OPERATIONS, MAINTENANCE AND ADMINISTRATION (OM&A) OVERVIEW

1. OVERVIEW

1.1 Introduction

Elexicon's proposed Operations, Maintenance & Administration (OM&A) expenditures are essential to the safe and reliable delivery of electricity for Elexicon's customers. Elexicon's OM&A forecast is informed by its investment planning process and the objectives of the Distribution System Plan (DSP), which balances customer preferences of affordability with sufficient capacity, responsible asset stewardship, and reliable service. Elexicon's OM&A plan reflects the minimum level of spending needed to meet Elexicon's regulatory obligations, protect public and employee safety, and maintain system reliability in a rapidly evolving utility sector.

This exhibit provides a comprehensive overview of Elexicon's OM&A expenditures from 2020 to 2031 segmented into the 2020 to 2024 historical period, the 2024 to 2027 bridge period, and the 2027 to 2031 test year and forecast period in accordance with the OEB's Filing Requirements. The program schedules (Tab 1, Schedules 2 to 6) that follow this overview detail the drivers for the historical, bridge, and forecast periods, how Elexicon has managed costs, the risks of insufficient funding, and how it has determined its requirements over the forecast period.

The historical period covers OM&A expenditures from 2020 to 2024, providing five full years of actuals. Elexicon adopted 2020 as the baseline year because 2020 was the first full year of operations following the merger of Whitby Hydro Electric Corporation ("Whitby") and Veridian Connections Inc. ("Veridian") on April 1, 2019, and provides a sufficient historical and relevant trajectory to establish cost trends and operational activities across the consolidated utility.[1]

[1] Elexicon's Mergers, Acquisitions, Amalgamations and Divestitures ("MAADs") Application, was approved in EB-2018-0236, dated December 20, 2018.

1.2 Elexicon's Evolving Operating Context and Key Drivers of Work

Elexicon's OM&A cost structure in its current rates was set well over a decade ago[2]. This level of funding does not reflect or respond to its current operating conditions, which includes challenges from declining system reliability, rapid customer and demand growth, accelerating sector change, and rising cyber threats. While distribution rates have been adjusted annually under the Price Cap IR mechanism to reflect inflationary changes, and the utility achieved OM&A synergies following consolidation (see Exhibit 1 - Tab 4 - Schedule 2), these measures have been insufficient to offset the costs driven by Elexicon's current operating environment.

Elexicon's total cost benchmarking results, prepared by Clearspring Energy Advisors, indicate that Elexicon's historical cost performance was competitive, and its forecast spending is expected to remain below the industry benchmark (see Exhibit 1 - Tab 5 - Schedule 1, Attachment 1). Despite significant cost drivers related to legacy technology, increasing customer connections, and scaling to meet current and future capacity demand, the analysis shows that Elexicon's cost-efficiency remains competitive within its peer group.

Since the previous rebasing rate applications for Whitby and Veridian, (for the 2011 and 2014 test years respectively), there have been significant shifts in cost drivers. The technology environment is transitioning from predominantly on-premise infrastructure, which was largely capitalized and recovered over time, to cloud-based solutions, which are subscription based and are almost exclusively expensed through OM&A.

Inflation at the time of the legacy utilities' prior rebasing applications was below 2%, and customer numbers were growing by 1% or less per year, with load growth rates diminishing.[3] At the time of these previous applications, neither legacy utility was expected to design its system with consideration of non-wires solutions, neither was responding to 1-in-100 year weather events on a regular basis, and both

[2] The last rebasing dates for the legacy utilities are: Whitby in EB-2009-0274 (2011 test year) and Veridian in EB-2013-0174 (2014 test year).

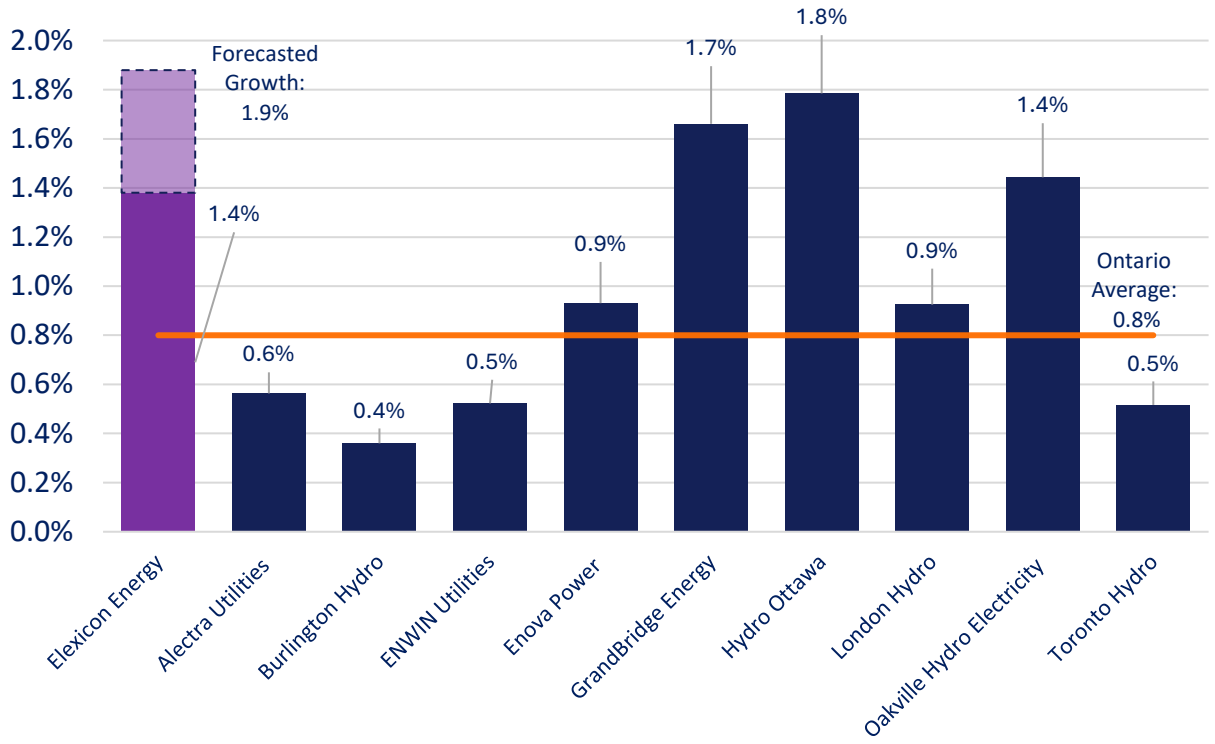
[3] In its previous COS, Veridian was experiencing downward pressure on retail load see EB-2013-0174, Exhibit 1, Tab 1, Schedule page 16. In Whitby's COS, filed in 2009, it was experiencing a downward trend in customer growth due to economic conditions, EB-2009-0274, Exhibit 1, page 32.

utilities were realizing year-over-year improvements in SAIDI.[4] Elexicon's current operating conditions, system needs, technology requirements, and capital expenditures have shifted substantially, warranting realignment of its underlying cost structure with its current reality.

Elexicon serves one of Ontario's fastest growing regions. Durham region grew by 9.3% from 2018-2023,[5] and the regional municipality is forecasting a near-doubling of its population by 2051, increasing from 725,000 to 1.3 million.[6] Over the past five years, this has resulted in Elexicon's overall customer growth increasing by 5.6%, which is higher than the overall Ontario increase of 3.4%. On an annual average growth (CAGR) basis, Elexicon's customer base grew by 1.4%, compared to 0.8% for the province, as shown in Figure 1 and discussed further in Elexicon's benchmarking analysis filed as Exhibit 1 - Tab 5 - Schedule 3. In addition to meeting the needs of customer growth and economic growth within Elexicon's service territory, Elexicon must also be able to respond to broader sectors trends of electrification, and changing customer preferences, such as the anticipated increase in Distributed Energy Resource (DER) connections.

[4] Ontario Energy Board, EB-2009-0274, Exhibit 2, page 105. EB-2013-0174, Exhibit 2, Tab 3, Schedule 3, pages 8-9.
[5] Region of Durham, "2023 Economic Development and Tourism Annual Report", page 3. https://www.durham.ca/en/economic-development/resources/PDF/Economic-Development-and-Tourism-Annual-Report-2023.pdf
[6] Region of Durham, "Envision Durham Regional Official Plan", page 9. https://www.durham.ca/en/doing-business/resources/Documents/PlanningandDevelopment/Envision-Durham/Approved-Durham-ROP-2024.pdf

Figure 1: Customer Growth (2020-2024)



Given its evolving needs and operating conditions, Elexicon's OM&A costs have increased in light of the necessary hiring for its scaling capital and maintenance work programs, and the costs of the digital infrastructure necessary to maintain secure and efficient operations.

The emerging risks and changes that developed in the historical period are expected to intensify throughout the forecast period, putting pressure on OM&A costs in bridge and forecast years. This reality has resulted in a gap in OM&A funding over the historical period that will reach $10.8M by 2026.[7] This shortfall warrants both early rebasing in 2027, two years earlier than scheduled, and a resetting of OM&A funding to allow the utility to achieve results for its customers (Elexicon's business case for early rebasing

[7] See Exhibit 1 – Tab 4 – Schedule 1, Appendix A.

is provided in Exhibit 1 - Tab 4 - Schedule 1). Deferring action would inhibit Elexicon's ability to address reliability and service quality, as well as security risks to both utility assets and digital systems.

Immediately following Elexicon's merger, Elexicon faced the onset of the Covid-19 pandemic, which disrupted operations and necessitated emergency response planning and pandemic relief initiatives. The post-pandemic period coincided with an operational ramp-up in workforce levels and capital and maintenance expenditures, as outlined below, and further detailed in Section 4, to meet the following key drivers of work, deliver value to customers, and fulfil Elexicon's obligations as a regulated utility.

1.2.1 Scaling operations to deliver capital plan and address capacity and load growth

Scaling of staff and operations in the System Planning and Design Program and the System Operations Program commenced in the historical period and will continue in the forecast period to address constraints and prepare for load growth demand. This demand is evident in the increasing levels of customer connection requests, especially those related to large users. For example, from 2022 to 2024, Elexicon's service area experienced a 140% increase in the number of connection applications and inquiries over 1 MW, rising from 15 requests in 2022 to 36 in 2024.[8] Total load requirements surged from 28 MW in 2022 to 166 MW in 2024. In the first nine months of 2025, Elexicon quoted at least 11 expansion projects for approximately $27.6M for loads of less than 5 MW, which reflects accelerating capacity needs from existing customers. This trend reflects a significant acceleration in development activity and power demands across the region. Much of this development is in response to the Ontario government's focus on economic growth and supporting industrial expansion in Ontario.

Elexicon acquired load forecasting and system planning expertise to address existing capacity constraints, and to prepare for future growth. Such workforce additions, although driven by capital investment needs, impact OM&A costs as only a portion of total labour costs are capitalized, and all workforce growth has a downstream impact on technological requirements (e.g. software user licensing) and training needs, which are also expensed. In addition, as the number of system assets increases, the volume of

[8] For more detailed discussion of load growth and connection requests trends, see Elexicon's DSP Overview, Exhibit 2B - Tab 1 – Schedule 1, sections 1.1 and 2.1.

maintenance activities also increases, requiring additional resources to ensure reliability, safety and compliance.

1.2.2 Addressing maintenance needs and improving reliability

Increased funding for asset maintenance and vegetation management activities in Elexicon's Sustainment Program is required to ensure that the distribution system operates safely, that enhanced maintenance needs required to keep aging infrastructure in good condition are addressed, and that reliability can be restored to historical levels. Elexicon's maintenance workplan for the forecast period will optimize maintenance activities by leveraging data-driven planning and predictive analytics. By better targeting maintenance activities, Elexicon's approach can reduce unplanned outages, avoid costly emergency repairs, and lower total lifecycle costs by extending asset life and minimizing premature replacements. Targeted use of technology further improves efficiency and reliability.

1.2.3 Modernizing and de-risking Elexicon's technology systems

Elexicon is modernizing its information technology (IT) systems through initiatives such as Dx NEXT and Modern Workplace (see Common Corporate Program in Exhibit 4 - Tab 1 - Schedule 6) to mitigate increasing cyber risks that could disrupt grid operations, compromise customer data, and create significant safety and financial exposure. These investments also ensure compliance with evolving cyber security, privacy, and information management requirements while building a scalable foundation for efficient operations, integrated data systems, and advanced analytics. As part of Dx NEXT, Elexicon must expense implementation, support, and sustainment costs for its cloud-based Customer and Enterprise Resource Platform (ERP) platform in line with standard accounting treatment for cloud technologies.

Elexicon has also implemented some grid modernization technologies to reduce manual intervention, but progress has been limited. Additional investments in Operational Technology are required to achieve the grid visibility and automation needed to cost-effectively improve reliability in the near term and enable greater customer choice and control in the future.

1.2.4 Meeting customer expectations

The work priorities described in the Customer Care and Common Corporate Programs are required to improve customer experience and prepare for evolving customer needs. These programs include the

delivery of enhancements to Elexicon's online customer portal, and preparation for the increasing complexity of inquiries related to detailed billing history, consumption patterns, scenario-based assessments beyond traditional billing questions, technical support for large accounts, and assistance with affordability concerns. Elexicon must ensure its customers can communicate with the utility through their preferred channels, and have access to current, relevant, and comprehendible information about their bills, changes to rates, outages and emergency events, as well as policy changes that impact their power consumption choices.

1.2.5 Building capacity and internal expertise to support business growth requirements

Foundational investments are necessary for Elexicon to develop organizational capabilities designed to meet its needs to maintain operational stability in a tight and competitive labour market, meet increasing stakeholder expectations for coordination and highly complex interactions, manage a high volume of policy, regulatory and legal work, and build sufficient financial and treasury capabilities to support a growing number of transactional activities and secure debt financing for a growing capital program.

1.2.6 Responding to rising external costs

Additional funding is required to address a range of external cost drivers across the OM&A Programs that are expected to persist in the forecast period, including rising insurance premiums, bad debt expenses, increased expenses for locates, software subscription and licenses, and increased security measures to address thefts and limit financial exposure from unforeseen events.

1.3 Exhibit Structure

In addition to the overview of Elexicon's historical and forecast OM&A expenditures provided in this schedule, this exhibit includes the following:

- Detailed description of OM&A programs, and component segments:
  - System Planning and Design (Exhibit 4 - Tab 1 - Schedule 2)
  - System Operations (Exhibit 4 - Tab 1 - Schedule 3)
  - Sustainment (Exhibit 4 - Tab 1 - Schedule 4)
  - Customer Care (Exhibit 4 - Tab 1 - Schedule 5)

- Common Corporate (Exhibit 4 - Tab 1 - Schedule 6)
  - Dx NEXT Project Summary (Exhibit 4 - Tab 1 - Schedule 6 - Appendix A)
- Description of workforce planning and compensation programs, including planned FTE increases over bridge years and forecast period (Exhibit 4 - Tab 2 - Schedule 1).
- Summary of shared services and corporate allocations factored in the OM&A forecast (Exhibit 4 - Tab 3 - Schedule 1).
- Purchase of Non-Affiliate Services (Procurement Policy) (Exhibit 4 - Tab 3 - Schedule 2).

2. ELEXICON'S OM&A PLANNING PROCESS AND OBJECTIVES

2.1 Development of Elexicon's OM&A Plan

Elexicon's preparation and testing of its OM&A plan reflects its disciplined, customer centric approach to long-term business planning. To support early rebasing, Elexicon commenced its business planning process in May 2024 for the 2025-2031 period. This represented the merged utility's first long-term planning cycle, with planning anchored in Elexicon's system needs and aligned with customer input delivered through a two-stage process in 2024 and 2025. The initial stage entailed a bottom up, needs-based assessment of OM&A requirements across every line of business. This stage began with a qualitative customer preferences engagement between January and June 2024, as detailed in Exhibit 1 - Tab 7 - Schedule 1. Feedback from the initial survey showed that customers prioritized delivering electricity at reasonable rates, providing reliable service, and ensuring the grid is resilient against severe weather events.

Elexicon balanced the bottom-up plan against three strategic parameters informed by customer feedback, asset conditions, and system needs:

1. addressing capacity constraints and meeting forecast customer demand,
2. restoring reliability to historical levels of performance, and
3. maintaining a five-year annual average distribution bill impact[9] of less than 10%.

[9] Subtotal A was used for this parameter, representing the portion of the customer bill associated with a distributor's costs.

Elexicon's initial needs-based plan, which was developed using high-level costing assumptions, exceeded the distribution bill impact strategic parameter of 10%. Although all identified costs in that plan were considered necessary and urgent, Elexicon challenged itself to find cost mitigation strategies that would better balance affordability with the utility's operational and business needs.

2.2 Mitigating Rate Impacts Through Paced OM&A Spending

As part of its budgeting process, Elexicon strategically paced its spending in 2027 and 2028, delaying certain necessary operating expenditures over multiple years to distribute costs and align recovery with customer affordability objectives and ensure a more gradual impact on rates. This approach avoids concentrated upfront rate-changes but introduces higher near-term operational risk. An additional $1 million in incremental maintenance funding is paced out to 2028. Elexicon also staggered the onboarding of 16 employees to reduce 2027 labour costs by $1.7 million and is proposing $19.5[10] million in ERP implementation costs be recovered over a 10-year period rather than recovering them all in 2027, aligning cost recovery with the service term of the solution. Elexicon was also able to shift approximately $1.6 million in OM&A costs related to AMI 2.0 to align with anticipated deployment, which is also paced to mitigate bill impacts in the Test Year.

The resulting OM&A plan is a constrained, targeted investment strategy that prioritizes core business and operational functions while managing rate impacts. It aligns with customer feedback and supports long-term service delivery.

2.3 Elexicon's Workforce Planning Process

Table 1: Planned Workforce FTE Additions – 2027 to 2031

	2027	2028	2029	2030	Total
Planned FTE additions	22	16	12	4	54
Annual Share of Total Planned FTE Additions	40.7%	29.6%	22.2%	7.4%	100%

[10] This is the third and final portion of Dx NEXT implementation costs. The first and second phases of implementation occur in the 2025 to 2026 period, the costs of which are tracked in the Cloud Computing Implementation Account. Elexicon is proposing the final phase of implementation costs forecasted for 2027 be included in that account and recovered over a ten-year period commencing in 2027, see Exhibit 9 - Tab 3- Schedule 5.

Elexicon's workforce planning process is an essential element of its overall OM&A planning process. Elexicon must ensure it has the right workforce in place to deliver on its 2027-2031 forecast capital and maintenance plans safely and efficiently, improve and maintain service quality, and achieve core outcomes such as reliability and hardening against severe weather events. Insufficient staffing is imprudent as it would compromise the utility's ability to deliver core services and outcomes that are valued by customers (see Exhibit 1 - Tab 7 - Schedule 1). Similarly, reducing compensation costs in an effort to reduce OM&A is not feasible. Elexicon's compensation is below market (see Exhibit 4 - Tab 2 - Schedule 1). Competitive compensation is essential to attract and retain the skilled talent needed to meet growing demands, deliver on customer expectations and ensure operational stability.

Table 1, above, summarizes the planned workforce FTE additions for the forecast period, with some initial hiring in 2027 and 2028 to meet operational needs, followed by a tapering of incremental hires in later years as critical resource requirements and system reliability are addressed during capital and maintenance program expansion.

To respond to and prepare for these requirements, Elexicon needs to have staff in place with sufficient expertise and capacity. This requires immediate workforce investment to recruit, train, and integrate staff who will be ready and capable of handling the volume and complexity of work required by system needs and the evolving electricity sector. Much like physical grid assets, a qualified and capable workforce takes years to plan, acquire, and build.

Elexicon is also investing in an apprenticeship program for System Operators in the Control Centre to address the shortage of skilled resources in an increasingly competitive labour market across the province. This investment is expected to build a sustainable complement of qualified operators and ensure long-term operational stability (see Exhibit 4 - Tab 1 Schedule 3 and Exhibit 4 - Tab 2 - Schedule 1).

Operational benefits and expected productivity related to OM&A from the implementation of a cloud-based ERP system have been incorporated into the forecast OM&A expenditures through labour efficiencies (see Dx NEXT project summary filed as Exhibit 4 - Tab 1 - Schedule 6, Appendix A). These efficiencies allow staffing levels in key functions to remain stable even as transaction volumes increase.

Elexicon has factored in labour savings across the segments of the Customer Care program as well as in the Finance segment despite significant projected increases in work requirements.

In the Customer Care program, these efficiencies reduce the number of FTEs that would otherwise have been required to manage a growing customer base. As the number of customers increases, the volume of interactions also rises, such as more billing transactions and customer service inquiries.

In Finance, savings are expected from streamlined financial operations and automated reporting that will reduce manual processing, despite the growing capital program and expanded business operations that have significantly increased the volume and complexity of interactions with other business units, requiring greater coordination and support. These efficiencies help offset the additional workload that would otherwise have required more resources. Elexicon anticipates financial operations such as reporting, planning, accounting, project billing and treasury operations can reduce some manual processes, reduce errors, and automate reporting.

2.4 Service Quality and Performance Outcomes

Elexicon's OM&A program is aligned with the Renewed Regulatory Framework outcomes, as measured by the OEB's Electricity Distributor Performance Scorecard, provided in Exhibit 1 - Tab 6 - Schedule 2. Under the Service Quality performance category, Elexicon achieved steady improvements from 2020 to 2024 and exceeded industry targets despite significant challenges and the need to adapt to numerous changes. By 2024, Elexicon had met or exceeded all customer-focused performance outcomes for measures with established industry targets under the service quality and customer satisfaction categories, including services connected on time (98%), scheduled appointments met on time (99%), calls answered on time (75%), and billing accuracy (99%). Elexicon also significantly improved its execution, raising its DSP implementation progress from 77% in 2020 (which was impacted by restrictions and delays during the onset of Covid-19 pandemic) to 115% in 2024. These metrics include the operational disruptions caused by the Covid-19 pandemic, evolving regulatory requirements that introduced new compliance obligations, and a rapidly growing customer base that increased service demand and complexity. In terms of customer satisfaction, Elexicon realized slight improvements, posting a 95% satisfaction score in 2024, an improvement of 5% from its 2022 customer satisfaction survey.

