the time the application was filed. Elexicon provides a comparison of the approved revenue requirement and the actual revenue requirement to the amounts collected from customers in Table 10 below.

Table 10: Comparison of Revenue Requirement to Revenue Collected

Description	OEB Approved	Actual
Annual Revenue Requirement ($)	279,278	437,138
Total Revenue Requirement 2022-2026 ($)		2,185,690
Rate Rider Collected ($)		-1,450,158
Due from Ratepayers – Net ($)		735,532

Elexicon calculated an amount owing from ratepayers in the amount of $735,532. Although the amount exceeds Elexicon's materiality threshold, Elexicon is not proposing recovery of the $735,532

[1] Numbers may not sum due to rounding.

shortfall. Elexicon's fixed asset schedule reflects inclusion of the Net Book Value of the actual costs to rate base. As noted, Elexicon will not be requesting recovery on the revenue deficiency identified in Table 10.

The amounts recorded in the sub-accounts of Account 1508-Regulatory Assets are in Table 11 below.

Table 11: Actual/Expected Amounts Recorded for BRT

Accounts	2026 cumulative
1508 -Capital Expenditures ($)	5,364,486
1508 -Capital Expenditures cc ($)	844,802
1508 - Depreciation ($)	467,196
1508 - Accumulated Amortization ($)	-467,196
1508 - Rate Rider revenue ($)	-1,450,158
1508 - RR revenue cc ($)	-133,708

Elexicon provided the total amount it proposes to be incorporated into rate base in Table 12 below.

Table 12: Amounts Proposed to be Incorporated into Rate Base in 2027

Description	BRT
Gross Fixed Assets ($)	5,364,486
Accumulated Depreciation ($)	-467,196
Net Fixed Assets ($)	4,897,290

Accelerated capital cost allowance (CCA) is not reflected in the ICM revenue requirement associated with these projects. Elexicon included the impact of the CCA rule change associated with the ICM project in Account 1592 - PILs and Tax Variances – CCA Changes sub-account for CCA changes.