The area where Elexicon's trend did not meet the established target set for distributors, was in its decreasing reliability performance as measured by the System Average Interruption Duration Index (SAIDI) under the System Reliability category within the Operational Effectiveness performance outcome, with defective equipment being the largest contributor to deteriorating performance. Addressing this decline is a key focus of targeted investments during 2027–2031 forecast period, specifically in underground, overhead, and substation system renewal, grid enhancements, and voltage and system conversion (see DSP Overview, Exhibit 2B - Tab 1 - Schedule 1) as well as through enhancements to the maintenance performed within Elexicon's Sustainment Program. Elexicon's approach reflects its commitment to deliver value to customers through reliable, cost-effective, and high-quality service even as its operations grow to meet increasing demand. As part of Elexicon's commitment to the performance outcomes of the business plan, a proposed custom scorecard is presented in Exhibit 1 - Tab 6 - Schedule 1.

3. QUANTIFICATION OF OM&A PROGRAMS AND COST SEGMENTATION

3.1 Elexicon's Grouping and Presentation of OM&A Costs

Elexicon's OM&A costs are presented in this exhibit by program, with five programs in total: System Planning and Design, System Operations, Sustainment, Customer Care, and Common Corporate. Each program represents a grouping of related functions. Within each program, costs are further broken into segments that align with the nature of work performed and that consolidate activities supportive of a common service objective. Schedules in this exhibit include associated cost drivers, efficiencies implemented to manage costs, variance explanations, and considerations related to the risk of insufficient funding. Elexicon's materiality threshold for this application is approximately $700K.[11] Where appropriate, segment-level variance analyses include explanations for OM&A variances below this threshold to provide context for expenditures, demonstrate cost management efforts, and highlight potential risks associated with insufficient funding.

Tables 2, 3, and 4 provide a comprehensive view of all OM&A spending at the program and segment level for the historical, bridge and forecast periods, respectively. Tables 2 and 3[12] include both total costs and

[11] See Exhibit 1 - Tab 2 - Schedule 1A.
[12] Figures in these tables have been rounded.

net costs, where net costs are the segment costs less amounts tracked in a deferral or variance account (DVA). For segments where a portion or all historical or bridge costs are tracked in a DVA, Elexicon has included those amounts to capture all related expenses and align with cost drivers and has noted the adjustments at the bottom of each table. No adjustments of this nature are required in the forecast period. Each table also presents the compound annual growth rate (CAGR) for each program across the historical, bridge and forecast periods, to assess the pace of change in costs over time and compare spending trends across periods.

For the Locates segment, adjustments were made pursuant to Accounting Order 002-2023, which established the Getting Ontario Connected Act ("GOCA") variance account to capture incremental costs arising from Bill 93 and to record the approved base-rate OM&A amount as Other Revenue. The adjustment to the Regulatory Affairs segment costs refers to a portion of the costs that are recorded in Group 2 variance accounts, including Account 1518 for retail service cost variances, Account 1548 for service transaction request variances, and Account 1508 sub-accounts for OEB cost assessments and LEAP EFA funding.

LEAP program and regulatory one-time costs are included within the Regulatory Affairs segment. Charitable donations are not recovered through regulated rates, and Elexicon confirms that no political contributions have been included.

Table 2: Cost Table By OM&A Program and Segment ($M)–Historical Period (2020-2024)

Programs	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	CAGR 2020-2024
System Planning and Design						
Asset Planning & System Engineering	0.46	0.46	0.57	0.47	0.95	
Design Services & Connections	1.01	1.06	0.94	0.82	0.89	
System Planning and Design Sub-Total	1.46	1.52	1.50	1.29	1.84	6.0%
System Operations						
Control Centre	1.75	1.94	2.18	1.97	2.38	
Operations	2.76	3.16	3.16	2.97	3.04	
System Operations Sub-Total	4.51	5.10	5.34	4.94	5.43	4.7%
Sustainment						
Maintenance	4.75	3.32	3.37	3.24	7.24	
Maintenance - Distribution System	3.80	2.30	2.49	2.21	2.78	
Maintenance - Substations	0.96	1.02	0.88	1.03	4.47	
Restoration (storms, trouble calls)	1.66	1.70	1.78	2.32	2.42	
Vegetation Management	1.03	1.32	1.17	1.33	1.61	
Locates	1.23	1.11	1.24	1.68	1.89	
Sustainment Sub-Total	8.68	7.44	7.57	8.57	13.16	11.0%
Customer Care						
Billing	3.19	3.47	3.45	3.03	3.37	
Customer Experience/Contact Centre	2.77	2.95	3.52	4.19	4.57	
Payments & Collections	4.14	3.03	2.11	2.08	2.59	
Metering & Wholesale Settlements	3.36	3.21	2.94	2.86	2.96	
Customer Care Sub-Total	13.46	12.65	12.02	12.15	13.49	0.1%
Common Corporate						
Technology	2.78	3.31	4.18	4.91	5.27	
People & Culture	2.09	3.10	3.08	4.10	4.88	
Finance	3.43	3.67	3.92	3.52	3.59	
Procurement & Facilities	1.77	0.78	1.31	1.21	1.17	
Regulatory Affairs	1.48	1.62	1.44	3.12	2.69	
Stakeholder Relations	0.40	0.90	1.41	1.21	1.34	
Legal and Corporate Secretariat	2.55	3.03	3.42	3.58	3.54	
Common Corporate Sub-Total	14.51	16.41	18.76	21.65	22.46	11.5%
Total Recoverable OM&A	**42.62**	**43.13**	**45.19**	**48.60**	**56.38**	**7.2%**
Adjustments						
Common Corporate						
Less: Regulatory Affairs Adjustment	-0.32	-0.21	-0.28	-0.37	-0.90	
Net Regulatory Affairs	1.16	1.41	1.16	2.75	1.79	
Net Common Corporate Sub-Total	14.19	16.20	18.49	21.28	21.56	11.0%
Sustainment						
Less: Locates Adjustment	0.00	0.00	0.00	-1.57	-1.89	
Net Locates	1.23	1.11	1.24	0.11	0.00	
Net Sustainment Sub-Total	8.68	7.44	7.57	7.00	11.27	6.8%
Net Total Recoverable OM&A	**42.30**	**42.92**	**44.92**	**46.66**	**53.60**[13]	**6.1%**

[13] Certain one-time costs have been excluded from the 2024 OM&A, [REDACTED] to provide a normalized trend of Elexicon's year-over-year OM&A expenditures.

Table 3: Cost Table By OM&A Program and Segment ($M)–Bridge Period (2024-2027)[14]

Programs	2024 Actuals	2025 Bridge Year	2026 Bridge Year	2027 Test Year	CAGR 2024-2027
System Planning and Design					
Asset Planning & System Engineering	0.95	1.03	1.12	1.53	
Design Services & Connections	0.89	0.85	0.89	1.08	
System Planning and Design Sub-Total	1.84	1.87	2.01	2.61	12.2%
System Operations					
Control Centre	2.38	2.95	2.87	2.70	
Operations	3.04	2.99	3.21	3.40	
System Operations Sub-Total	5.43	5.94	6.08	6.10	4.0%
Sustainment					
Maintenance	7.24	4.47	5.23	6.23	
Maintenance - Distribution System	2.78	2.66	3.36	3.95	
Maintenance - Substations	4.47	1.81	1.87	2.28	
Restoration (storms, trouble calls)	2.42	2.83	2.49	2.33	
Vegetation Management	1.61	1.85	1.77	1.97	
Locates	1.89	2.30	2.10	2.18	
Sustainment Sub-Total	13.16	11.45	11.59	12.71	-1.2%
Customer Care					
Billing	3.37	3.56	3.71	4.00	
Customer Experience/Contact Centre	4.57	4.86	5.15	5.40	
Payments & Collections	2.59	3.01	3.23	3.29	
Metering & Wholesale Settlements	2.96	3.33	3.35	3.55	
Customer Care Sub-Total	13.49	14.76	15.44	16.23	6.4%
Common Corporate					
Technology	5.27	6.83	6.80	12.09	
People & Culture	4.88	5.51	6.15	6.86	
Finance	3.59	4.12	4.69	5.25	
Procurement & Facilities	1.17	1.05	1.26	2.18	
Regulatory Affairs	2.69	2.74	3.17	4.65	
Stakeholder Relations	1.34	1.46	1.51	1.71	
Legal and Corporate Secretariat	3.54	4.97	5.89	6.89	
Common Corporate Sub-Total	22.46	26.67	29.46	39.61	20.8%
Total Recoverable OM&A	**56.38**	**60.69**	**64.58**	**77.26**	**11.1%**
Adjustments					
Common Corporate					
Less: Regulatory Affairs Adjustment	-0.90	-0.23	-0.67	0.00	
Net Regulatory Affairs	1.79	2.52	2.49	4.65	
Net Common Corporate Sub-Total	21.56	26.45	28.79	39.61	22.5%
Sustainment					
Less: Locates Adjustment	-1.89	-2.30	-2.10	0.00	
Net Locates	0.00	0.00	0.00	2.18	
Net Sustainment Sub-Total	11.27	9.15	9.49	12.71	4.1%
Net Total Recoverable OM&A	**53.60**	**58.17**	**61.81**	**77.26**	**13.0%**

[14] Numbers may not sum due to rounding.

Table 4: Cost Table By OM&A Program and Segment ($M)–Forecast Period (2027-2031)

Programs	2027 Test Year	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	CAGR 2027-2031
System Planning and Design						
Asset Planning & System Engineering	1.53	1.67	1.73	1.82	1.86	
Design Services & Connections	1.08	1.17	1.23	1.26	1.29	
System Planning and Design Sub-Total	2.61	2.84	2.96	3.08	3.15	4.8%
System Operations						
Control Centre	2.70	2.88	3.05	3.13	3.20	
Operations	3.40	3.58	3.66	3.76	3.84	
System Operations Sub-Total	6.10	6.46	6.71	6.89	7.05	3.7%
Sustainment						
Maintenance	6.23	7.24	7.16	7.47	7.64	
Maintenance - Distribution System	3.95	4.90	4.73	4.88	5.00	
Maintenance - Substations	2.28	2.33	2.43	2.59	2.64	
Restoration (storms, trouble calls)	2.33	2.42	2.47	2.53	2.59	
Vegetation Management	1.97	2.69	2.82	2.89	3.13	
Locates	2.18	2.22	2.44	2.49	2.54	
Sustainment Sub-Total	12.71	14.56	14.89	15.38	15.90	5.8%
Customer Care						
Billing	4.00	4.05	4.07	4.06	4.05	
Customer Experience/Contact Centre	5.40	5.40	5.53	5.67	5.80	
Payments & Collections	3.29	3.43	3.64	3.58	3.66	
Metering & Wholesale Settlements	3.55	5.25	4.58	4.67	4.75	
Customer Care Sub-Total	16.23	18.13	17.81	17.98	18.26	3.0%
Common Corporate						
Technology	12.09	12.86	12.46	12.77	13.22	
People & Culture	6.86	7.14	7.35	7.55	7.72	
Finance	5.25	5.53	5.97	6.33	6.47	
Procurement & Facilities	2.18	2.28	2.36	2.45	2.54	
Regulatory Affairs	4.65	4.93	4.99	5.06	5.12	
Stakeholder Relations	1.71	1.93	2.18	2.23	2.28	
Legal and Corporate Secretariat	6.89	7.38	8.32	8.72	9.13	
Common Corporate Sub-Total	39.61	42.05	43.64	45.11	46.49	4.1%
Total Recoverable OM&A	**77.26**	**84.05**	**86.00**	**88.45**	**90.84**	**4.1%**

Elexicon has completed OEB Appendices 2-JA, 2-JB, 2-JC and 2-L, which are attached to this schedule in Excel format as Attachments 1 and 2, respectively. The tables with the historical and bridge periods present gross amounts to align with cost drivers. The amounts presented above in Tables 2 to 4 correspond to Appendix 2-JC with adjustments shown for deferral and variance accounts.

For the Locates segment, adjustments were made pursuant to Accounting Order 002-2023, which established the Getting Ontario Connected Act ("GOCA") variance account to capture incremental costs arising from Bill 93 and to record the approved base-rate OM&A amount as Other Revenue. The adjustment to the Regulatory Affairs segment costs refers to a portion of the costs that are recorded in Group 2 variance accounts, including Account 1518 for retail service cost variances, Account 1548 for service transaction request variances, and Account 1508 sub-accounts for OEB cost assessments and LEAP EFA funding.

LEAP program and regulatory one-time costs are included within the Regulatory Affairs segment. Charitable donations are not recovered through regulated rates, and Elexicon confirms that no political contributions have been included.

4. KEY DRIVERS OF OM&A WORK

As described in Section 1.2 above, Elexicon is contending with emerging and intensifying drivers of work that have increased OM&A costs in the following six key areas. Each is described in detail below. Adequate labour and technology resourcing to address these drivers is foundational to Elexicon's ability to serve customers effectively. Each one reflects an imperative to address current and emerging risks and drivers of work, and deliver the outcomes valued by Elexicon's customers.

4.1 Scaling operations to deliver capital plan and address capacity and load growth

4.1.1 Historical Period

The power needs of Elexicon's services territories increased significantly, especially from residential connections and upgrades, and commercial load growth. The size of connection requests, especially those of large users has significantly increased over the historical period. During this period, Elexicon's average annual total customer numbers increased by 1.4%, whereas the province itself increased by only 0.8%. This trend has led to higher connection volumes and system capacity requirements, increasing the need for dedicated load-forecasting and system planning expertise and resources available to handle complex large connection inquiries, and sufficient planning capacity to support the projects needed to expand and upgrade Elexicon's distribution system.

To meet these mandatory drivers of work, Elexicon restructured its Asset Planning and System Engineering function[15] to include dedicated system planning and load forecasting and implemented formalized asset management workflows. This capability and expertise is critical to ensure Elexicon is targeting the appropriate capacity investments, managing both immediate constraints and preparing for growth, and aligning its internal skills and processes to adapt to the changing expectations for LDCs regarding system planning.

4.1.2 Bridge and Forecast Periods

Elexicon is projecting annual growth in its customer base to be 1.9% over the forecast period, further reinforcing the need for infrastructure investment.

Over the bridge and forecast periods, Elexicon must scale its operations to execute an expanded capital plan and meet accelerating customer growth. Electrification trends and the integration of distributed energy resources (DERs) will increase system complexity, impacting load profiles, grid operations, and customer usage patterns. These changes require grid modernization, as well as enhanced load forecasting, targeted investments, and process improvements to alleviate bottlenecks, maintain operational flexibility, and address emerging capacity requirements (Exhibit 2B - Tab 1 - Schedule 1). Elexicon's planned OM&A spending to support this driver is the minimum level that will allow the utility to manage growing complexity and protect customer outcomes while maintaining efficient operations.

These capital projects will introduce new assets into Elexicon's distribution system, which increases ongoing maintenance requirements to ensure reliability and compliance. These activities include preventive maintenance such as inspections, testing, and servicing of new equipment, as well as vegetation management and system monitoring through SCADA and protective device coordination. Elexicon also expects higher levels of customer-driven work, including new connections, customer premise isolations and service upgrades, which will require additional technical resources and process enhancements to sustain service quality and ensure timely delivery. To execute this work, Elexicon will add staff within the Asset Management and Distribution Operations division to support the planning and

[15] Although these roles are primarily capitalized, a portion of their costs are expensed to OM&A for activities associated with non-capital activities.

execution of maintenance activities, advancing asset management capabilities, real-time grid monitoring and operations, and efficient coordination of customer-driven projects. In addition, higher staffing volumes are required as part of Elexicon's recently implemented apprenticeship program for System Operators in the Control Centre to strengthen long-term staffing capacity with qualified operators.

4.2 Addressing maintenance needs and improving reliability

4.2.1 Historical Period

At the same time that Elexicon contended with very high-capacity growth over the historical period, a significant portion of Elexicon's assets neared or exceeded their expected service life and became increasingly prone to failure. This trend was reflected in Elexicon's SAIDI and SAIFI metrics, with SAIDI deteriorating from 1.37 in 2020 to 1.71 in 2024 (see Exhibit 2B - Tab 1 - Schedule 1). Over this period, Elexicon focused on addressing immediate system needs from growing demand and declining reliability caused by aging infrastructure, while ensuring compliance with maintenance requirements under the Distribution System Code (DSC). As a result, a limited envelope of overall funding constrained Elexicon's capital and related OM&A funding available to renew Elexicon's distribution system and stations assets. This required Elexicon to adjust the timing of certain planned capital and maintenance activities that are performed to manage system risk and accommodate capacity growth and increased the amount of reactive work performed by Elexicon to manage urgent repairs and replacement activities.

4.2.2 Bridge and Forecast Periods

Rising costs from mandatory, customer-driven expansion and connection work, reduced funding for renewal work in the bridge years (2025 and 2026), and limited maintenance funding underscore the need for increased investment in order to restore reliability performance at Elexicon. Additional investment over the forecast period is required to provide an adequate level of maintenance for all programs, increase maintenance activities in line with system growth, and deploy targeted maintenance enhancements to address vulnerable assets and sustain asset life, stabilizing Elexicon's system reliability.

Additional resources in the System Planning and Design, Sustainment, and System Operations Programs will provide enhanced supervisory and technical capacity to manage the growing volume and complexity of capital, maintenance, and customer-driven work, ensuring safe and efficient delivery of field operations

and timely response to outages and service requests. Additional staff will support comprehensive maintenance, testing, and monitoring of aging substation assets, as well as the integration of new stations and advanced automation technologies to improve reliability and comply with regulatory standards. Together, these expanded teams will allow Elexicon to address increased operational demands, proactively manage system risks, and maintain high standards of safety and service reliability as the utility's asset base and customer needs continue to grow. These measures will also address the pressures exerted by Elexicon's aging and deteriorating assets, many of which require more frequent and comprehensive maintenance as they approach or exceed their useful life. The forecast period also anticipates incremental costs associated with storm hardening and resilience measures to address vulnerabilities in aging assets exposed to severe weather events. Additional resources in these areas and strengthened early detection capabilities are expected to help avoid unplanned service disruptions, creating fewer disruptions to scheduled maintenance work, and generating less overtime, travel and urgent repair costs. Elexicon's proposed workforce growth is the minimum necessary to keep pace with growth, restore reliability, reduce emergency outages, and deliver safe, timely connections while controlling long-term costs through proactive work and good planning.

4.3 Modernizing and de-risking technology systems

4.3.1 Solutions to Address Cyber Security Risks and Modernize Backbone Infrastructure

Since the merger, Elexicon has been operating using the legacy utilities' existing complement of on-premise IT systems, many of which are outdated and lack modern security features such as network segmentation and automated patching. These systems are insufficient to support the utility's operational needs, growing cyber security demands and regulatory requirements,[16] and evolving privacy and information management obligations and best practices to meet rising expectations for strong data governance in an increasingly digital environment.

Changes to the cyber security threat landscape drive new technology requirements, as cyber risks are prevalent across the sector. This heightened risk profile is reflected in enhanced cyber security

[16] Ontario Energy Board, EB-2023-0173, "OEB Ontario Cyber Security update to the DSC and Ontario Cyber Security Standard Version 3.1", (issued on November 6, 2025).

requirements set by the OEB in its Ontario Cyber Security Framework and by the IESO through its Lighthouse services. To account for these risks, which have also been impacted by trends related to hybrid work and ongoing, cross-functional digital transformations, Elexicon requires the capabilities to continually monitor the threat landscape and to assess its own security posture, and its tools, policies, and processes, on a near-daily basis in order to comply with requirements and maintain operations. These drivers have required Elexicon to invest in staff, processes and technologies to maintain compliance with its current obligations, reduce the risks of service disruptions, and protect customer information.

Elexicon's legacy IT systems are also inadequate to support the scalable, modernized, data-driven and integrated system that Elexicon requires to handle customer growth and growing volumes of capital and maintenance work. Elexicon has been operating with manual, siloed, and in some cases, paper-based, processes to connect, meter, and bill customers. The utility is constrained by disparate, non-integrated applications that are no longer vendor-supported and cannot handle rising operational volumes across customer information and billing systems, operations and asset management and work performed within the Common Corporate Program. Existing systems are also inadequate to prepare for the more advanced, decentralized grid technologies of the future. Continuing with this model would impose operational risk and likely require Elexicon to dramatically increase the size of its workforce to handle greater volumes of capital work and a growing customer base.

Elexicon is addressing these risks by procuring a scalable, cloud-based ERP solution (Dx NEXT). This solution integrates key business applications and supports powerful analytics across customer, asset and corporate information management systems. This project is necessary for Elexicon to efficiently scale its business. It is also a critical cyber security upgrade responsive to Elexicon's risk profile for cyber attacks and compliant with the OEB's Ontario Cyber Security Framework. Once the solution is in place, Elexicon will implement ongoing monitoring and advanced threat detection and rapid response capabilities to prevent service disruption and protect sensitive data on an ongoing basis.

Elexicon anticipates that its cloud-based ERP solution will generate efficiencies that will offset the need for incremental staffing requirements for the Finance team through automation and generate cost efficiencies within the Customer Care Program. Over the forecast period, the ERP solution is expected to improve

processes and enhance customer experience (as outlined in section 2.3 above), provide accurate asset and GIS data for better work management and project planning, and enable productivity and process efficiencies through data integration across the business.

In the bridge and forecast period, Elexicon will address the risks associated with the digital ecosystem of its office and data management applications through its Modern Workplace project (see Schedule 6 to this Tab). This project will also improve Elexicon's security posture and improve its information management processes by delivering data protection and efficiency across the entire business. The need for these modernized functions over the forecast period is expected to persist, and by developing its internal expertise, and investing in the appropriate technologies, Elexicon has positioned itself to manage these risks efficiently.

Elexicon's technology modernization efforts have been carefully planned to maintain cost predictability as the utility transitions to cloud-based systems. A direct impact of this transition results in historically capitalized costs for software and hardware being fully expensed as OM&A, discussed below at Section 4.3.2.

4.3.2 Transition to Cloud-Based Solutions

Elexicon is adopting a cloud-based solution for its ERP. Cloud-based technology is now standard for the industry, and such applications are typically exclusively available as cloud-based offerings, meaning that they must be expensed. As a result, Elexicon's OM&A forecast reflects higher technology costs than over the historical period. To mitigate bill impacts, as discussed further at Exhibit 9 - Tab 3 - Schedule 7, the costs to implement its ERP will be recovered over ten-years to align costs with the service term of these investments and their benefits, as well as to mitigate the impact of this transition on ratepayers. The shift to cloud-computing has fundamentally impacted Elexicon's OM&A costs, warranting novel recovery treatment to alleviate the burden of these investments.

4.3.3 Continuing Investments in Grid Modernization

Operational technologies (OT) that facilitate real-time communication, monitoring, and control of the electrical grid are essential to restoring reliability performance and reducing manual intervention, while also preparing the grid for future advancements and growing expectations of DER deployment. (see Exhibit

2B - Tab 1 - Schedule 1). Elexicon already invested in ADMS and limited SCADA upgrades and will continue modernization through expanded SCADA and the deployment of AMI 2.0, as well as technologies such as infrared scanning capabilities to inform vegetation management cycles. These initiatives align with industry standard technology solutions and will improve system visibility, automate fault response to enable faster recovery from service disruptions, and minimize customer impacts during outage events. They also enhance metering capabilities, support growing demand for electrification, and help manage more frequent extreme weather events. These investments require specialized expertise and capacity to maintain and operate, and a sufficient operational budget for the licensing costs of these technology solutions.

4.4 Meeting customer expectations

Elexicon's capital and maintenance work program needs, sector changes, and customer and load growth over the historical period have increased the volume of activities in customer-facing functions, and the need for more comprehensive customer support. The Customer Care program experienced higher volumes of transactions and interactions in billing, call centre, and the collections and metering segments, requiring increased staffing to maintain service levels and meet rising expectations. Demand for tailored support from potential new large load customers and key accounts with specific business needs increased, requiring specialized engagement and timely responses to complex connection and service requests. Elexicon also implemented enhancements over the historical period to its customer communications, including the redesign of its website, enhancements to its social media channels, and enhanced communications and information related to outages across multiple channels to better serve its customers. Over the forecast period, Elexicon will work to implement technology solutions such as a new customer portal that improves service offerings for customers and provides more specialized information to address a broader variety of inquiries, along with mobile workforce management tools and apps to improve service accessibility. The efficiencies brought by Dx NEXT will act as a significant cost control on the Customer Care program despite this incremental work over the forecast period.

4.5 Building foundational capabilities for system growth and sustainment

Over the historical period, Elexicon made foundational investments within its Common Corporate Program to develop organizational capabilities responsive to its growing obligations as a regulated local distribution company, and to prepare for the scale of capital work that escalated in the historical period and is anticipated to grow in the forecast period. These include investments in its human resources capabilities to navigate a competitive labour market to attract and retain skilled staff, investments to meet increasing stakeholder and customer expectations regarding communications and engagement, investments to manage a high volume of policy, regulatory and legal work, and to build financial and treasury capabilities to support a growing number of transactional activities and secure debt financing for major capital programs. Further targeted investments across the Common Corporate Program will be needed over the forecast period to manage the growing scope and complexity of capital and maintenance programs and the evolving regulatory and business environment.

4.5.1 Foundational Workforce Investments

Over the historical period, Elexicon navigated a tight and competitive labour market for technical and skilled trades and experienced leadership including management and operational supervisors. Responsive to these pressures, Elexicon invested in its human resources, training, employee engagement and employee support functions to compete in the labour market, enable the success of existing staff, and promote organizational effectiveness. This internal HR expertise and capacity is essential for the success of Elexicon's investment plan by ensuring that skilled talent is in place and prepared with the necessary tools, materials, training and support systems to effectively execute work, find productivity and efficiencies, and build sufficient tenure to move into supervisory and leadership positions.

During the forecast period, Elexicon will need to develop and strengthen corporate and operational capacities across the utility and add the right skills and capacity to its workforce. Elexicon will focus on preparing employees to work safely and productively while fostering retention, leadership, and a high-performance culture. To remain competitive as an employer, Elexicon will ensures its compensation program is sound. To sustain its existing workforce, Elexicon will also ensure existing employees have opportunities for career growth and access to modern tools. Elexicon's Workforce and Compensation

programs and plans are captured in Exhibit 4 - Tab 2 - Schedule 1. A skilled, engaged, and appropriately sized workforce is essential for addressing system reliability through the timely completion of increased maintenance programs, delivering high-quality customer service, maintaining regulatory compliance, and responding safely to emergencies.

4.5.2 Increasing Expectations for Communications with Stakeholders and Customers

Elexicon is facing new and evolving expectations with respect to the volume, pace and scope of its stakeholder efforts and customer communications. Stakeholder engagement is a crucial element of managing the power needs of the communities located in Elexicon's service territory. This includes multi-pronged communication with municipalities, the Province of Ontario and local communities and developers throughout the lifecycle of residential and industrial development projects. Effective engagement ensures infrastructure investments are purposeful, aligned with customer and stakeholder needs, well-understood, and well-coordinated. New operational requirements related to permitting, environmental assessments and system operations have also required stakeholdering support.

During the forecast period, Elexicon anticipates that the volume of communications and stakeholder engagement will continue to grow in line with continued forecast economic growth and development, as well as longer-term trends such as electrification and the energy transition that will require utilities to deepen their coordination and planning with other stakeholders within the utility industry. Sustained investment in communications and stakeholdering resources is essential to maintain transparency, build trust, and deliver timely, well-coordinated connections. Strong engagement reduces delays, improves planning efficiency, and ensure customers benefit from infrastructure investments that support reliability, affordability, and Ontario's electrification goals.

4.5.3 Evolving Policy, Legal, and Regulatory Requirements

The pace and volume of regulatory activity accelerated sharply over the historical period, driven by the Province of Ontario's ambitious agenda for the OEB, which in turn impacts distributors. Whereas nearly all past letters and directives from the Province to the OEB represented updates to existing undertakings and only a small number of new initiatives, since 2022, the letters of direction and Minister's Directives to the OEB have significantly increased their direction and have included higher numbers of specific "actionable"

items for the OEB, many of which require active consultation with distributors and industry and result in process changes and compliance obligations. More recent letters and directives have greatly expanded on the number of new initiatives assigned to the OEB, including two letters released within six months (December 2024 and June 2025), both of which included over ten new activities impacting distributors.

With respect to OEB policy consultations, there have been over two dozen active policy files during the 2022-2025 period, 19 of which remain active to some degree in Q3 2025. This number does not include policy files that have multiple streams of activity such DER Connections which included not only several tranches of DER-connection-related activity but also EV charging connections procedures, the centralized capacity information map and DER cost responsibility, all with separate sub-working groups. The total number of policy consultations has nearly doubled in the 2020 to 2025 period as compared to the prior 6-year period (2014-2019) straining existing distributor staffing levels. The pace and timing of the consultations has also increased, with expedited timeframes for input and feedback.

Participation in regulatory consultations and the implementation of resulting outcomes has also required Elexicon to establish new business processes across the organization. Elexicon invested in additional resources across its Sustainment, Customer Care and Common Corporate programs to manage and implement various changes, such as RPP price optionality, locates, net-metering, Green Button, Distribution System Code changes related to housing expansions, Distributed Energy Resources and Electric Vehicle connections processes, the IESO's MRP, LEAP program expansion, a system capacity map, the Ontario Cyber Security Framework. This is in addition to participating in consultations regarding enhanced reliability reporting and benchmarking from the Reliability and Power Quality Review, and system planning requirements from the Non-Wires Solutions Guidelines.[17]

During the bridge and forecast period, a continued high volume of regulatory activity is expected, with further policy development, consultations, and implementation requirements likely to emerge as the province advances its economic development and housing agenda. Elexicon anticipates ongoing engagement with the OEB and other stakeholders on a wide range of initiatives, necessitating sustained investment in legal, regulatory, and operational resources. This will be critical to ensure timely and

[17] Ontario Energy Board, EB-2024-0118, (March 28, 2024).

effective participation in consultations, ensuring compliance with evolving requirements, and integration of new policies into business processes across the organization.

4.5.4 Scaling Common Corporate to Manage Increasing Transactions and Complexity

Over the historical period, the Procurement and Finance segments located within the Common Corporate program saw an increase in transaction activities related to the growth of capital work (see Exhibit 2B - Tab 1 - Schedule 1). The increase in gross capital additions directly impacted the volume of work within Elexicon's finance segment to track and manage capital programs and projects. Increases in capital work also heightened activity within Elexicon's procurement team to source the necessary equipment and materials within an environment of significant supply chain disruption. Higher numbers of customer connections and system growth also increase the volume of commercial transactions requiring legal oversight, as well as increasing Elexicon's communication responsibilities within a growing customer base. Elexicon expects that these increases in capital transactions will continue to impact volumes on the Finance, Procurement and Legal teams. In addition, Elexicon must establish a dedicated Treasury function to manage debt financing and liquidity requirements associated with major capital programs. Foundational investments have been made to scale these capabilities appropriately so that the utility can effectively manage these demands. A portion of the increase in work volumes from this growth in financial transactions will be offset by automation capabilities provided through the Dx NEXT project.

4.6 Responding to rising external costs

In addition to experiencing the broad impacts of inflation upon its business (see Exhibit 1 - Tab 5 - Schedule 2), Elexicon has had to respond to external cost drivers across the OM&A programs that are expected to persist into the forecast period, including rising insurance premiums, bad debt expenses, increased expenses for locates, software subscription and licenses, and increased security measures to address thefts and limit financial exposure from unforeseen events. Billing-related OM&A costs increased significantly in the historical period due to higher postage and stationary expenses. However, Elexicon's OM&A forecast reflects lower billing costs, driven by anticipated customer adoption of e-billing. The utility plans to actively promote e-billing throughout the forecast period, reducing reliance on physical mail and associated costs (see Exhibit 4 - Tab 1 - Schedule 6, Appendix A).

Rising Insurance Premiums: Elexicon is aligning its insurance program to ensure appropriate coverage levels while mitigating cost impacts, balancing risk management with affordability. (see Corporate Common program details in Schedule 6 to this Tab)

Bad Debt Expenses: Elexicon's bad debt expenses were subject to significant variance over the historical period as impacted by anomalously high bad debt costs in 2020 due to the Covid-19 pandemic, and inflationary pressures on customers. These costs are forecast to increase over the forecast period as a result of continued economic uncertainty. (See Customer Care program details in Schedule 5 to this Tab)

Locates: Locates expenses were a significant cost driver within Elexicon's Sustainment program over the historical period, as new statutory requirements under the Getting Ontario Connected Act and amendments to the Ontario Underground Infrastructure Notification System Act. Demand for locates is expected to remain high over the forecast period as public and private construction initiatives including transit expansion, housing development and broadband rollout are anticipated to continue, and electricity demand is forecast to grow, requiring the buildout of additional distribution system infrastructure and other infrastructure by parties operating within Elexicon's service territory. (See Sustainment program details in Schedule 4 to this Tab).

Technology: Over the historical and bridge periods, Elexicon's IT licenses and subscriptions were subject to significant increases of up to 10% year over year. Other services such as lines and data services from Bell Canada that were necessary for the deployment of grid mod hardware are expected to increase by 10% a year in the bridge and forecast periods. Maintenance contracts and subscriptions for specialized software for IT Service Management that Elexicon requires to augment its internal expertise are also forecast to continue increasing. (see Corporate Common program details in Schedule 6 to this Tab)

Security Measures: The facilities function will invest in targeted security enhancements to address growing risks to stocked materials and key assets, driven by the rising resale value of certain components. Increased planned capital and maintenance activities, combined with ongoing supply chain constraints such as long lead times and uncertain availability of materials, will require the utility to maintain higher inventory levels. Mitigating interruptions of access to critical materials will enable timely maintenance and

project delivery and reduce financial and operational risk. (see Corporate Common program details in Schedule 6 to this Tab)

5. ELEXICON'S OM&A COSTS BY PERIOD AND VARIANCE ANALYSIS

5.1 Overall Trend Analysis

Over the historical period from 2020 to 2024, the average annual growth rate (CAGR) of OM&A expenditures was 6%. This annual growth trend in OM&A cost increases to 13% during the bridge years (2024–2027), driven by 7% annual growth from 2024 to 2026 and a 25% increase from 2026 to 2027. The significant increase from 2026 to 2027 reflects the initial investments and onboarding of resources in the 2027 test year. To mitigate bill impacts, Elexicon is delaying some OM&A investments to 2028 as part of the broader paced implementation of the planned expansion in capital and maintenance programs. This paced approach accounts for the annual increase of 9% between 2027 and 2028. Elexicon will be adding incremental labour and ramping up maintenance program expenses as part of the second year of the phased OM&A approach. From 2028 to 2031, the year-over-year increases are 3%, reflecting stabilization of OM&A following the phased approach in 2028, and the realization of efficiency gains from Dx NEXT and other cost management efficiencies. Overall, this results in a forecast period (2027-2031) CAGR of 4%, reflecting a plan that scales internal capacity while balancing considerations of bill impacts. Variances in OM&A costs are discussed by period (each historical, bridge and forecast) in greater detail below.

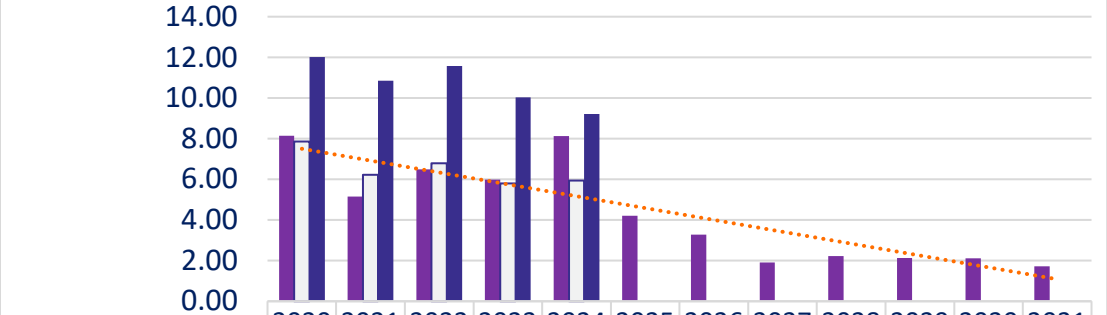
5.2 Peer Group Benchmarking

As part of its investment planning process, Elexicon assessed its cost-effectiveness through peer group analysis leveraging publicly available utility data (see Benchmarking Analysis, Exhibit 1 - Tab 5 - Schedule 3). [18] This analysis indicates that over 2020 to 2023, Elexicon's FTEs per $1M Capital Additions aligned with the peer average, reflecting efficient staffing. However, Elexicon's position relative to the peer group increased in 2024 due to evolving business needs and a higher volume of capital work, though it still

[18] See Exhibit 1 - Tab 5 - Schedule 3, Elexicon developed benchmarking from RRR data and selected a peer group with relatively comparable customer size: Alectra Utilities Corporation, Burlington Hydro Inc., ENWIN Utilities Ltd., Elexicon Energy Inc., Enova Power Corp., GrandBridge Energy Inc., Hydro Ottawa Limited, London Hydro Inc., Oakville Hydro Electricity Distribution Inc., Toronto Hydro-Electric System Limited.

remains below the Ontario average. Elexicon currently ranks second highest among peers in FTEs per $1M capital additions. Given the timing of workforce investments, and the need to recruit and retain staff in advance of scaling work programs, Elexicon forecasted this measure to assess its future position as its capital work program grows. Figure 2 illustrates that this ratio is expected to significantly decline over the forecast period, reflecting expected efficiency and appropriate alignment of workforce size with planned capital expenditures. This trend demonstrates workforce productivity over time, as Elexicon manages significantly larger capital and maintenance programs with a proportionally smaller increase in headcount. Capital expenditures will continue to outpace OM&A costs by 2-to-1, reflecting Elexicon's sustained approach to maintaining a reasonably sized workforce and OM&A levels.

Figure 2: FTE per $1M CAPEX (2020-2031)



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Elexicon	8.14	5.16	6.49	5.99	8.13	4.20	3.29	1.92	2.23	2.14	2.11	1.72
Peer Group Avg.	7.86	6.22	6.79	5.79	5.94							
Ontario Average	12.02	10.85	11.58	10.04	9.21							

5.3 Historical OM&A Cost Drivers and Variance Composition (2020 to 2024)

The section below outlines the themes that have materialized during the historical, bridge, and forecast periods. It also demonstrates how cost changes are distributed across inflation, labour, and non-labour components. Inflation reflects the standard OEB-approved inflation rate applied to actual OM&A expenses, and forecast inflation rates applied to expenses in the bridge and forecast periods, as provided in Exhibit 1 - Tab 5 - Schedule 2. Labour includes incremental additions to meet growing operational and business demands, and non-labour costs consist of other operating requirements such as technology, materials, and external services. This view demonstrates how much of the increase stems from external

conditions versus internal investments, providing a clear and structured basis for explaining cost composition in alignment with Elexicon's key cost drivers.

During the historical period, Elexicon's OM&A expenditures were necessary to strengthen organizational capabilities so the utility could deliver on its core distribution operations efficiently and effectively. Elexicon focused on core Asset Management and Distribution Operations ("AM/DO") functions through its Sustainment, System Operations, and System Planning and Design programs, which are essential to managing aging assets, capacity constraints and rising operational complexity. These programs supported mandatory and critical activities such as outage response, demand-driven work from new connections and customer isolations, maintenance activities performed in compliance with the Distribution System Code and evolving regulatory requirements. Staffing was limited to essential roles required to meet growth and evolving external obligations. Despite process improvements, reliance on legacy systems limited Elexicon's ability to effectively manage the growing scope and complexity of capital and maintenance activities. These systems were not designed to support the increased volume, scale and operational demands now required. Additional pressures emerged from new legislative and regulatory requirements, such as Bill 93 (Getting Ontario Connected Act, 2022), which introduced incremental locate costs starting in 2023. Elexicon also incurred a significant one-time cost to remediate environmental contamination caused by a vandalism incident at a substation. This event underscored the evolving nature of business risks and the need for enhanced security measures to protect critical infrastructure and the environment.

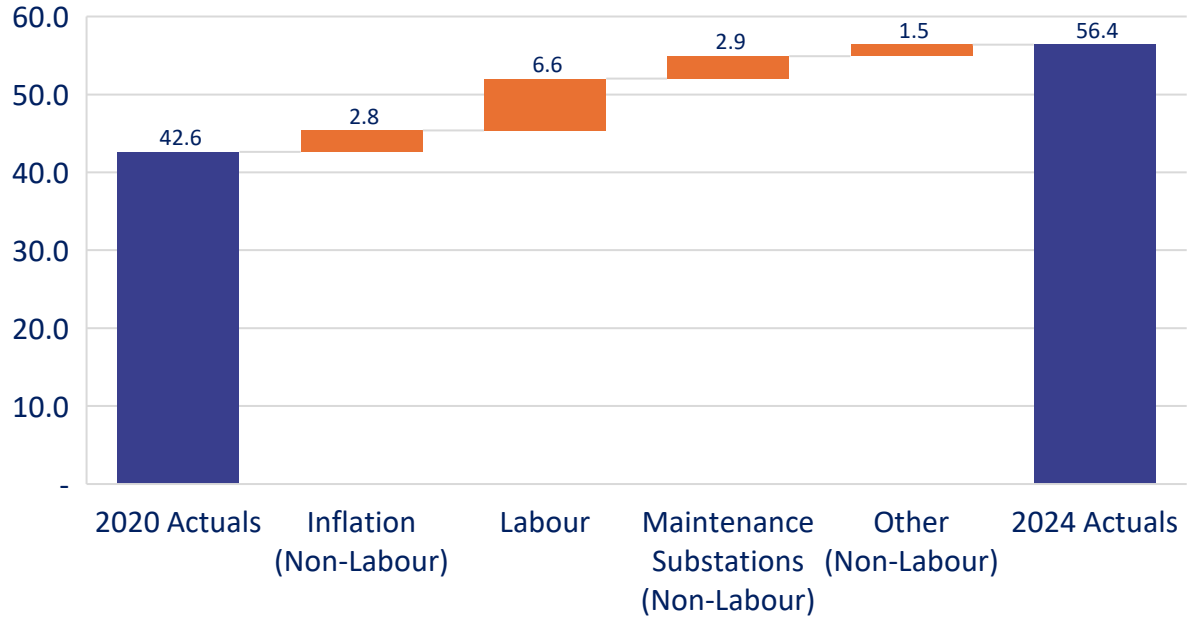
Given the urgency of operational risks, Elexicon could not wait until rebasing to invest in its core business infrastructure and workforce requirements. Such investments were necessary to enable compliance and execution of Elexicon's core distribution activities. Elexicon focused on modernizing technology systems to address urgent and evolving cyber security threats and replace aging operational platforms to meet new regulatory and operational requirements. These initiatives confer internal capabilities for monitoring, breach response, and performance tracking, enabling Elexicon to operate securely in a growing digital environment and prevent service disruptions, data breaches, and compliance failures that could have significant financial, reputational, and regulatory consequences. The costs incurred reflect the scale and immediacy of the threat environment, and the foundational work required to sustain secure, efficient operations going forward.

Across multiple programs, Elexicon needed to expand its workforce at a time when system demands were increasing, and a competitive labour market made recruitment and retention more challenging. Targeted training programs were implemented to equip employees with the skills needed to operate modernized systems, adopt new technologies, and maintain required certifications. These efforts have strengthened Elexicon's workforce stability and improved service delivery.

Investments in customer service and regulatory functions enabled Elexicon to respond to evolving expectations and requirements from both customers and the regulator. Customer service capabilities were expanded to manage higher volumes and increasingly complex interactions, reflecting the growing need to support customers who now have more choice and advanced expectations. Elexicon also acquired regulatory acumen and capacity to support the development of long-term capital and operational plans that align with customer expectations. The legacy utilities had historically operated with limited regulatory resources reflective of their lesser investment needs and the lower levels of policy activity and sector change in the years pre-merger. During the historical period, roles were added to enable improved applications work, more regulatory policy work, and to embed compliance into business processes, and support the utility's ability to navigate evolving regulatory obligations.

5.3.1 Variance Composition

Figure 3: Historical OM&A Cost Composition ($M) (2020-2024)



From 2020 to 2024, OM&A costs increased from $42.6M to $56.4M, resulting in a total increase of $13.8M. Figure 3 illustrates that this growth was primarily driven by labour-related costs, which contributed $6.6M. These labour increases are concentrated in AM/DO and Common Corporate functions. Non-labour costs added $4.4M, which is largely attributable to a significant one-time expense in 2024 within the Maintenance-Substation segment to remediate environmental contamination caused by a transformer oil leak following a vandalism incident at a substation. Inflation on non-labour costs accounted for $2.8M, representing the application of standard OEB-approved inflation factors to actual OM&A: 2.0% in 2020, 2.2% in 2021, 3.3% in 2022, 3.7% in 2023, and 4.8% in 2024. This trend demonstrates that most of the increase is tied to investments in labour and essential infrastructure, as well as unforeseen environmental compliance costs.

During the historical period, Elexicon's OM&A increased by 27% while its net capital expenditure increased by 96% over the same period. Capital spending vastly outpaced OM&A growth because Elexicon prioritized urgent infrastructure needs, such as replacing failing aging assets and addressing rapidly increasing

mandatory, demand-driven requirements for capacity upgrades and new connections. Elexicon remained adaptable and compliant with heightened regulatory and policy changes, which have become more stringent and higher in volume during the historical period.

OM&A increases were due to investments in skilled trades, specialized expertise (legal, regulatory, IT, policy, risk management and privacy). Over the historical period, Elexicon transitioned some core engineering and common corporate functions to internal positions, enabling these roles to provide more complete execution of responsibilities, improving responsiveness and retention of organizational knowledge. This approach also enables Elexicon to expand these functions as requirements grow while reducing reliance on external resources. Despite nearly doubling its net capital expenditures in the historical period and responding to increasing levels of policy activity and sector change, Elexicon's workforce increased by only 25% in the same period, underscoring the utility's ability to manage significant growth and complexity with limited staffing increases through cost management and efficiency measures. However, while this approach was successful in the historical period, these constrained staffing levels are not sustainable over the long term without additional resources across the utility to sustain reliability, compliance and achieve broader operational improvements.

The operating increases are also attributed to costs for cyber security enhancements, modernization of information and operating technologies, and the initial transition to cloud-based platforms.

5.3.2 Key Benchmarking Metrics

Table 5 below captures the key figures demonstrating Elexicon's growth pressures over the historical period. As noted, capital expenditure increases outpaced OM&A in general and workforce growth specifically, despite a steady and consistent increase in customers in the same period.

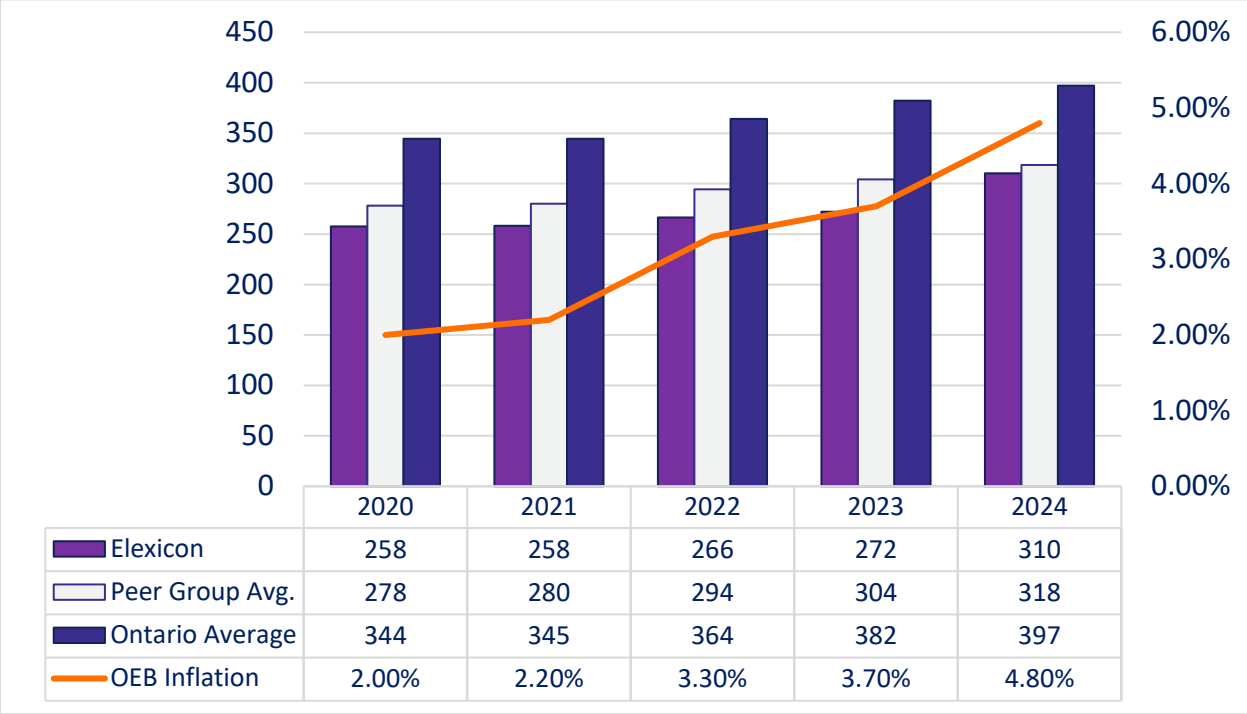
Table 5: OM&A, CAPEX, FTE, Customer Growth: 2020 to 2024

	Historical Period					% Change (2020 to 2024)	CAGR (2020 to 2024)
	2020	2021	2022	2023	2024		
OM&A ($M)	42.30	42.92	44.92	46.66	53.60	26.7%	6.1%
Net CAPEX ($M)	35.19	53.38	78.41	52.55	68.87	95.7%	18.3%
FTE	246	246	256	264	307	24.8%	5.7%
Customer Count	214,253	216,800	219,591	222,720	225,842	5.4%	1.3%
Total OM&A per customer ($)	197	198	205	210	237	20.2%	4.7%
Total OM&A per FTE ($)	171,968	174,454	175,463	176,751	174,594	1.5%	0.4%

As noted above, Elexicon conducted an internal benchmarking analysis using a relevant peer group to assess cost efficiency and staffing levels. Key metrics are highlighted below, with additional details provided in Exhibit 1 - Tab 5 - Schedule 3.

Despite pressures on OM&A expenditures, Figure 4 below shows that Elexicon's OM&A cost per customer increased modestly from 2020 to 2024, in line with sector trends and inflationary pressures, while remaining below Ontario and peer group averages, demonstrating efficient cost management relative to peers.

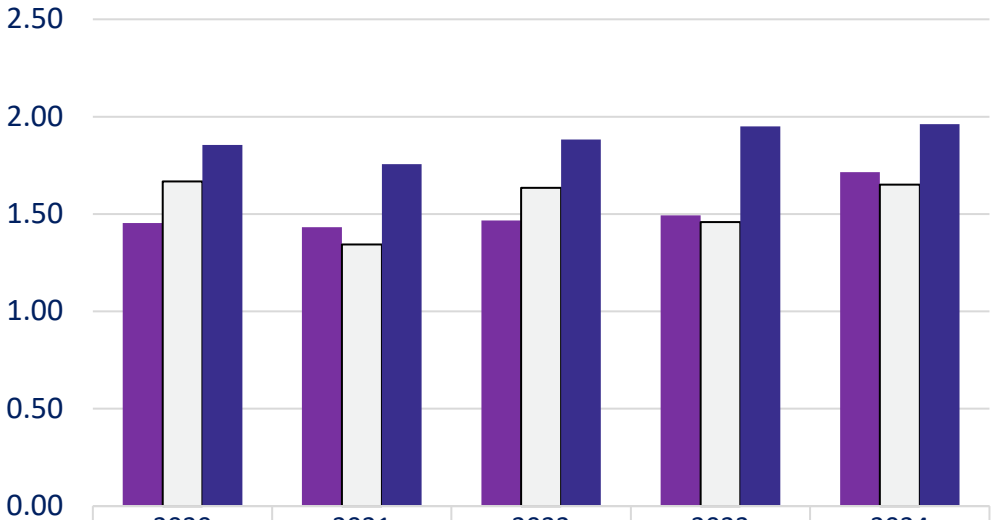
FIGURE 4: OM&A Costs Per Customer with OEB Inflation (2020-2024)



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

The FTE per 1,000 customers metric provides insight into how efficiently a utility allocates its workforce to serve its customers. Based on 2024 data, Elexicon's standing is consistent with similarly sized utilities in the peer group, as shown in Figure 5. Elexicon is positioned near the peer ground average and below the Ontario average, confirming that its staffing levels are managed efficiently relative to sector norms.

Figure 5: Elexicon vs. Ontario and Peer Group FTE per 1,000 Customers (2020-2024)



	2020	2021	2022	2023	2024
Elexicon	1.45	1.43	1.47	1.49	1.72
Peer Group Avg.	1.67	1.34	1.63	1.46	1.65
Ontario Average	1.86	1.76	1.88	1.95	1.96

5.4 Bridge Period OM&A Cost Drivers and Variance Composition (2024 to 2027)

During the bridge and early forecast period, Elexicon will make essential investments to expand its system and enhance its maintenance activities. The scale and complexity of the work required to restore reliability and meet customer expectations demanded upfront, targeted investments in systems, processes, and staffing. These actions position Elexicon to manage immediate aging infrastructure and capacity constraints, improve existing processes and operational efficiency, and establish the conditions necessary to enable effective execution of planned capital and maintenance activities.

Key investments in the bridge period include the initiation of increased staffing levels to AM/DO for planning, design and field execution of the capital and maintenance activities, the addition of System Operator apprentices, and modern operating technologies, such as infrared scanning capabilities to inform vegetation management cycles. A significant portion of the investment during the bridge period was also directed toward transitioning from on-premises systems to cloud-based infrastructure, replacing aging platforms that could no longer support the utility's growing operational and regulatory requirements and

enabling secure, integrated, and responsive systems that align with the increased scope of work and organizational complexity. These upgrades were critical for compliance and scalability, however, because cloud-based solutions are no longer eligible for capitalization, related costs, such as licensing and hosting subscriptions are now reflected as operating expenses.

The utility is also enhancing targeted security measures following a broader increase in property incidents which exposed critical risks and underscored the need for accelerated investment in physical security infrastructure. In response, the facilities function is implementing targeted measures to mitigate long-term risks and costs, including enhanced surveillance systems and monitoring services at key locations to protect assets and reduce future liabilities. These illustrative investments reflect Elexicon's proactive and necessary approach to organizational scaling and risk mitigation, which requires advanced planning and staged investments in systems, processes, personnel, and change management. In recognition of this, Elexicon undertook foundational investments prior to the forecast period to ensure the organization is adequately prepared to meet growing service demands and increasingly complex regulatory obligations.

As Elexicon continues to evolve its operations and respond to emerging risks, several additional cost pressures became increasingly relevant during the bridge period. The utility has seen rising insurance premiums driven by increased claims (both from Elexicon and from other insured parties) and progressive recalibration to ensure adequate protection for its large and complex system, and to reflect anticipated system growth and complexity. Furthermore, the cost of external services, such as for vegetation management, locates, and specialized corporate functions, rose significantly during the period, driven by inflationary pressures and a competitive market. Additional cost pressures in non-labour areas, including software subscriptions and billing-related expenses, such as stationery and postage also contributed to overall OM&A expense growth. These cost pressures underscore the broader economic environment and the operational realities of scaling a utility in Ontario's fastest-growing region.

To support expanded capital and maintenance programs and evolving regulatory and compliance obligations, it was essential for Elexicon to strengthen functions under the Common Corporate program, namely legal, risk management, privacy, finance, and regulatory functions. These capabilities ensure the utility is positioned to manage increasing operational and regulatory demands driven by a dynamic

business environment, evolving customer expectations, and heightened compliance obligations. Elexicon will also continue investing in its workforce through a comprehensive talent strategy (see Exhibit 4 - Tab 2 - Schedule 1), ensuring employees are well-trained, accountable, and engaged.

Elexicon's advanced planning and early execution activities during the bridge period demonstrate that the utility is prepared to carry out the proposed capital and maintenance plans and has taken concrete steps to ensure it can deliver the forecasted work safely and efficiently, while maintaining compliance and to deliver reliable service.

5.4.1 Variance Composition

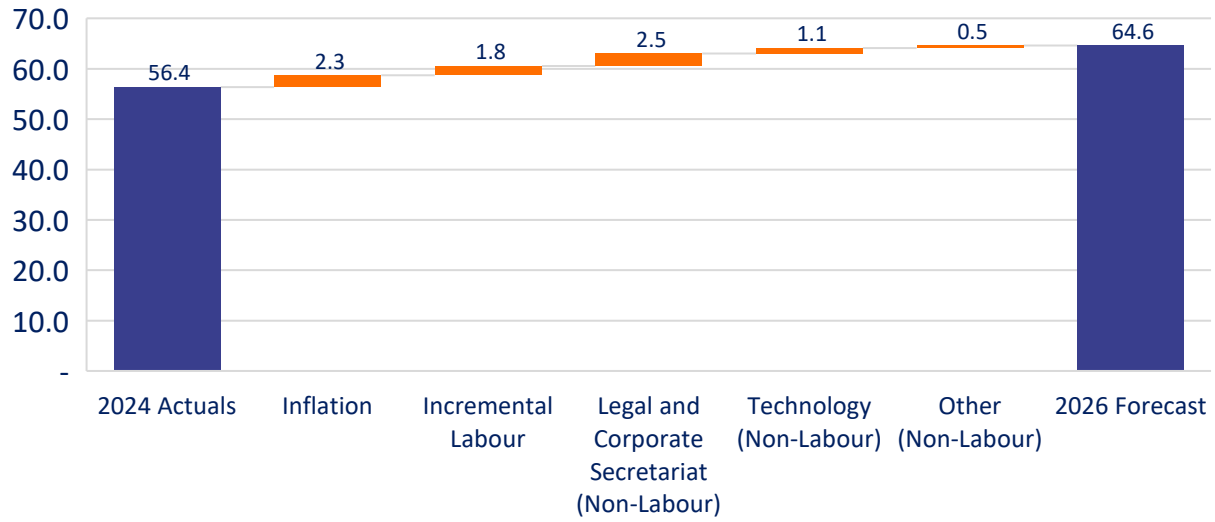
The OM&A forecast from 2024 to 2027 is presented in two distinct periods, 2024 to 2026 and 2026 to 2027, to distinguish the major cost drivers for each period. Inflation includes both labour and non-labour costs, with non-labour inflation based on OEB-approved factors of 4.8% in 2024 and Elexicon's forecast rates of 3.2% in 2025, 3.4% in 2026, and 2.0% annually from 2027 to 2031 (see Exhibit 1 - Tab 5 - Schedule 2), while labour inflation reflects the annual adjustment for staff (see Exhibit 4 – Tab 2 – Schedule 1).

Table 6: Compound Annual Growth Rates for Bridge Period (2024 to 2026 and 2026 to 2027) – Customer, OM&A, FTE and Capex

	Actual	Bridge Years		Test	CAGR (2024 to 2026)	CAGR (2026 to 2027)	CAGR (2024 to 2027)
	2024	2025	2026	2027			
OM&A ($M)	53.6	58.17	61.81	77.26	7.4%	25.0%	13.0%
Net CAPEX ($M)	68.88	59.75	77.2	123.34	5.9%	59.8%	21.4%
FTE	307	333	341	363	5.4%	6.5%	5.7%
Customer Forecast (2L)	225,842	229,587	233,601	237,713	1.7%	1.8%	1.7%
Total OM&A per customer ($)	237	253	265	325	5.6%	22.8%	11.0%
Total OM&A per FTE ($)	174,594	174,681	181,264	212,824	1.9%	17.4%	6.8%

*Customer count in this exhibit is based on average monthly customer counts consistent with Appendix 2-L. This is different from the benchmarking analysis in Exhibit 1-Tab 5-Schedule 3, which is based on year-end RRR data.

Figure 6: Bridge Period OM&A Cost Composition ($M) (Period 1: 2024 to 2026)



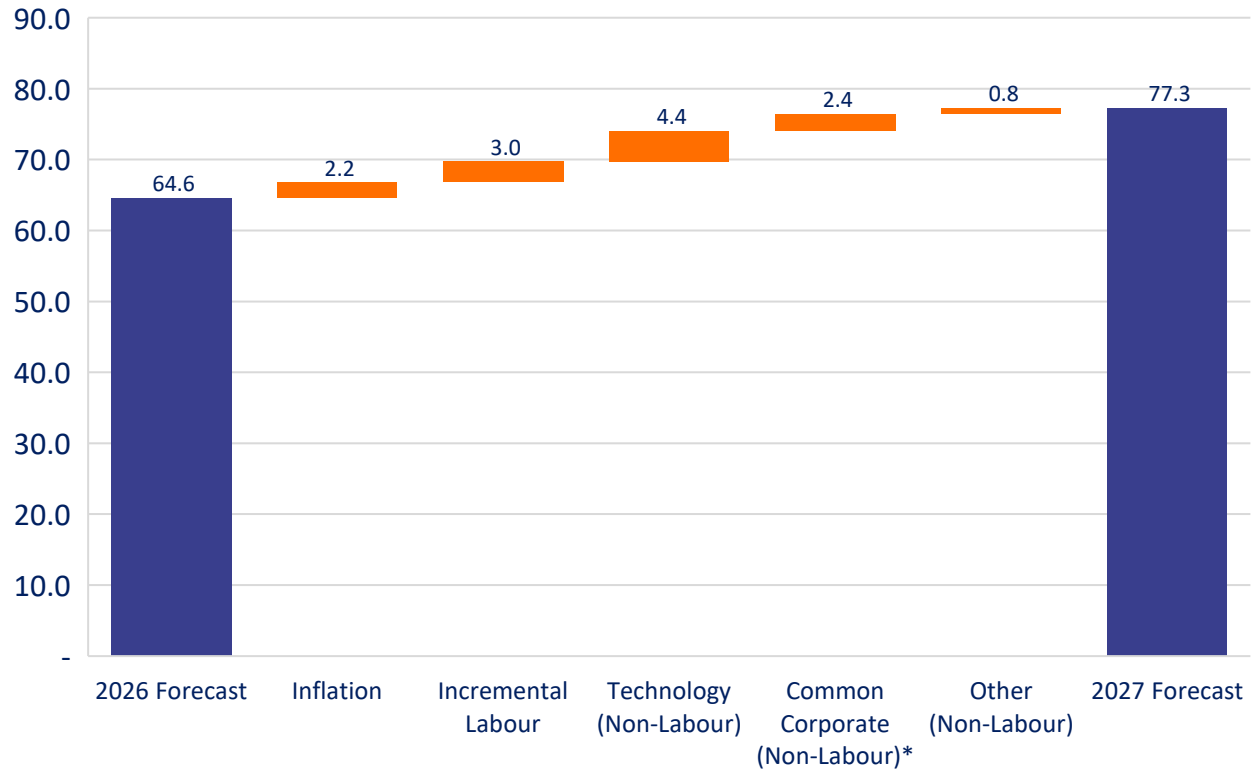
The first period (2024–2026) represents costs required to keep pace with the ongoing rise in operational demands and building organizational capacity to support future operations. From 2024 to 2026, OM&A costs are forecast to increase from $56.4M to $64.6M, a rise of $8.2M. Figure 7 illustrates costs from 2024 to 2026, including $2.3M from inflation, $1.8M related to incremental staffing additions across AM/DO division and Common Corporate program, and $4.1M in non-labour expenses. The non-labour increases are primarily attributed costs associated with governance and higher insurance premiums within the Legal and Corporate Secretariat function, as well as for cyber security enhancements and increase in subscription services within the Technology function.

Consistent with Elexicon's approach to scaling its workforce during the historical period to support anticipated growth in work volumes, the utility recognized the need to integrate new operations and information technology systems in a staged manner to maintain stability in Elexicon's information systems, as new IT solutions require time to be successfully implemented. Spending on these systems is concentrated in the bridge years, and the utility's ability to execute the forecast capital and maintenance plans is contingent upon their completion. As a result, OM&A costs rise during this period before stabilizing in the forecast period. Elexicon has structured its forecast OM&A so that staffing costs grow more gradually

than the overall plan, including pacing workforce investments to reduce the ratepayer impact of its OM&A needs over the bridge and forecast period.

5.4.2 OM&A Cost Composition from 2026 to 2027

Figure 7: Bridge Period OM&A Cost Composition ($M) (Period 2: 2026 to 2027)



*Represents the costs associated with segments within the Common Corporate program with the largest non-labour variances, excluding Technology. This consists of the Procurement and Facilities, Regulatory Affairs and Legal and Corporate Secretariat segments.

The second period (2026–2027), which includes the Test Year, does not represent a typical impact of a rebasing year. If all requirements were met in the Test Year, Elexicon's OM&A cost increase in 2027 would result in a significant one-time bill impact. To mitigate this, Elexicon's proposed rate framework provides for a paced implementation of the required OM&A funding increases over the first two years of the rebasing period (2027 and 2028) rather than in a single test year. This approach, although beneficial for

ratepayers, entails temporarily accepting near-term risk, as certain maintenance activities (e.g. vegetation management) will not be fully funded until 2028.

From 2026 to 2027, OM&A is forecast to rise to $77.3M, an increase of $12.7M. Figure 8 illustrates that this growth is primarily attributed to an inflation impact of $2.1M on labour and non-labour costs, incremental labour of $3.0M, and non-labour expenses of $7.5M. The non-labour increases are driven by significant costs within the technology function for ongoing costs (software, sustainment and support) following the transition to a cloud-based ERP solution, as well as the installation of security cameras and monitoring services within the Procurement and Facilities segment. This period also includes further increases in insurance premiums within the Legal and Corporate Secretariat segment, and one-time costs within the Regulatory Affairs segment.

5.5 Forecast OM&A Cost Drivers and Variance Composition (2027 to 2031)

In the forecast period, Elexicon's OM&A expenditures reflect a notable increase in 2028, followed by consistent and moderate increases from 2029 through 2031. The increase in 2028 reflects the culmination of staged investments in increased staffing levels to AM/DO and infrared scanning capabilities for vegetation management and delayed roll-out of the AMI 2.0 program. The post-2028 period shifts from the intensive modernization and workforce expansion undertaken during the bridge period and early forecast years to a more sustainable and mature operating environment that can manage its business effectively amidst ongoing load demands and a challenging operating context. Despite continued and accelerating growth in OM&A activities throughout the forecast period, the OM&A per FTE metric shows that staffing-related costs per FTE are increasing at a much slower pace than overall OM&A, given efficiencies from Dx NEXT, adoption of standardized processes, an optimized workforce complement, and improved planning and operations informed by operating technologies and data analytics. Between 2028 and 2031, OM&A grows at an average annual rate of approximately 3%, while staffing grows at approximately 1%, as shown in Table 8. Over the same period, OM&A per FTE remains below inflation, consistent with the factors set out in Exhibit 1 - Tab 5 - Schedule 2.

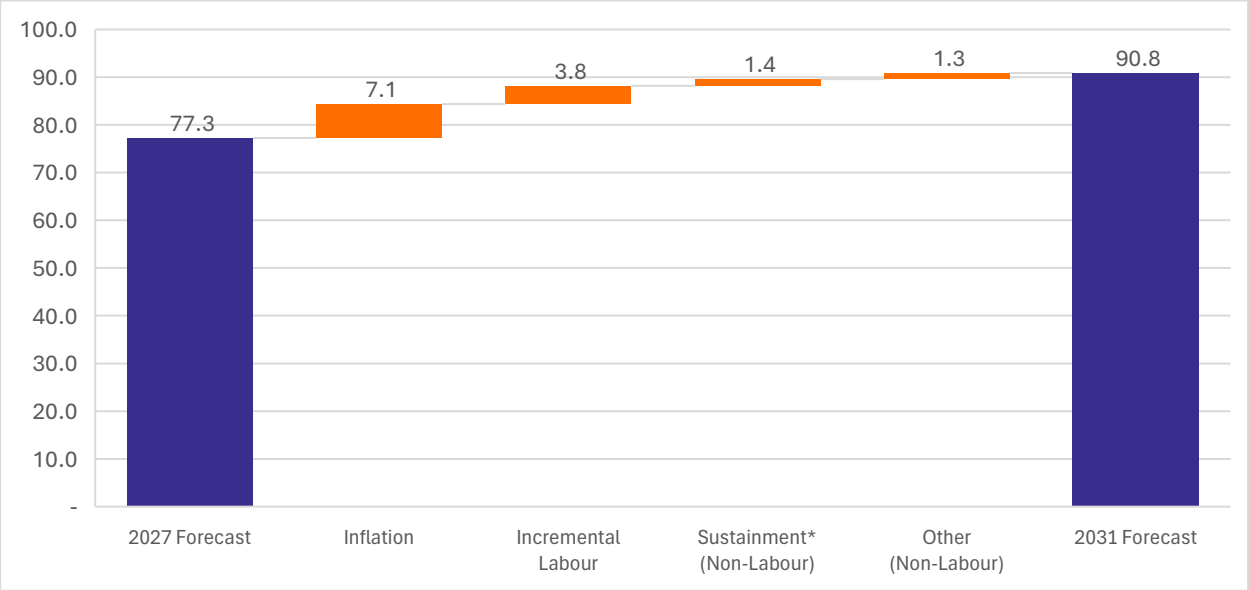
Table 7: Compound Annual Growth Rates for Forecast Period (2027 to 2031)

	Test & Forecast Years					CAGR (2027 to 2028)	CAGR (2028 to 2031)	CAGR (2027 to 2031)
	2027	2028	2029	2030	2031			
OM&A ($M)	77.26	84.05	86.004	88.45	90.84	8.8%	2.6%	4.1%
Net CAPEX ($M)	123.34	129.73	149.74	149.01	188.14	5.2%	13.2%	11.1%
FTE	363	379	391	395	395	4.4%	1.4%	2.1%
Customer Forecast*	237,713	241,765	245,910	250,183	254,526	1.7%	1.7%	1.7%
Total OM&A per customer ($)	325	348	350	354	357	7.0%	0.9%	2.4%
Total OM&A per FTE ($)	212,824	221,776	219,959	223,914	229,972	4.2%	1.2%	2.0%

* Customer count in this table is based on average monthly customer counts consistent with Appendix 2-L, which is different from the benchmarking analysis, provided in Exhibit 1 – Tab 5 -Schedule 1, which is based on year-end RRR data.

5.5.1 Variance Composition

Figure 8: Forecast OM&A Cost Composition ($M) (2027-2031)



*Represents the costs associated with segments within the Sustainment program with the largest non-labour variances. This consists of the Maintenance Distribution Systems and Vegetation Management segments.

From 2027 to 2031, OM&A costs are forecast to increase from $77.3M to $90.8M, representing a total increase of $13.6M. Figure 9 illustrates that this increase is primarily driven by inflation, contributing $7.1M, followed by incremental labour at $3.8M and non-labour costs of $2.7M. The non-labour increases

are primarily driven by the paced implementation of necessary OM&A funding increases in 2027 and 2028, required to support increased maintenance activities within the Distribution Systems Maintenance and Vegetation Management segments under the Sustainment program. The increases also reflect higher insurance premiums, expenses related to AMI 2.0, including a one-time network infrastructure upgrade fee and an AMI business intelligence (BI) tool, and the initiation of annual fees for its meter data collection and management system license to support the growing meter asset base. The increase also includes the start of a 5-year recovery period for the one-time regulatory costs related to the preparation of this application.

6. LIST OF ATTACHMENTS

- Attachment 1 (Excel): OEB Appendix 2-JA Summary of Recoverable OM&A Expenses, OEB Appendix 2-JB Recoverable OM&A Cost Driver Table, and OEB Appendix 2-JC OM&A Programs Table
- Attachment 2 (Excel): OEB Appendix 2-L Recoverable OM&A Cost per Customer and per FTE

EXHIBIT 4 - TAB 1 - SCHEDULE 1: ATTACHMENT 1
"OEB APP.2-J OM&A PROGRAMS"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

EXHIBIT 4 - TAB 1 - SCHEDULE 1: ATTACHMENT 2 "OEB APP.2-L OM&A PER CUSTOMER AND FTE" (REFER TO ATTACHMENT IN EXCEL FORMAT)

SYSTEM PLANNING AND DESIGN

1. PROGRAM OVERVIEW

The System Planning and Design program consists of two segments: Asset Planning & System Engineering and Design Services & Connections. Table 1 below summarizes historical, bridge, and forecast costs for the program across these segments.

Table 1: Summary of Total System Planning and Design Program Costs[1]

	Historical			Bridge		Forecast						
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Asset Planning & System Engineering ($M)	0.46	0.46	0.57	0.47	0.95	1.03	1.12	1.53	1.67	1.73	1.82	1.86
Design Services & Connections ($M)	1.01	1.06	0.94	0.82	0.89	0.85	0.89	1.08	1.17	1.23	1.26	1.29
Total System Planning and Design ($M)	**1.46**	**1.52**	**1.50**	**1.29**	**1.84**	**1.87**	**2.01**	**2.61**	**2.84**	**2.96**	**3.08**	**3.15**

1.1 Program Description

This program includes the Asset Planning and System Engineering ("APSE") and the Design Services and Connections ("DS&C") segments that together account for the OM&A portion of Elexicon's engineering and design services performed with respect to connections, load forecasting, distribution system and station planning, system studies and standards, as well as for maintenance activities and planned capital projects. Over the historical period, Elexicon managed a steady workload within its DS&C segment and added new internal resources to its APSE segment to better support and enable an increasing number of customer connections, improved load forecasting, enhanced asset replacement and maintenance planning, and more system expansions and stations planning activities driven by growth within Elexicon's service territory, as well as an increase in activity to address reliability issues caused by aging assets that are deteriorating. This program also plays an essential role in Elexicon's regulatory engagement by providing technical expertise and insights that inform OEB consultations and policy development.

The rate of connection inquiries and applications grew significantly over the historical period and bridge years, and the System Planning and Design program is managing a high volume of active large connection

[1] Numbers may not sum due to rounding.

requests (>500 kW) at various stages of the connections queue (inquiry, application received, deposit received, detailed design ready for project execution).

Over the forecast period, this program's costs will increase to support the growth of Elexicon's capital and maintenance programs. Investments will be made to address the rate of deteriorating assets (Exhibit 2B - Tab 3 - Schedule 2) and to alleviate capacity constraints and enable connections in support of economic and housing development within the utility's service territory. These investments will also support enhancements to sustainment maintenance programs, which are further described in Schedule 4 (to Exhibit 4, Tab 1). Over this period, the implementation of the Dx NEXT project is expected to deliver operational efficiencies as a result of streamlined workflows and improved access to information.

1.1.1 Historical Period and Bridge Years (2020-2026)

The post-merger APSE team's capacity proved insufficient to address the asset planning functions required in the face of significant capacity constraints, system reliability challenges, increasing customer growth, and deployment of distributed energy resources (DER). As demand for large load connection requests, greenfield housing development, and DER connections increased over the historical period, Elexicon built its internal competencies within APSE to better plan and facilitate required capital and maintenance investments, meet customer expectations and comply with Elexicon's regulatory and legislative obligations. To meet the rising volume and complexity of work at the utility, Elexicon began a significant reorganization of the APSE segment and made investments in internal capabilities dedicated to load forecasting and stations planning, standards and studies, and the oversight of DER connections.

Over this period, DS&C successfully managed a growing volume of work with a limited complement of internal design technicians and supervisors by leveraging external design services and finding internal efficiencies to streamline the performance of its workload. This approach allowed Elexicon to meet immediate needs and maintain continuity; however, it is not considered sustainable in the face of future growth. While scalable, it presents challenges when used to execute large capital programs, particularly in the context of projected regional growth. External services lack the internal knowledge, ease of cross-functional integration, and established stakeholder relationships that are critical for efficient execution and regulatory compliance.

1.1.2 OM&A Requirements in the Forecast Period (2027-2031)

Over the forecast period, workload in this program will increase commensurate with growth in the utility's maintenance and capital programs, as part of its role in the planned maintenance objectives outlined in this exhibit and the OM&A portion of the engineering and design work required to deploy capital activities (Exhibit 2B - Tab 3 - Schedule 2). This increase reflects not only higher volumes of work but also greater complexity, driven by more advanced design requirements, integration of modern technologies, and coordination with evolving system needs.

The implementation of Elexicon's Dx NEXT project is expected to deliver efficiencies for APSE and DS&C by reducing manual workflows and enabling the improved management of asset information, improved demand planning based on historical data, and the efficient production of system designs to streamline connection workflows and improve service delivery.

Without sufficient program funding, Elexicon will be unable to perform efficient and effective distribution planning due to an inability to support the required asset management, design and engineering functions. This will constrain the utility's ability to execute its capital and maintenance programs, lead to safety and environmental risks, compromise policy goals such as electrification and the deployment of DERs, create reputational damage and lower Elexicon's quality of customer service.

1.2 Program Segments

The System Planning and Design program is comprised of two segments as follows.

1.2.1 Asset Planning and System Engineering

This segment includes work performed in the three key areas of distribution system planning to ensure grid reliability and resiliency: Distribution System Planning, Load Forecasting and Stations Planning, and System Studies and Standards. APSE develops the utility's capital and maintenance investment plans for the distribution system and stations by performing in-depth asset assessments, while also forecasting capacity requirements to identify and plan for corresponding infrastructure needs to ensure Elexicon's system has sufficient capacity across the utility's service territory, and performing system studies and reviewing and approving Elexicon's construction standards (Exhibit 2B - Tab 3 - Schedule 1).

1 1.2.2 Design Services and Connections

2 This segment includes the provision of design services and administration activities required to support
3 the load connections process and capital projects including complex coordination with external
4 stakeholders, job packages and detailed designs for system renewal, system access and system service
5 projects.

6 ## 1.3 Outcomes

7 **Table 2: System Planning and Design Program Activities and Outcomes**

Focus Area	Activities and Outcomes
Customer Focus	• Establishment of comprehensive distribution system plans to secure the capacity needed for future growth and evolving customer and generation requirements. • Connecting Elexicon's customers in a timely manner in line with Section 7.2 of the Distribution System Code. • Meet expectations for appointment scheduling, appointments met, and rescheduling missed appointments in line with Sections 7.3-7.5 of the DSC. • Meet section 6.2.7 of the DSC requirement to ensure the timely connection of new generation facilities.
Operational Effectiveness	• Achieving safety performance outcomes in alignment with the OEB scorecard, Ontario Regulation 22/04 and the Serious Electrical Incident Index. • Adherence with Elexicon's Construction Verification Program. • Ensuring designs meet requirements of the Canadian Safety Association (CSA) standards for Overhead (C22.3 No. 1-15) and Underground (C22.3 No. 7) Systems. • Implement maintenance programs that ensure regulatory compliance, and evaluate maintenance inspection findings and address equipment deficiencies through remediation. • Leverage asset condition assessments to direct capital and maintenance investments. • Ongoing analysis of the distribution system and planning maintenance activities and scopes of work for capital investments to ensure long term safety and reliability through a consistent, standards-based approach.
Public Policy Responsiveness	• Design distribution system plans to ensure adequate capacity, reliability and compliance while aligning with evolving policy objectives, which include the integration of DER.

	connections, and accommodating infrastructure needs driven by housing developments and major transit projects such as Metrolinx expansions.
Environment	• Ensure designs comply with Elexicon, municipal, provincial and federal environmental requirements and regulations through ongoing coordination with external stakeholders.
Financial Performance	• Lead the governance of the RRR DSP Implementation Progress Metric.

2. ASSET PLANNING & SYSTEM ENGINEERING

2.1 Description

The Asset Planning and System Engineering ("APSE") segment enables essential asset management tasks and supports the success of Elexicon's short- and long-term planning needs by centralizing planning and engineering work related to Elexicon's distribution system planning, its load forecasting and stations planning, and its system studies and standards. Prior to the merger, the legacy utilities of Veridian and Whitby Hydro operated with limited internal asset planning capacity. In 2023, recognizing the need to increase internal capacity to meet present and future needs of the utility's customers, Elexicon began building up its planning and engineering functions, steadily aligning staffing levels with its strategic and operational priorities. This transition drove cost increases in the historical and bridge periods, while providing a comparatively greater benefit of enabling improved oversight and alignment with Elexicon's core operations. This was accomplished by improving and standardizing integrated planning processes to ensure operational efficiencies, and proactively mitigating foreseeable risks to reliability, safety and environment responsibility, such as through asset condition assessments to prioritize replacements and maintenance programs, as well as system expansions to address evolving capacity needs. These critical achievements are examples of outcomes that would not have been possible under the initial team of resources in place immediately post-merger.

The volume of work performed within this segment increased substantially over the historical years, reaching a critical threshold by 2024 that once again required Elexicon to increase its staffing resources and create a dedicated department with the specific capabilities to support capital and maintenance planning activities. The costs of this segment represent the OM&A portion of the critical capital work and

are forecasted to continue rising over the forecast period, in line with the utility's expanding capital and maintenance program and increasing customer growth. This segment is organized into three core categories that work in alignment to form an integrated asset planning and system engineering process: Distribution System Planning, Load Forecasting and Station Planning, and System Studies and Standards. Given the nature of these activities, which often overlap with topics addressed in Ontario Energy Board (OEB) consultations, this segment also plays a key role in supporting Elexicon's engagement with the OEB, contributing technical expertise and insights to inform regulatory discussions and policy development.

2.1.1 Distribution System Planning

The distribution system planning team of Elexicon's APSE segment ensures prudent asset stewardship, grid safety and reliability, and system readiness for future load growth and evolving regulatory requirements by leading short- and long-term system planning. This includes work to develop capital and maintenance investment plans for the distribution system by preparing capital scope packages, developing maintenance programs, and leading requests for proposal for maintenance work executed by contractors. Key activities that inform this planning include preparing annual Asset Condition Assessment (ACA) reports and developing Asset Replacement Plans (ARP) to determine the condition of Elexicon's distribution system assets, and gathering monthly analytics and system reliability reporting along with analysis of any major event days that meet OEB thresholds.

In addition to ongoing planning activities, the team assesses the impact of new connection requests on system reliability and capacity and performs the technical system analysis necessary to facilitate customer connections, including the review and approval of power system load flow studies. It also develops plans for system expansions and enhancements to ensure there is adequate main feeder, substation, and supply point capacity, and to ensure that the distribution system plant can safely and reliably accommodate new load.

2.1.2 Load Forecasting and Stations Planning

This team is responsible for ensuring sufficient capacity across Elexicon's service territory through the development of station investment plans and enhanced load forecasting.

These processes initially require the team to collaborate internally with partners on the distribution system planning, design, and stations operations teams, and externally with key stakeholders, including local municipalities in Elexicon's service territory, to gather inputs and create district-specific load forecast models. Alongside these collaborative efforts, it also participates in the Regional Infrastructure Planning (RIP) and Integrated Regional Resource Planning (IRRP) processes alongside Hydro One, the IESO, and regional local distribution companies (Exhibit 2B - Tab 2 - Schedule 2).

Following this initial forecasting stage of planning, this function leads the identification and evaluation of suitable locations for new substations or expansions, considering factors such as proximity to load centres, land availability, environmental impact, and future growth projections. It develops capital and maintenance investment plans for stations, including such items as capital scope package creation and annual stations maintenance plans and reviews station condition monitoring, failure, inspection and maintenance data. This function also contributes to Asset Condition Assessment (ACA) and Asset Replacement Plans (ARP) for stations assets and participates in the true-up reviews for Hydro One-owned transformer stations that serve Elexicon's distribution system.

2.1.3 System Studies and Standards

This function provides critical safety, reliability, and compliance assurance through expert review and approval checkpoints. These include construction standards; major equipment, materials, and drawings for construction purposes based on type test reports and technical standards; generator connection impact assessments (CIA) in line with relevant CSA/IEEE standards; and critical system studies such as short circuit studies, grounding studies, arc flash, insulation coordination, power quality, and protection and coordination studies. The function further supports integration of new connections and system changes by performing analyses and preparing reports, including engineering analyses and technical reviews for distribution system assets, and reports recommending corrective actions in response to equipment failures and reported incidents. Additionally, this function contributes to station design studies, reliability analyses, smart grid and distributed energy resources projects, and specialized studies as required by internal and external stakeholders and customers.

Without adequate funding to support the APSE segment, Elexicon will have insufficient resources to initiate and establish its capital and maintenance programs to support the existing and forecasted volume

of distribution system planning that will be required for the utility to develop accurate plans, optimize investments, and ensure responsible management of distribution system assets throughout their lifecycle to deliver safe, reliable, and cost-effective service. Insufficient funding for staffing resources will result in delays in system access requests, inefficiencies, and increased reliability and safety risks, as well as higher long-term costs due to reactive rather than proactive investment decisions. It will also reduce the utility's ability to manage its preparation for increased numbers of distributed generation resources and to support the achievement of necessary policy objectives.

2.2 Segment Costs

Table 3: APSE Segment Historical, Bridge and Forecast OM&A Costs 2020-2031[2]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	0.46	0.46	0.57	0.47	0.95	1.03	1.12	1.53	1.67	1.73	1.82	1.86	13.6%
Variance ($M)		0.00	0.11	-0.10	0.49	0.07	0.09	0.41	0.14	0.06	0.09	0.04	
Variance (%)		1.1%	22.8%	-17.7%	105.1%	7.5%	9.1%	36.5%	9.4%	3.6%	4.9%	2.2%	

2.3 Cost Drivers

Over the historical period, Elexicon reorganized and scaled the APSE segment to meet a rising volume and complexity of work at the utility. These changes were required as Elexicon's capital plan and capacity needs grew, and the need to improve reliability became apparent in response to the deteriorating and aging condition of Elexicon's infrastructure. This rightsizing was also driven by evolving customer expectations, including the growing volume of technically complex connection requests for distributed energy resources (DERs), electric vehicles (EVs), and large commercial loads. Beyond operational demands, the APSE team expanded its contributions to policy development and regulatory initiatives during the historical period, in supporting Elexicon's regulatory engagements as OEB consultations broadened in scope and frequency (Exhibit 4 - Tab 1 - Schedule 1). While the utility had previously benefited by relying on outsourced resources for some essential planning functions, as Elexicon's customer base, stakeholder needs, and distribution system in general grew in scale and complexity, some applications of this approach created challenges for continuity and responsiveness. Internalizing these functions through the APSE restructuring ensures greater control, efficiency and internal operational alignment.

[2] Numbers may not sum due to rounding.

To implement the workforce restructuring and scaling effectively, the APSE segment deliberately staged hiring to enable a smooth team transition and sustain delivery of work, despite being critically short-staffed. Roles filled in 2024 focused on supporting the growing customer base and immediate operational needs, while remaining positions planned for the bridge and test years will meet evolving customer expectations, reliability objectives and reporting compliance obligations by supporting ongoing and planned expansion of capital and maintenance activities. These additional APSE resources ensure long-term work sustainability and continued effectiveness in investment decisions and planning for Elexicon's assets throughout the forecast period. This includes adapting to new complexities in the planning process in response to recent regulatory and policy changes, such as non-wires solutions, system capacity maps, as well as vulnerability assessments and storm hardening (VASH), distributed energy resource (DER) connections, increasing load demands across Elexicon's service territory for residential, commercial and industrial customers, EVs, and electrification. The team's growth remains at a moderate pace relative to the significant increase in the volume and complexity of capital and maintenance work planned at the utility over the forecast period, as outlined in Elexicon's Distribution System Plan (Exhibit 2B - Tab 3 - Schedule 1).

With the additional resources in place, the APSE segment will be able to effectively facilitate further advancements to the planning and implementation of new technologies and non-wires solutions across Elexicon's distribution system, alongside work to deliver improved grid reliability and resiliency. The team will support system reliability in the face of customer growth through identifying continuous improvement opportunities to refine and enhance maintenance planning and execution, ensuring alignment with best practices such as reliability centred maintenance, and incorporating technological enhancements such as the use of analytics and LIDAR scanning in vegetation management. This added capacity will be critical in appropriately managing higher volumes of planned capital and maintenance work that will require an increase in scope package development requirements and the performance of system studies and project analyses.

2.4 Cost Management & Productivity Savings

Elexicon used outsourcing and progressively optimized processes to manage its costs over the historical period. While the utility scaled up its internal team beginning in 2024, it continues to strategically employ

select specialized external contractor resources to minimize its long-term hiring impact and draw from specialty third-party knowledge on an as-needed basis. This includes the use of skilled electrical and civil engineering contractors for the creation of construction standards, technical connection impact assessments for DER connection requests and to support the development of capital scope packages.

Following its reorganization, the team implemented improvements to asset management process mapping and documentation, and to data management processes. It also refined its scope packages to further enhance the accuracy and efficiency of its scope package and execution work program processes, thus minimizing the need for downstream rework. The team further refined Elexicon's ability to track and improve processes, including KPIs to monitor program results, enhanced system reliability analytics and reporting, and tracking tools for incoming distributed energy resources project requests.

Over the forecast period, the APSE segment expects that the implementation of the Dx NEXT initiative (Exhibit 4 - Tab 1 - Schedule 6 - Appendix A) will provide it with operational and strategic benefits that will enable efficient work performance, even as work volumes and complexity in this segment are anticipated to continue rising. The Dx NEXT project will enable the teams to optimize management of asset information through a primary system of record for process execution and capture, ensuring access to reliable data and reporting, and graphical representations and classification. The project will make references available for asset specifications and work history and will improve the availability of GIS information to expedite Elexicon's ability to find assets. The project will also enable better planning capabilities through centralized data collection and improved data integrity within OM&A processes to drive greater operational effectiveness. Elexicon expects that these features will enable the utility to achieve outcomes including enhanced planning decision making, increased asset utilization and uptime, reduction of operational risk and costs, and improved customer reliability.

2.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

There is no material variance during this period.

2021 – 2022 Variance Explanation:

Costs increased by $0.11M from 2021 to 2022, primarily due to the addition of staff responsible for providing supervisory oversight for work assigned to internal and external resources. This increase also reflects expenses for external resources.

2022 – 2023 Variance Explanation:

Costs decreased by $0.10M from 2022 to 2023, primarily due to staff retirements.

2023 – 2024 Variance Explanation:

Costs increased by $0.49M from 2023 to 2024, primarily due to the addition of staff as part of the establishment of the internal APSE team, including leadership, supervisory and engineering functions, as well as increased expenses for specialized external support.

2.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.57M during this period, primarily due to planned hiring in 2027 to augment the APSE team. These resources will provide engineering and technical support for implementing enhanced capital and maintenance programs, support regulatory consultations, and load forecasting capabilities.

2.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.33M during this period, primarily due to additional staffing required to manage the anticipated rise in workload and complexity in demand-driven maintenance activities, execution of maintenance programs and capital investment plans, as well as support for regulatory consultations.

3. DESIGN SERVICES & CONNECTIONS

3.1 Description

The Design Services and Connections ("DS&C") segment facilitates connection to Elexicon's grid for a growing customer base and increasing electrification demands. It performs design services related to the utility's capital construction and connections programs. The costs of this segment represent the OM&A portion of DS&C's work, which is driven by customer requests to connect to Elexicon's distribution system and include facilitating the load connection process, performing service upgrades for existing customers, fulfilling capital distribution and stations program requests, and providing support to the distribution maintenance programs. During the historical period, despite reduced staffing from retirements, the segment managed increasing work volumes and complexity by strategically leveraging third-party resources to perform specialized tasks and support peak workloads. To achieve the right balance between internal and third-party resources, new staff additions are planned over the forecast period to sustain operations amid projected increases in design workload and work package development for capital programs, and rising volumes of customer connection requests within Elexicon's high-growth service territory. This approach reflects prudent resource management by progressively in-housing higher volumes of work, while strategically using external resources. In this way, Elexicon benefits from scalability as-needed, while ensuring the benefits of internal knowledge continuity, streamlined cross-functional communication based on established interdepartmental relationships, and strong stakeholder relationships, all essential for efficiency and compliance.

The DS&C segment ensures connections are compliant with the OEB's prescribed timeline as per Section 6.1 of the Distribution System Code (DSC), and with the technical standards outlined in the DSC and Elexicon's Standards, Specifications, Guidelines and Conditions of Service documents. The segment is central to the offer to connect process, by determining the type of connection required, producing the technical design for the necessary work, collaborating with customers to review design plans prepared by their consultant, scheduling the work, managing associated payments and deposits, and overseeing the project through its full lifecycle.

The DS&C segment serves as a keystone in the project lifecycle, forming the critical transition point where planning becomes operational and enabling successful execution. The segment enables distribution

systems and stations capital work through the provision of technical design plans, layouts, cost estimates, and job packages for projects such as:

- residential developments,
- municipal road infrastructure projects,
- new residential, industrial, commercial and institutional connections,
- system upgrades,
- stations design.

Upon receipt of a scope document from the APSE team, the DS&C segment handles the following:

- assigning and scheduling projects,
- tracking scope changes,
- estimating costs,
- completing detailed design work,
- planning labour and materials,
- coordinating permits and ensuring compliance,
- preparing construction packages,
- monitoring progress,
- communicating updates to stakeholders.

The DS&C segment's processes feature significant coordination and collaboration to ensure safe, efficient, and successful delivery. Collaboration with internal partners is a hallmark of the design process, including system planning, system control centre, operations, logistics, and protection and control functions, to ensure that designs are optimized for efficiency and reliability. Work is also performed to understand customer requirements and deliver tailored solutions that meet regulatory standards and industry best practices such as Ontario Regulation 22/04, Canadian Standards Association (C22.3 No. 1-10 Overhead Systems & C22.3 No. 7-10 Underground Systems), the DSC, and the Canadian Electrical Safety Code. Finally, to ensure seamless integration and execution of projects, work is performed in coordination with stakeholders, including municipal, regional, provincial, and federal agencies, conservation authorities, contractors, and other utility providers.

The segment's responsibilities also often align with areas under review in Ontario Energy Board (OEB) consultations. The DS&C team provides technical insights and specialized knowledge that contribute to Elexicon's regulatory submissions.

Without sufficient funding over the forecast period, the DS&C segment will face significant challenges in meeting its mandate to deliver and execute offers to connect and complete design packages for capital and maintenance projects within required timelines, potentially delaying construction schedules and the execution of Elexicon's capital work plan. These delays and deficiencies may become increasingly pressing in line with the growing envelope of capital projects in the forecast period. Insufficient funding may also increase the risk of non-compliance with timelines prescribed by the Distribution System Code, and may slow projects on grid modernization, DER integration, the Province of Ontario's residential home building initiative, and electrification initiatives.

3.2 Segment Costs

Table 4: DS&C Segment Historical, Bridge and Forecast OM&A Costs 2020-2031[3]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	1.01	1.06	0.94	0.82	0.89	0.85	0.89	1.08	1.17	1.23	1.26	1.29	2.3%
Variance ($M)		0.06	-0.13	-0.11	0.07	-0.04	0.04	0.19	0.09	0.06	0.03	0.03	
Variance (%)		5.7%	-12.2%	-12.2%	8.3%	-4.7%	5.2%	21.0%	8.6%	5.0%	2.6%	2.3%	

3.3 Cost Drivers

Following the merger in 2020, the DS&C function consolidated the respective functions of both legacy utilities. A reduction in staffing levels occurred in the post-merger period due to multiple retirements. At the same time, workload increased significantly due to a rise in customer-initiated design and connection activities resulting from population growth that is continuing to accelerate in Elexicon's service area and provincial policy changes aimed at accelerating development across Ontario, as well as greater complexity in design packages and expanded support for regulatory consultations, which increased significantly over this time. More extensive coordination with developers and active engagement to meet requirements for

[3] Numbers may not sum due to rounding.

permits from external stakeholders, such as municipalities and conservation authorities were also required. For example, designs in environmentally sensitive areas have involved increased oversight to meet permit and environmental protection requirements.

During the historical period, Elexicon also identified the pressing and specific need for growth in its portfolio of capital investments to maintain the condition of station assets and ensure continued system reliability. To properly support the delivery of this critical work, Elexicon established a dedicated stations design team within the broader DS&C segment. As part of the team's establishment and onboarding, costs within the segment increased due to expenses related to training, team development, and the creation of standards, procedures, and processes.

As demand and complexity of work within this segment continue to grow in the forecast period, this segment will strategically expand its internal staffing levels to support detailed design and work package development for the growing capital program and customer-driven projects. These additions are necessary to ensure continued performance levels, adherence to project and compliance timelines, and provide sufficient capacity to meet emerging requirements from incremental capital work, maintenance work, and system connections work, including the adoption of non-wires solutions. Additionally, the growth in workload will require an expanded workforce to manage stakeholder engagement, regulatory and internal reporting obligations, customer service interactions, design reviews, and financial oversight while ensuring compliance with DSC obligations for connecting customers. These tasks require organizational knowledge, accountability, and continuity that cannot effectively be outsourced. While strategic and selective use of contractors will remain essential for scaling and accessing specialized expertise, investing in growing the workforce aligns with industry best practices with regards to staffing by improving oversight and ensuring smoother transitions across project phases.

Looking forward, population growth is also expected to be higher than historic period, leading to subsequent increases in demand for transportation infrastructure improvements within Elexicon's service area at the municipal and provincial levels. Transportation infrastructure development directly impacts utility work volumes, particularly in high-growth regions such as Elexicon's service area in Durham. Elexicon is required to relocate existing distribution system infrastructure to accommodate transportation infrastructure projects. These projects typically involve a higher degree of coordination and technical

intricacy due to the need to engage with multiple stakeholders, including federal, provincial, regional, and municipal agencies, as well as third-party utilities.

3.4 Cost Management & Productivity Savings

The DS&C team undertook a departmental reorganization in the historical and bridge periods to enhance its integration with other segments across the utility and improve overall efficiency. Key changes include the creation of a dedicated customer connections group within the segment to manage projects from initial customer inquiry through to construction completion. This team has streamlined communication, removed duplicate tasks such as redundant intake and project status tracking, and shortened decision paths, enabling quicker responses to customer needs, by working directly with field crews and acting as a single point of contact for all customers. Cross-training resources has also increased workforce flexibility, ensuring coverage during absences and keeping projects on track. The result is faster turnaround times, lower project costs, consistent and accurate messaging, and a smoother, more reliable experience for customers from start to finish.

Over the forecast period, the DS&C segment plans to further refine its team operations by developing and implementing improved guidelines and procedures. These will streamline workflows, reduce errors, and shorten training timelines, ensuring a consistent, high-quality customer experience across all service areas. These improvements will also provide the structure and scalability needed to manage increasing volumes of work efficiently without compromising safety, service quality, or responsiveness.

The Dx NEXT initiative is forecast to improve work efficiency by reducing manual data entry and automating key aspects of the customer connection process, further boosting efficiency and service delivery. The current design and connection processes are heavily reliant on manual workflows, fragmented data sources, and legacy systems. These limitations increase the risk of inefficiencies, longer project timelines, and design errors or rework. Dx NEXT will modernize the end-to-end design and connection process by introducing automation, centralized data access, and integrated digital tools. The implementation of Dx NEXT will enable the segment to produce faster and more accurate designs and support better decision-making through real-time data access. This will streamline connection workflows, enhance transparency, and improve service delivery through better collaboration with other departments.

3.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

There is no material variance in this period.

2021 – 2022 Variance Explanation:

Costs decreased by $0.13M from 2021 to 2022, primarily due to staffing reductions from retirements.

2022 – 2023 Variance Explanation:

Costs decreased by $0.11M from 2022 to 2023, primarily due to staffing reductions from retirements.

2023 – 2024 Variance Explanation:

Costs increased by $0.07M from 2023 to 2024, primarily due to expenses related to the establishment and onboarding of the dedicated station design function.

3.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.19M during this period, primarily due to the addition of staff beginning in 2027 to provide oversight for the increasing volume and complexity of connection requests and technical designs driven by customer-initiated work, as well as the planned expansion of the maintenance and capital investment plans.

3.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.21M during this period, primarily due the addition of technical staff to support the continuation of the drivers initiated in the bridge period, which includes timely delivery of the increasing volume and complexity of connection requests and technical designs driven by the

customer initiated work, as well as the planned expansion of the maintenance and capital investment plans and support for regulatory consultations.

SYSTEM OPERATIONS

1. PROGRAM OVERVIEW

The System Operations program consists of two segments: Control Centre and Operations. Table 1 below summarizes historical, bridge, and forecast costs for the program across these segments.

Table 1: Summary of Total System Operations Program Costs[1]

	Historical					Bridge		Forecast				
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Control Centre ($M)	1.75	1.94	2.18	1.97	2.38	2.95	2.87	2.70	2.88	3.05	3.13	3.20
Operations ($M)	2.76	3.16	3.16	2.97	3.04	2.99	3.21	3.40	3.58	3.66	3.76	3.84
Total System Operations ($M)	**4.51**	**5.10**	**5.34**	**4.94**	**5.43**	**5.94**	**6.08**	**6.10**	**6.46**	**6.71**	**6.89**	**7.05**

1.1 Program Description

Elexicon's System Operations program consists of the Control Centre and Operations segments. Work in this program includes performing system control and monitoring activities to ensure the safe and reliable operation of Elexicon's distribution grid, as well as managing Elexicon's asset registry. This program also includes the OM&A portion of the management, supervisory, and technician expenses related to customer-driven isolation requests initiated by the Design Services and Connection segment within the System Planning and Design program. In addition, it includes the OM&A portion of costs for management and supervisory oversight of activities carried out by Elexicon's Powerline and Stations Technicians and external contractors to deliver maintenance programs, restoration activities, and planned capital within the Sustainment program.

Following the merger, Elexicon established its System Control Centre ("SCC") [Redacted], consolidating the legacy control rooms into a single, modernized facility that operates 24/7. Variances in historical program costs were driven by labour and technology changes. Cost drivers in the forecast period include increases in demand for operational activities to support load growth and increased levels of supervision required within the Operations segment to manage growing capital and maintenance work programs. The implementation of the Dx NEXT program is expected to improve the utility's base data structure and

[1] Numbers may not sum due to rounding.

analytics capabilities and provide greater integration with customer submissions of outages. Dx NEXT will also streamline processes for dispatching work, tying inventory to projects, work assignment efficiency, and improvements to scheduling.

1.1.1 Historical Period and Bridge Years (2020-2026)

Over the historical period, the primary cost driver of this program was labour cost increases from employee turnover within the utility's SCC and a tight and competitive labour market that made it difficult to hire fully trained System Operators. To maintain operations, the utility relied on overtime and contractors to fill resourcing gaps, which contributed significantly to the overall increase in costs. To ensure the SCC was adequately staffed, Elexicon increased its complement of Apprentice System Operators and augmented its existing workforce with contractor staff. The demand and competitiveness, as well as short supply of qualified System Operators persisted through the historic period due to the highly specialised and technical skillsets required of these roles, especially in light of the SCC's modernized capabilities. To support customer-facing visibility, a real-time outage map was introduced as Elexicon implemented its ADMS system during this time period. Additionally, the utility upgraded the SCADA system to support safe, reliable, and efficient operation of the grid while providing continuous improvements to system reliability. These initiatives necessitated additional staff with specialized skills and resources. Cost variances within the Operations segment were flat, though achieving this required significant effort and careful prioritization of work, as the utility navigated post-merger complexities by managing its field operations with a lean supervisory complement as a means of controlling costs and optimizing efficiencies post-merger.

1.1.2 OM&A Requirements in the Forecast Period (2027-2031)

Over the 2027 to 2031 period, costs are forecasted to increase in the Control Centre segment after 2027 due to additional labour resources required to support anticipated load growth, and an increase in capital work requiring coordination and oversight from the SCC. This staffing increase aligns with the utility's capital investment plan, its investment in grid modernization technologies (Exhibit 2B – Tab 3 – Schedule 2 – Appendix A), and its need to maintain safe and reliable system operations, while maximizing efficiency and optimizing resource utilization.

Over the forecast period, the Operations segment's workload will increase as the segment delivers supervision and management to the expanded scope of planned maintenance activities across the utility. Dx NEXT is anticipated to enable efficiencies in this segment over the forecast period by introducing enhanced analytics and delivering integrated decision-making and cross-functional integration between teams such as customer accounts, asset management, and control centre operations, to increase operational efficiency and decision-making. Dx NEXT will also improve responsiveness and crew dispatch times by enabling the utility's customers to submit online notifications [Redacted]. For the operations segment, Dx NEXT will streamline the dispatching of work and timesheet entries and improve work assignment efficiency by reducing manual paper-based processes.

Insufficient program funding will impact Elexicon's ability to supervise line operations, stations and automation tasks, leading to decreased productivity and lack of oversight for crews performing critical tasks such as power restorations, thus decreasing reliability and increasing safety risks. It will also lead to longer restoration times due to inadequate funding for SCC and Asset Records team operations, creating operating inefficiencies, slowing grid modernization efforts, and creating a higher risk of regulatory non-compliance with mandated service response times.

1.2 Program Segments

The Systems Operations Program is comprised of two segments as follows.

1.2.1 Control Centre

This segment encompasses three functions: the SCC, the Asset Records Function, and the Emergency Management function. The SCC ensures the safe, reliable, and continuous operation of Elexicon's distribution grid through real-time control and monitoring from a primary location with a secure backup site. It performs continuous system monitoring and grid operations, utilizes ADMS and SCADA to mitigate impacts to customers, and coordinates outage restoration to maintain service continuity during emergency conditions. Meanwhile, the Asset Records function maintains an accurate and up-to-date asset registry to support planning, compliance, and operational decision-making. The team ensures the quality and accuracy of spatial and design records that serve as Elexicon's system of record, maintains detailed logs of grid activity, and delivers asset-specific reporting. Finally, the Emergency Management function ensures continuity and reliability of electricity distribution during major events by leading response and

recovery efforts across all business units, as well as training and preparedness exercises. It coordinates with internal and external stakeholders, including mutual aid partners through comprehensive preparedness plans, minimizing disruptions and protecting customers by enabling timely power restoration.

1.2.2 Operations

This segment includes the OM&A portion of costs for management and supervisory oversight of activities carried out across the utility's service territory by internal powerline technicians and external contractors under the Sustainment program. It also includes the OM&A portion of management, supervisory and technician expenses related to customer-driven isolation requests initiated from the Design Services and Connections segment within the System Planning and Design program. These include scheduled customer-requested outages for electrical upgrades, panel changes, general maintenance and repairs, backup generator or transfer switch installations, siding or painting activities, micro-fit installations, load displacement systems, and accessory dwellings. In addition, this segment includes unplanned and emergency disconnects for repairs on defective customer owned equipment.

1.3 Outcomes

Table 2: System Operations Program Activities and Outcomes

Focus Areas	Activities and Outcomes
Customer Focus	• Provision of timely outage and restoration information so that it can be relayed to customers through the customer facing outage map and X/Twitter • Assist with meeting section 4.9 requirements in the DSC regarding outage notifications to customers • Ensure safe access for customers to service their electrical equipment by providing customer-driven premise isolations • Providing leadership and oversight in responding to trouble calls and emergencies, proactively identifying system threats, and performing repairs. • Providing outage notification and restoration times to customers through Elexicon's customer facing outage map and X (Twitter), in accordance with the OEB's compliance requirements with for high-impact, low-frequency (HILF) events.

Focus Areas	Activities and Outcomes
Operational Effectiveness	• Provision of 24/7 real-time monitoring, control, operation and response to trouble calls through a consistent and prioritized approach to power restoration • Administers the Utility Work Protection Code • Provide oversight, administration and accountability for work performed by crews within the Sustainment program • Maintaining reliable GIS-based asset data to enable safe, efficient planning, operation, and maintenance of the distribution network • Coordinate remote switching and isolation aligned with approved safety protocols, including verification of device status, interlocks, and communication with field crews before execution • Ensure safety through proactive emergency planning, coordinated response protocols, and rigorous recovery measures that protect staff, the public, and system integrity during all incidents and compliance with regulatory requirements related to grid emergency preparedness and business continuity, as outlined in Section 39 of the Electricity Act, 1998, and the IESO's Market Rules
Public Policy Responsiveness	• Maintain compliance with electrical distribution safety regulations (i.e. Ontario Regulation 22/04) and OEB requirements for Rural and Urban Emergency Response and Major Events Reporting in DSC section 7.9 •
Environment	• Provide oversight and administration in response to leaking, pole-mounted and pad-mounted transformers. Responding to leaking station transformers.
Financial Performance	• The asset registry is a reference for the asset base denoted by Finance

2. CONTROL CENTRE

2.1 Description

The Control Centre segment facilitates the safe, reliable and continuous operation of Elexicon's distribution grid through real-time system control and monitoring activities from a primary location, with a secure, redundant backup site, that are supported by an accurately maintained asset registry. This segment

includes operation of the System Control Centre ("SCC") and Elexicon's emergency management and Asset Records functions. The SCC enables Elexicon to coordinate system switching and restoration work, mitigate the effects of outages and ensuring the safety of Elexicon's crews and the public. Elexicon's emergency management function involves strategically coordinating resources, personnel and systems to prepare for, respond to, and recover from incidents that threaten system reliability, public safety and service continuity. The segment's Asset Records function supports grid operations, system planning and asset reporting across the organization by maintaining the quality and accuracy of Elexicon's GIS as the system of record for spatial and design records within the asset registry. Its alignment within the Control Centre segment ensures efficient access to grid activity updates, which are captured in the asset registry to keep records accurate and current. These updates are critical for real-time switching, outage restoration, and emergency response.

Cost increases for this segment over the historical and bridge years have been driven by higher labour costs, primarily due to the need to backfill positions resulting from retirements and attrition at a time when recruitment efforts are challenged by a tight and competitive labour market for the specialized skill set required of distribution system operators across Ontario utilities. Elexicon's ability to maintain safe, reliable, and continuous operation of its distribution grid is closely tied to the expertise and stability of its System Operator workforce. To address this, Elexicon is investing in an apprenticeship training program for System Operators as part of a critical long-term resourcing strategy that requires higher staffing volumes to deliver long term operational stability to meet Elexicon's current and increasing system needs. Additional cost increases were also due to resources needed to support the implementation of Advanced Distribution Management System (ADMS) and Supervisory Control and Data Acquisition (SCADA) technology upgrades, and costs to support the migration of Elexicon's asset records to an improved spatial platform. Over the forecast period, cost increases are driven by the need for additional System Operators to ensure grid coverage without relying on the unsustainable overtime that was necessary during the historical and bridge years. These increases also reflect the need to monitor an expanding asset base resulting from execution of the capital work plan, improve responsiveness to storms and emergencies, and enhance overall grid monitoring to improve customer experience.

The SCC operates Elexicon's control room functions continuously, providing 24/7 coverage. This includes monitoring the condition of Elexicon's distribution system and the operation of its grid to enable field crews to work safely. The SCC also adopted ADMS in late 2024 and completed a SCADA upgrade in 2025 to mitigate impacts to customers during outages by using a systematic approach to resolve disruptions to service, equipment, or operations while minimizing down time. Finally, this function contributes to system reliability by maintaining accurate logs of grid activities and performing analysis of system outage root causes to improve system reliability.

This segment is also responsible for fulfilling emergency preparedness requirements set out under the Electricity Act, 1998, which mandates utilities to ensure continuity and reliability of electricity distribution by executing response and recovery activities across all business units during emergencies. Elexicon's emergency preparedness plans establish incident objectives and priorities and include coordination with external stakeholders and mutual aid supports.

The Asset Records function ensures the integrity and accessibility of distribution system asset data by maintaining a digital twin of the network, which enables life cycle tracking and supports operational and maintenance decisions as well as the detailed information on the quantity and type of assets.

Without adequate funding over the forecast period, Elexicon faces risks across the functions within this segment, including real-time system operations, emergency preparedness, and the accuracy of asset records. These functions are deeply integrated across the utility, and critical to Elexicon's operations reliability, regulatory compliance, and public safety. Any constraint on Elexicon's ability to train and retain a qualified complement of System Operators will impact its capacity to meet OEB and IESO performance standards and respond effectively to trouble calls and emergencies. In addition, challenges in maintaining accurate system asset data will negatively impact Elexicon's ability to manage its day-to-day operations, as well as effect Elexicon's maintenance planning and capital investment decisions. These consequences will lead to operational challenges such as inefficient resource deployment, longer outage durations, slower restoration times, increased risks to public safety, and reduced customer satisfaction.

2.2 Segment Costs

Table 3: Control Centre Segment Historical, Bridge and Forecast OM&A Costs 2020-2031[2]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	1.75	1.94	2.18	1.97	2.38	2.95	2.87	2.70	2.88	3.05	3.13	3.20	5.6%
Variance ($M)		0.18	0.24	-0.21	0.41	0.57	-0.08	-0.17	0.18	0.17	0.08	0.07	
Variance (%)		10.5%	12.3%	-9.5%	21.0%	23.8%	-2.8%	-5.9%	6.6%	5.9%	2.7%	2.3%	

2.3 Cost Drivers

During the historical period, the utility experienced multiple retirements in the SCC that significantly affected operations and reduced the function's capacity, mostly notably in 2023. Elexicon has also faced attrition due to competitive labour market pressures and high demand amongst utilities in the province for the unique and high skill set for distribution system operators, with several System Operators departing to neighbouring utilities and persistent challenges in attracting and retaining both apprentice and fully qualified System Operators. The remaining staff within the SCC were required to work overtime to maintain full coverage in response to the increasing volume of work driven by asset and load growth within Elexicon's distribution system. To mitigate these risks and ensure the SCC remains adequately staffed and operationally resilient, the utility strategically decided to insource its System Operator apprenticeship training program and participate in apprenticeship initiatives to rebuild its internal resources and stabilize its workforce. Given the province-wide shortage of System Operator resources, this investment must be made in higher volumes and well in advance, as these roles require a longer-term training period. Elexicon will prioritize these initiatives to recruit additional operators and apprentices, enhance training and development pathways, and implement retention measures that address market competitiveness. These efforts are critical to sustaining the utility's operational reliability, supporting future load growth, and meeting regulatory performance standards.

New hires were onboarded as Apprentice System Operators and are expected to transition to become fully licensed throughout the bridge years and into the forecast period. While this represents critically important long-term strategy, the SCC will incur material cost increases during this transition because the

[2] Numbers may not sum due to rounding.

Apprentice System Operators are required to be staffed in higher volumes to accommodate their training needs and limited capabilities. To maintain operational coverage, fully licensed System Operators continue to work overtime during the bridge period while providing job shadowing opportunities for the Apprentice System Operators. Contractor support is additionally required during this time to fill the critical System Operator vacancies and supplement SCC staffing during high volume events such as storms. The implementation of the ADMS system in 2024 and SCADA system upgrade in 2025 also required additional effort to provide expert subject matter input on operational needs, validating system design and user acceptance testing.

Over the forecast period, Elexicon plans to expand the SCC with the addition of qualified System Operators to support load growth associated with the growing customer base and electrification, and the corresponding increase in operational demands. This expansion will also ensure appropriate shift coverage and field operations support without relying on the unsustainable overtime burden that has historically been necessary. The staffing increase aligns with the utility's growing capital investment plan which will introduce additional assets to operate and monitor to maintain reliable system operations. These investments will strengthen real-time monitoring, improve responsiveness to storms and emergencies, and enhance overall grid monitoring to improve customer experience. Elexicon's continued investment in staff training is expected to result in operational stabilization, with the SCC being well resourced with fully licensed System Operators.

In addition to the cost variances resulting from operational changes within the SCC, Elexicon undertook initiatives to strengthen its asset registry and emergency preparedness functions, both critical to supporting reliable service and future system growth. During the historical period, the Asset Records function maintained a consistent operational expense, after consolidating its legacy spatial data applications following the merger. In the bridge period, costs are expected to increase due to the engagement of specialized contractors to support the transition to the new GIS spatial platform scheduled for implementation in 2027. This project will replace legacy systems and expand the utility's access to data by centralizing it in a single solution. This integration will reduce operational challenges by improving data accuracy between the GIS and field inventory. This enhanced data quality will provide improved capital and maintenance investment planning. This project has synergies with the Dx NEXT project but is an

independent initiative undertaken within this segment. Despite the upfront investment, operational expenses are expected to remain stable over the forecast period.

Finally, Elexicon formalized its emergency management function in the historical period by establishing a dedicated team to strengthen preparedness and response capabilities across this segment. This decision was driven by the growing volume and complexity of emergency events and the need to develop standardized processes to oversee coordinated planning and consistent execution. The team is responsible for developing and maintaining emergency plans, conducting company-wide drills, and supporting business continuity efforts to ensure reliable electricity distribution during emergencies.

2.4 Cost Management & Productivity Savings

Following the merger of legacy utilities Veridian and Whitby, Elexicon consolidated its control room into a single main SCC with a backup, reducing costs associated with running multiple facilities. The utility also improved resource management by integrating the entire service territory into a unified modelling strategy and network topology, eliminating inefficiencies from parallel resources and duplicative business continuity efforts.

The Control Centre segment further undertook several productivity initiatives over the historical period to enhance operational efficiency and mitigate unnecessary costs resulting from wasted time or redundant processes. Among these was the integration of a digital two-way radio network, which streamlined communication channels for field workers. This upgrade mitigated inefficiencies by reducing the risk of operational disruptions, contributing to a more consistent and safer work environment. The segment also undertook an initiative to merge two phone systems into one, thus enhancing both customer service and switching operations by eliminating redundant pathways.

As part of its modernization, the segment implemented ADMS software to enhance grid operational efficiency by consolidating multiple tasks into a single integrated platform. Other modernization initiatives include the transition to a digital control room log to enable multiple System Operators to maintain system records simultaneously while creating a searchable digital record of services for faster and more efficient queries. In addition to amalgamation and digitization initiatives, Elexicon developed a new temporary switch process aimed at minimizing abnormal system configurations that hinder outage restoration. This

process enhances safety and reliability by enforcing consistent nomenclature, tracking the number of temporary switches installed, and applying a hard cap to prevent excessive installations. Elexicon established a standardized methodology for identifying and ranking critical and priority loads across Elexicon's service territory, aligned with IESO market rules. This collaborative initiative, which included a stakeholder workshop, resulted in a prioritized list used by Elexicon to streamline power restoration. During this period, legacy operating map systems were also consolidated into a single system following a comprehensive validation of Elexicon's entire primary distribution system. This validation exercise ensured the most current version of circuit data was on record and led to updates to the asset registry, enhancing data accuracy and supporting safer, more efficient operations. These efficiencies ensured the best use of Elexicon's resources and contributed to positive customer outcomes.

Elexicon's focus on operational efficiency and adaptability in response to increasing work volume and complexity have also led to organizational changes of the Asset Records function during the historic period. While historical expenses related to this function are recorded within this segment, the function originally resided in the Asset Planning and System Engineering ("APSE") segment, where it included both management of asset records and locates. In 2024, the responsibility for managing locates was transitioned to a newly established Locates and Damage Prevention team. This change was made to address increasing demand and provide focused administrative support. As part of the transition, the supervisory role and related expenses were moved to the Locates segment. The cost to perform locates has always been tracked within the Locates segment, and the reallocation was made to align supervisory costs with the corresponding operational costs.

Elexicon implemented its ADMS system at the end of 2024 and upgraded its SCADA system in 2025. These tools were required to accommodate technology advancements in distributed energy resources, next generation distribution assets and meters, and load growth. These tools have enabled the SCC to manage increased load growth and to provide effective outage management using a systematic approach to resolve disruptions in service, equipment or operations while minimizing down time. These tools will enable the SCC to realize productivity improvements that will control costs in the segment by enabling Elexicon to perform work more efficiently and in higher volumes.

During the bridge years, Elexicon will continue to review and refine the customer isolation switching procedure for 44kV customers. This ongoing effort aims to further streamline internal job scheduling, reduce the likelihood of delays, and enhance customer service by building on previous gains in operational efficiency and System Operator workload reduction.

Over the bridge and forecast period, Elexicon will also change its GIS system in line with utility best practices to reduce operational challenges and expand access to data for more efficient operations. The planned upgrade to Elexicon's GIS system that is being executed in conjunction with Elexicon's Dx NEXT project will serve as a foundational element of the utility's base data structure for the utility's transition to its new Dx NEXT platform. This enhancement will enable advanced analytics by leveraging the inherent connectivity relationships within the GIS environment. The improved data architecture will support more intelligent, integrated decision-making across business units through better data sharing and integration. This will increase operational efficiency by linking customer accounts, asset management information, and SCC operations.

Additionally, under the Dx NEXT initiative, Elexicon will integrate SCC operations with other business units by establishing direct digital connections between customer accounts and their service requests. This will allow customers to submit outage notifications online, which will [Redacted] to streamline workflows, improve responsiveness, and enhance outcomes for customers.

2.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

<u>2020 – 2021 Variance Explanation:</u>

Costs increased by $0.18M from 2020 to 2021, primarily due to the addition of staff to provide data analysis support within the SCC. This is in addition to contractor expenses to provide after-hours call services.

2021 – 2022 Variance Explanation:

Costs increased by $0.24M from 2021 to 2022, primarily due to increased overtime pay for System Operators to compensate for staffing shortage from the onset of multiple retirements and attrition within the SCC which partially offset the increases. This is an addition to expenses associated with external support for after-hours call services.

2022 – 2023 Variance Explanation:

Costs decreased by $0.21M from 2022 to 2023, primarily due to multiple retirements and attrition within the SCC, and the administrative transfer of the budget for after hours trouble calls to the Contact Centre segment.

2023 – 2024 Variance Explanation:

Costs increased by $0.41M from 2023 to 2024, primarily due to onboarding of Apprentice System Operator positions to address vacancies and support the utility's strategic decision to insource the apprenticeship program for System Operators. This included transitional training expenses, such as increased overtime pay for fully licensed operators. In addition, costs increased as of 2024 with the initial establishment of a dedicated emergency management function.

2.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.32M in this period, primarily due to the higher allocation of expenses related to trouble calls within the SCC to this segment. This is in addition to an increase in expenses related to the transition from legacy systems to the new GIS spatial platform, and the addition of staff to provide supervision and support roles for SCC operations.

2.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.51M in this period, primarily due to the addition of qualified System Operator positions and costs related to support the apprenticeship program.

3. OPERATIONS

3.1 Description

The Operations segment includes costs related to leadership and supervisory oversight of distribution activities during both regular and after-hours periods, as well as expenses related to joint use pole attachments. Capital and maintenance activities are assigned to this segment by the Asset Planning and System Engineering segment of the System Planning and Design program, while customer premise isolations are initiated by the Connections function within the same program and reactive work is directed by the Control Centre segment. The costs of this segment represent the OM&A portion of this critical work. Cost increases and variances over the historical and bridge periods are primarily driven by fluctuations in the volume of customer isolation requests and the addition of supervisory staff to support the growing capital program, as well as reactive and emergency work, including sufficient leadership coverage to respond to high-volume events such as storms. Cost increases over the forecast period will be driven by additional supervisory and technical staff to support the increasing volume and complexity of customer isolation requests and to provide supervision to growing capital and maintenance programs.

This segment also includes the management, supervisory and technician expenses related to customer-driven isolation requests initiated from the Design Services and Connections segment. The team receives work requests from the Connections segment and prepares them for execution within the Sustainment Maintenance segment. This involves coordinating and planning activities to ensure proper scheduling and resource allocation. Typical activities include scheduled customer-requested outages for electrical upgrades, panel changes, general maintenance and repairs, backup generator or transfer switch installations, siding or painting activities, micro-fit installations, load displacement systems, and accessory dwellings. In addition to scheduled work, this team also manages isolations for unplanned and emergency events for repairs on defective customer owned equipment.

Furthermore, this segment includes the costs for management and supervisory oversight of activities carried out across the utility's service territory by internal powerline and station technicians and external contractors working within the Distribution Systems and Stations and Automation Maintenance segments. Managers provide strategic and operational leadership by overseeing teams, resources, training, and budgets to ensure safe, efficient, and compliant operations. Their responsibilities also include

performance management, regulatory compliance, emergency response coordination, and stakeholder engagement. Reporting to managers, supervisors, also included in this segment, oversee field crews working on distribution systems, substations, and automation infrastructure. They are responsible for daily task planning, resource coordination, safety audits, technical guidance, the safety and productivity of crews, and quality assurance during both regular and after-hours operations.

For maintenance activities on distribution systems assets, management and supervisory staff are also responsible for securing permits, coordinating excavation and arborist contractors, issuing notifications, and assigning work. For Stations and Automation activities, responsibilities also include 24-hour operation and maintenance of Seaton Municipal Transformer Station, along with Elexicon's substations and automation assets across its service areas, performed by both internal and external resources. In addition, Stations leadership ensure compliance with Independent Electricity System Operator (IESO) requirements for transformer station maintenance, ensuring equipment meets voltage and performance standards as outlined in the Market Rules and the Transmission System Code (TSC).

The Operations segment also incurs costs and performs activities related to joint use permitting. The costs associated with obtaining and maintaining joint use permits to connect Elexicon-owned equipment to the pole owned by other parties such as other electrical utilities and communications companies. These costs primarily consist of the OEB's Wireline Pole Attachment Charge, along with expenses related to attending bi-weekly meetings with relevant stakeholders. In addition, the segment manages third-party attachment requests to Elexicon infrastructure, which involves reviewing permit applications, issuing permits and administering permits. While the costs are largely recoverable from the third-party attachers, these activities generate considerable workload for existing resources, requiring coordination and oversight. The third-party attachers are typically other service providers that deliver essential services to customers, thus Elexicon's timely management of these activities contributes to broader community benefits in the utility's service territory.

Insufficient funding will result in reduced management and field supervision in Line Operations, Stations, and Automation, decreasing productivity and oversight for crews performing critical tasks such as power restorations, thus decreasing reliability and increasing safety risks.

3.2 Segment Costs

Table 4: Operations Segment Historical, Bridge and Forecast Costs 2020-2031[3]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	2.76	3.16	3.16	2.97	3.04	2.99	3.21	3.40	3.58	3.66	3.76	3.84	3.1%
Variance ($M)		0.40	0.01	-0.19	0.07	-0.05	0.22	0.19	0.18	0.08	0.10	0.08	
Variance (%)		14.4%	0.2%	-6.1%	2.4%	-1.8%	7.4%	5.8%	5.4%	2.2%	2.7%	2.3%	

3.3 Cost Drivers

The measures implemented in Ontario to manage the Covid-19 pandemic significantly impacted costs and processes in this segment. In 2020, Ontario's first and longest stay-at-home order was introduced to address the spread of Covid-19. As a result, a significant portion of planned work was deferred, and was addressed in 2021 under strict workplace health and safety protocols. These included requirements for managers and supervisors to prioritize critical tasks and keep track of work delays and deferrals and manage the incremental administrative effort to accommodate workplace requirements, such as restructuring work schedules more frequently, staggering shifts with limited crew sizes, and other considerations such as limiting vehicle occupancy to one person. Though efforts were made to complete as much as possible in 2021, particularly essential customer isolations, the utility prioritized maintenance activities that were critical to system health or driven by compliance requirements. As a result, scheduling the outstanding work required adjustments and resulted in a temporary backlog.

A significant contributor of expenses in this segment are customer-initiated isolation requests, which result in management oversight, field supervision, technician-related activities and associated costs. Over the historical period, customer-initiated isolation requests increased in both volume and complexity, a trend that is expected to continue through the bridge and forecast periods. During Covid-19, electrical upgrades and installations in Ontario homes initially slowed due to lockdowns, supply chain disruptions, and safety concerns. However, demand for upgrades that required customer isolations increased as more time was spent at home, particularly among older properties, which are more likely to require such upgrades due to outdated infrastructure and compliance with current standards. This surge significantly increased

[3] Numbers may not sum due to rounding.

expenses within this segment over the historical period, in particular due to more complex isolations in older services, as outdated electrical systems are often non-compliant with current safety standards. These properties require additional inspections, permits, and upgrades to ensure compliance with current codes, adding time, cost, and coordination to perform the isolation. There was also an increase in customer requests for service isolations in Gravenhurst, driven by a growing number of residential customers converting seasonal cottages into year-round dwellings during the pandemic. Customer isolations in Gravenhurst are generally more expensive than in other service areas because the properties are rural, requiring longer travel time, and the conversion of cottages to year-round residences in general requires more complex coordination and specialized work, all of which led to cost increases. As Elexicon's customer base continues to grow in the coming years, the rate of customer-driven isolation requests is anticipated to keep pace. This rise is also due to the expectation that existing homes and businesses will continue to upgrade their electricity services to meet current safety codes and support higher energy loads, and to adopt technologies such as distributed energy resources including battery storage systems and solar panels, as well as electric vehicle chargers. As a result, this segment will see increased expenses from a higher volume of customer premise isolations in the forecast period.

Segment costs during the forecast period are also expected to increase from the addition of supervisory staff to support the planned expansion in capital and maintenance activities, primarily due to aging assets as well as growth in Elexicon's customer and asset base. This includes an increase in the frequency of cyclical maintenance programs to align with standard practice levels and aging station assets that require more frequent and comprehensive maintenance activities. Protection and control activities are also expected to increase as substation assets age and grid modernization technologies are introduced that will require enhanced monitoring, testing, and maintenance to ensure system reliability and safety. Management and supervisory roles will also lead work management improvements, including the implementation of the Substations Maintenance Manual. Further details on maintenance plans are provided in the Maintenance - Distribution System and Maintenance - Substations segments (Exhibit 4 - Tab 1 - Schedule 4). The additional supervisory staff will also support the growing technical workforce needed to deliver the increasing capital and maintenance plans. Further details on the DSP are provided in Exhibit 2B – Tab 1 – Schedule 1.

3.4 Cost Management & Productivity Savings

The merger of legacy utilities into Elexicon generated sustainable synergies that enabled the operations segment to control its costs during the historical period. A further productivity measure was implemented in 2024 when Elexicon merged its East and West operations manager roles under a single managerial role to eliminate regional divisions. This unified management approach has helped to standardize processes, improve operational effectiveness, and optimize OM&A expenses. The consolidated workforce also led to greater flexibility and enabled staff to be redeployed between locations as-needed. For example, if operations in Whitby have available capacity, employees can support projects in Ajax, and vice versa. This structure, with one manager overseeing all operations and districts, enables the strategic allocation of resources across districts based on project needs.

Elexicon anticipates that it will realize productivity savings over the forecast period from the execution of the Dx NEXT project that will enable it to perform work efficiently in this segment. Dx NEXT will include new software solutions to streamline processes between departments including dispatching work, tying inventory to projects, and timesheet entries. Dx NEXT will also streamline the intake of customer disconnection and reconnection requests, appointment scheduling and dispatch of field crews. The operations segment anticipates that these solutions will improve work assignment efficiency by reducing manual paper-based processes, enhancing the team's long-term planning abilities by improving scheduling, and creating higher levels of predictability in its volume of work. The solutions are also anticipated to integrate operational, maintenance and administrative processes to improve operational effectiveness by leveraging a unified data model instead of disjointed, manual reporting.

3.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

Costs increased by $0.40M from 2020 to 2021, primarily due to an increase in volume and complexity of demand customer premise isolations in 2021 approximately 500 more than in 2020, particularly in the Gravenhurst service area, which had to be completed under strict health and safety protocols. This is in addition to a general increase in administrative burden on the operations segment during the time when Ontario's workplace restrictions for essential workers were in effect to limit the transmission of Covid-19.

2021 – 2022 Variance Explanation:

There is no material variance during this period.

2022 – 2023 Variance Explanation:

Costs decreased by $0.19M from 2022 to 2023, due to a reduction in staffing level from retirement, as well as the decline in customer isolation requests from the peak levels in 2021 and 2022.

2023 – 2024 Variance Explanation:

There is no material variance during this period.

3.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.35M during this period, primarily due to the addition of supervisory staff to support the rise in protection and control maintenance requirements in stations, as well as an increase in customer-driven isolation requests.

3.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.45M in the 2027-2031 period, primarily due to the addition of supervisory and technical staff to provide oversight for increased capital and maintenance activities across the distribution system and stations and support the higher volume and complexity in customer-driven isolation requests.

SUSTAINMENT

1. PROGRAM OVERVIEW

The Sustainment program consists of five segments: Maintenance – Distribution System, Maintenance – Substations, Restoration, Vegetation Management and Locates. Table 1 below summarizes historical, bridge, and forecast costs for the program across these segments.

Table 1 presents gross amounts to align with cost drivers. These amounts correspond to OEB Appendix 2-JC, filed as Exhibit 4 - Tab 1 - Schedule 1 - Attachment 1. For the Locates segment, adjustments were made pursuant to Accounting Order 0022023, which established the Getting Ontario Connected Act ("GOCA") variance account to capture incremental costs arising from Bill 93 and to record the approved base-rate OM&A amount as Other Revenue. The resulting net costs for the Locates segment and subsequent net costs for the total Sustainment program are also provided in Table 1 as reconciliation to OEB Appendix 2-JC. Further details regarding this adjustment are provided in the Locates segment discussion below under Section 6.

Table 1: Summary of Total Sustainment Program Costs[1]

	Historical					Bridge		Forecast				
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Maintenance - Distribution System ($M)	3.80	2.30	2.49	2.21	2.78	2.66	3.36	3.95	4.90	4.73	4.88	5.00
Maintenance – Substations ($M)	0.96	1.02	0.88	1.03	4.47	1.81	1.87	2.28	2.33	2.43	2.59	2.64
Restoration (storms, trouble calls) ($M)	1.66	1.70	1.78	2.32	2.42	2.83	2.49	2.33	2.42	2.47	2.53	2.59
Vegetation Management ($M)	1.03	1.32	1.17	1.33	1.61	1.85	1.77	1.97	2.69	2.82	2.89	3.13
Locates ($M)	1.23	1.11	1.24	1.68	1.89	2.30	2.10	2.18	2.22	2.44	2.49	2.54
Total Sustainment ($M)	**8.68**	**7.44**	**7.57**	**8.57**	**13.16**	**11.45**	**11.59**	**12.71**	**14.56**	**14.89**	**15.38**	**15.90**
Less: DVA Adjustment (Locates) ($M)[2]	-	-	-	(1.57)	(1.89)	(2.30)	(2.10)	-	-	-	-	-
Net Locates ($M)[2]	1.23	1.11	1.24	0.11	-	-	-	2.18	2.22	2.44	2.49	2.54
Net Sustainment Program ($M)[2]	**8.68**	**7.44**	**7.57**	**7.00**	**11.27**	**9.15**	**9.49**	**12.71**	**14.56**	**14.89**	**15.38**	**15.90**

[1] Numbers may not sum due to rounding.
[2] Adjustments for the Locates segment were made pursuant to Accounting Order 002-2023. Net costs for Locates segment and the Sustainment program are provided as a reconciliation to OEB Appendix 2-JC amounts. Other segments reconcile directly to OEB Appendix 2-JC.

1.1 Program Description

Elexicon's Sustainment Program includes the Maintenance – Distribution System, Maintenance – Substations, Restoration, Vegetation Management and Locates segments. This program includes the work that Elexicon performs to maintain the integrity and viability of its distribution system assets, reduce the frequency and risk of outages, restore service in the event of unplanned and emergency power interruptions, and maximize the useful life of Elexicon's distribution system assets.

Over the historical period, Elexicon prioritized mandatory maintenance on its high-risk assets and those in poor condition, as well as ad hoc vegetation spot trimming between scheduled cycle clearing to address increasing tree-related incidents. This program also faced rising locate costs driven by legislative changes, along with increased restoration costs driven by trouble call volumes associated with items such as adverse weather, defective equipment and tree contacts. Over the forecast period, the utility requires additional funding to complete maintenance activities whose scheduling was adjusted to accommodate higher priority needs and to provide sufficient support for its aging infrastructure, as well as to support an enhanced vegetation management program with a shift from an area-based trimming cycle to a feeder-based trimming cycle. The implementation of Dx NEXT is expected to improve the delivery of this program by enhancing processes, data gathering, administration, workflow, and communications efficiencies.

1.1.1 Historical and Bridge Years (2020-2026)

Over the historical and bridge periods, Elexicon prioritized mandatory work, and work required to mitigate risks posed by assets in poor condition. The locates segment was a significant cost driver within the program as new statutory requirements under the Getting Ontario Connected Act and amendments to the Ontario Underground Infrastructure Notification System Act introduced administrative penalties for non-compliance with mandatory completion deadlines of 5 business days for standard requests and 10 business days for large/specified requests, along with increased enforcement measures. In addition, the Building Broadband Faster Act contributed to higher costs by increasing the size of average locate requests performed by Elexicon, driven by geographically large locate requests related to broadband rollout and other infrastructure development in Elexicon's service territory.

Within Elexicon's two Maintenance segments, Distribution System and Substations, the focus on activities driven by compliance requirements with the Distribution System Code (DSC) and mitigation of high-risk

assets was operationalized through targeted programs to prevent equipment failures, reduce costly emergency repairs, and minimize extended downtime, ensuring reliability and regulatory compliance. OM&A costs also increased in 2020 due to Covid-19 protocols and related work interruptions, which resulted in labour costs originally planned for capitalized work being expensed to OM&A. Elexicon's vegetation management strategy was similarly executed in line with DSC requirements and utility best practices. Notably, while technically compliant, this frequency was found insufficient and resulted in poor reliability performance in the historical period, particularly in rural areas.

Elexicon also experienced significant weather events over the historical period that contributed to material costs in the Restoration segment. Costs within this segment are primarily driven by unplanned and emergency events, including items such as outages due to aging or defective equipment, and inclement weather including storm activity. Some events in particular, such as the Gravenhurst storms in 2024 and 2025, created additional demand for restoration-related tasks, which further increased costs within this program.

1.1.2 OM&A Requirements in the Forecast Period (2027-2031)

Work volumes over the forecast period will increase due to expanded capital and maintenance activities and the growing number of assets added to Elexicon's system. To mitigate rate impacts, spending in Distribution System Maintenance and Vegetation Management has been intentionally distributed across 2027 and 2028, rather than concentrated in a single year. The forecast period also includes the implementation of enhanced inspection protocols to support reliability and safety. While capital investments are planned to address aging and deteriorating assets, the risk will not decline, sustaining the need for proactive and timely maintenance activities throughout the period (Exhibit 2B - Tab 3 - Schedule 2).

Elexicon will deploy Light Detection and Ranging (LiDAR) and satellite imagery within its vegetation management program to support the transition from area-based to feeder-based trimming cycles and incorporate planned mid-cycle spot trimming for worst performing feeders and rural areas. While the historical vegetation management cycles were technically compliant, Elexicon's team identified that they were not sufficiently frequent, particularly for rural areas that are more prone severe weather that outages caused by tree contact. Targeted improvements will contribute to reliability improvements over this time.

During the transition, some overlap between the two methods will temporarily increase trimming volumes in the initial years and then stabilize over the forecast period. These enhancements will better target high-risk areas, reduce costly and disruptive reactive spot trimming, and improve reliability by reducing tree related outages. New overhead lines are also expected to be added across Elexicon's service territory over the 2027-2031 period, creating a larger asset base requiring maintenance.

Although restoration work will vary year-over-year, Elexicon's budget for restoration is being held at the rate of inflation after 2028. While enhanced capital and maintenance activities are expected to reduce unplanned events over time, the impact of inclement weather may counterbalance these gains, resulting in overall restoration spending remaining steady beyond 2028.

Elexicon anticipates that demand for locates will remain high over the forecast period, the utility anticipates that the implementation of the Dx NEXT project will entail efficiencies for this program by streamlining the processes associated with work dispatching, trouble call reporting, inventory assignment, and timesheet entries. These solutions will also integrate maintenance and operational data across the organization to drive operational effectiveness and assist with long-term planning, improve scheduling resources, automate workflows, help document services and automate invoice matching for contractors.

Without sufficient funding for the Sustainment program, the utility risks non-compliance with statutory and regulatory obligations to perform distribution and substation maintenance, vegetation management, locates and restoration activities. The utility could slow the completion of infrastructure projects should it not perform timely locates. Inadequate vegetation management and insufficient maintenance practices will result further degradation of system reliability. Customers may experience longer times for restoration, less coordinated responses and more costly emergency repairs, impacting reliability, safety, delays in development projects, and customer and stakeholder confidence in the utility as a result.

1.2 Program Segments

The Sustainment Program is comprised of five segments as follows. Components of Elexicon's program delivery function supports maintenance activities within this program and are allocated across the relevant segments, including Maintenance – Distribution System, Maintenance – Substations, and Vegetation Management. This function ensures effective oversight of external contractors through procurement

management, performance monitoring, and adherence to standards, while delivering work programs in a timely and cost-efficient manner. Further details on the project delivery function are provided in Exhibit 4 - Tab 2 - Schedule 1.

1.2.1 Maintenance – Distribution System

This segment administers a suite of predictive, preventative, corrective and reactive maintenance activities to Elexicon's distribution system. These include overhead system line patrols, maintenance and inspection of pole-mounted and pad-mounted transformers, pad-mounted switchgear, maintenance of submarine cables, vault transformers, overhead switches, underground primary cables, insulator washing, as well as underground primary and secondary cable repair. This segment is conducted in compliance with Appendix C of the DSC.

1.2.2 Maintenance – Substations

This segment administers a suite of predictive, preventative, corrective and reactive maintenance activities to Elexicon's stations. These include station transformer, primary and secondary switchgear, substation cable, ground grid, battery system, and infrared scanning maintenance programs. This segment is conducted in compliance with Section 4.4 of the DSC and in line with the utility's condition-based assessment (CBA) approach by focusing on evaluating the actual physical and operational condition of assets by collecting and evaluating data from field inspections, testing, analysis and performance metrics.

1.2.3 Restoration

This segment includes work to restore power quickly, safely and in compliance with the DSC in unplanned and emergency events. In the event of outages, restoration activities and 24-hour monitoring of such efforts take place in all service areas. It also includes repairs of damage to electrical infrastructure caused by vehicles, trees, defective connectors, primary and secondary cables, and ongoing checks of the distribution system to ensure that components are functioning correctly and that hazards are addressed.

1.2.4 Vegetation Management

This segment includes tree trimming and tree clearing on the utility's overhead feeders to prevent tree contacts that can lead to power interruptions for customers and safety issues for Elexicon workers and members of the public, performed on a multi-year cycle, as well as planned and reactive spot trimming.

1.2.5 Locates

This segment manages locates activities to identify the location of Elexicon's underground assets in response to requests from third parties. Elexicon provides locate services at no charge to the requesting customer and recovers the costs through its distribution revenue. Locates work is non-discretionary and governed by statutory requirements.

1.3 Outcomes

Table 2: Sustainment Program Activities and Performance Outcomes

Focus Areas	Activities and Performance Outcomes
Customer Focus	• Enables residential and commercial growth in Elexicon's service territory through provision of accurate and timely locates for customer, developer and public construction projects • Responds to emergency calls with qualified staff under timelines prescribed by the DSC
Operational Effectiveness	• Elexicon's locates segment protects Elexicon workers and the public from safety hazards, such as accidental contact with energized infrastructure, and by protecting assets from the likelihood of damage • Elexicon's vegetation management is critical to improve reliability by reducing impact of vegetation on assets and lowering the number of tree-contact outages and minimizing risk of downed lines and fire hazards caused by overgrown vegetation interference • Elexicon's maintenance segments are critical contributors to the utility's reliability SAIDI and SAIFI metrics by keeping assets in working condition and lowering the risks of outages and enhancing grid resiliency, and mitigates unsafe conditions from deteriorating equipment • Elexicon's maintenance segments also conduct inspections of distribution system and stations assets, in accordance with the DSC – Appendix C, as well as infrared scanning of all station power equipment to identify hot spots, and address reliability concerns, environmental issues, structural deficiencies, equipment defects, signs of vandalism and safety risks, such as accidental contact with energized infrastructure and stray voltage • Elexicon's restoration segment is a critical contributor to the utility's reliability by restoring power quickly and safely, by reducing hazards for workers and the public through safe restoration practices under emergency conditions.
Public Policy Responsiveness	• Supporting infrastructure growth and prioritization of expedient residential and telecommunications work through timely and cost-effective locates services • Operates in compliance with electrical distribution safety regulations, OHSA, IHSA safety rules, the Distribution System Code Appendix C, Ontario Regulation 22/04, and ESA audits • Supports public policy initiatives such as the Building Broadband Faster Act, 2021, the Getting Ontario Connected Act, 2022, and the Building Infrastructure Safely Act, 2024 • Provide timely underground cable locates under the OUINS Act, 2012 and related regulations (O.Reg. 136/24, O.Reg. 87/23), as well as the Getting Ontario Connected Act, 2022.

Environment	• Elexicon's maintenance program works to prevent oil spills and avoids SF6 gas leaks from pad-mounted switches by performing proactive maintenance to minimize environmental risks and comply with environmental regulations
Financial Performance	• Performance of this program reduces the volume of high-cost emergency maintenance that Elexicon is required to perform, and enables Elexicon to maximize the value it derives from its assets once they are placed into service

2. MAINTENANCE - DISTRIBUTION SYSTEM

2.1 Description

The Distribution System Maintenance segment ensures that Elexicon can reliably, efficiently, and safely deliver electricity to its customers through a full suite of maintenance and inspection activities performed on the utility's distribution system. These include the inspection, repair and maintenance of assets to sustain their performance over their expected useful life while mitigating system risks. This segment's function ensures that Elexicon's distribution system operates safely, reliably, in an environmentally responsible manner and in compliance with regulatory and legislative requirements.[3] The costs of this segment represent the OM&A portion of this critical work. Elexicon's asset maintenance activities are categorized into four primary types based on type of maintenance as outlined in Table 3 below and are further described in this schedule.

Over the historical and bridge periods, cost variances were driven by budgetary constraints at Elexicon, increasing critical capital and maintenance needs for aging assets, and customer and load growth. Elexicon prioritized maintenance activities driven by compliance requirements. Over the forecast period, cost increases will be required to execute the required maintenance plan, to implement enhanced inspections protocols, address the additional deficiencies expected to be identified through these enhanced maintenance activities, and to optimize resource allocation within its maintenance program by switching to a total number of assets approach. The volume of maintenance required is also forecast to increase as the utility's total number of distribution assets grows.

Without sufficient funding for the maintenance of Elexicon's distribution system, the utility will face greater challenges to comply with applicable legislative and regulatory requirements, such as the Ontario

[3] Ontario Energy Board, "Distribution System Code, Appendix C, Minimum Inspection Requirements"

Energy Board (OEB)'s Distribution System Code minimum inspection requirements. It also risks incurring increased future capital renewal and reactive capital costs as deferred maintenance or inspections can lead to premature failures, shorten the useful life of assets and result in more costly repairs at a later date. Insufficient maintenance may cause an increased frequency of equipment failures leading to more outages and poor system reliability, as measured by System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI). Inadequate funding may also lead to higher environmental risks due to oil spills from transformers, which can contaminate soil, water bodies, and groundwater with potentially harmful substances. Inadequate maintenance poses safety risks to the public due to pole fires, which could cause poles to collapse on roadways or sidewalks, or flashover risks to utility personnel while operating switches due to lack of Insulator washing. Finally, insufficient funding may lead to inaccurate or invalid Asset Condition Assessment (ACA) results that lead to inadequate capital planning and increased reliability risks.

2.1.1 Distribution System Maintenance Planning Process

The distribution system maintenance segment includes cyclical and corrective activities. Cyclical activities include predictive and preventative maintenance such as scheduled inspections and routine maintenance. Corrective activities are condition-based and are identified through asset condition inspections on aging assets or ESA notices. The table below lists the maintenance programs in Elexicon's work management structure and provides the minimum requirements for cyclical activities for the assets covered under the Distribution System Code[4], where applicable.

Table 3: Distribution System Maintenance Cycle by Program Type

Asset Type	Maintenance Program	Type of Maintenance	Maintenance Cycle
Overhead	Wood Pole Testing	Predictive	3 Years (Poles >=10 years of age)
	Overhead System Line Patrol (Including IR Scanning) & Pole-Mount Transformer Inspection	Predictive and Corrective	3 Years (OH system Patrol & Pole Mount inspections) Annually (IR Scanning)
	Overhead Switch Maintenance	Preventative	3 Years
	Insulator Washing	Preventative	1-2 Times Annually (depending on surrounding environment)

[4] Ontario Energy Board, "Distribution System Code, Appendix C, Minimum Inspection Requirements"

Underground	Vault Transformer Inspections	Predictive and Corrective	3 Years
	Padmount Transformers Inspections (Repainting & Graffiti Removal)	Predictive & Corrective	3 Years (Inspections) Annually (Repainting and Graffiti Removal)
	Submarine Cable Inspections	Predictive	3 Years
	Padmount Switchgear Maintenance & Inspections (Including IR Scanning & CO_2 Cleaning)	Preventative & Predictive	3 Years
	Underground Primary Cable (testing, repair) & Secondary Cable (repair)	Predictive and Reactive	As required

2.1.2 Distribution System Maintenance Types

Elexicon's asset maintenance activities are categorized into four primary segments based on type of maintenance as follows.

Table 4: Types of Maintenance

Types of Maintenance	
Predictive	Involves monitoring the condition and performance of equipment through scheduled inspections during normal operations to reduce the likelihood of premature failure. This maintenance is performed using data analysis tools and techniques to predict when a piece of equipment might fail so that asset can be repaired or replaced in time to prevent an outage. This method optimizes maintenance schedules and reduces downtime
Preventative	Involves regularly scheduled maintenance and servicing of equipment to prevent unexpected failures. The goal is to maintain equipment in good working condition and sustain its lifespan by addressing potential issues before they become serious problems. This type of maintenance is performed based on a set schedule or usage intervals.
Corrective	Involves equipment that is exhibiting deteriorating conditions that, if left unaddressed, will shorten the asset's useful life, resulting in potential asset failure. The primary goal is to restore the equipment to its normal operating condition.
Reactive	Involves action in response to specific deficiencies observed by employees, contractors or reported by the public. Performed after a fault or failure has caused an outage or due to an unplanned asset failure that has negatively affected functionality. Deficiencies are assessed based on safety, system criticality, asset functionality and crew availability. The objective is to restore the distribution system's functionality. This segment focuses solely on minor repairs and deficiencies. Major repairs are capitalized.

2.1.3 Distribution System Maintenance by Activity Type

Maintenance activities within this segment fall into two classifications: planned and unplanned. Planned maintenance work includes predictive, preventative, and corrective maintenance categories, which is scheduled to maintain asset health and system reliability. Unplanned maintenance work encompasses reactive activities following an observed deficiency or through a fault or failure of an asset. In these cases, the Restoration segment performs immediate actions to restore power, and when more extensive repairs are required, such as cable splicing, the work is reassigned to this segment. In cases when major asset replacement is necessary, the corresponding work is scheduled as planned or reactive capital.

2.2 Distribution System Maintenance Programs

2.2.1 Wood Pole Testing

Elexicon owns approximately 34,874 wood poles across all its service territories. Wood pole testing is typically performed on wood poles 10 years of age or older to assess their structural integrity and detect signs of decay caused by infestation or internal cavities. Elexicon tests between 8,400 and 9,700 of these poles annually. As part of this inspection, the maintenance team performs a hammer test to evaluate overall soundness and detect rot, a Resistograph test to determine pole decay, stages of decay and hollow areas, a bore test for surface rot, internal decay and pockets at and below ground line, and a strength assessment to evaluate remaining strength and determine whether a pole's useful service life can be sustained through treatment. Poles that fall below the CSA Minimum strength requirements are classified as reject poles and tagged for replacement. This testing also includes the treatment of non-reject poles to restore their useful service life.

2.2.2 Overhead System Line Patrol Maintenance & Pole-Mount Transformer Inspection

Elexicon conducts line patrols to visually inspect its overhead lines, poles and accessories on a three-year cycle in alignment with the OEB's Minimum Inspection Requirement as laid out in Appendix C of the DSC. Elexicon visually inspects approximately 1,600 kilometres of primary overhead conductors each year, out of a total of approximately 4,700 kilometres of conductors, in addition to performing IR (Infrared) Thermography scanning through the entire service territory on an annual basis.

The maintenance and inspection of overhead circuits is necessary for the safe and reliable transmission of power. Unmaintained lines are susceptible to corrosion, fraying, excessive sag, tree contacts, mechanical damage and downed lines. Additionally, lightning strikes on overhead conductors are a risk to Elexicon's distribution assets. Lightning surge arrestors are installed on the overhead system to direct lightning surge currents to the ground and thus protect equipment such as transformers, switches and automated equipment. Maintaining these assets in good condition is critical as damage or deterioration of surge arrestors could result in their failure to prevent equipment damage due to lightning surges, resulting in outages.

Additionally, wood pole and concrete poles inspections within the overhead system line patrol maintenance help identify a range of conditions that may affect the integrity and safety of the pole. Common structural issues include cracks, splitting, shell rot, pole top feathering, insect infestation, and woodpecker damage. Inspectors also assess stability concerns such as leaning or bowing and check for framing and equipment defects like loose or damaged crossarms, brackets, insulators, ground wires, and fastening hardware. Additional observations include missing components such as animal guards, guys or guy guards, nomenclature, and the presence of porcelain insulators. Poles may also be flagged as immediate hazards or classified as 'danger-poles' if they pose a significant safety risk. Concrete poles, while not subject to the same decay mechanisms as wood, are inspected during system patrols for similar stability and framing issues. Unique to concrete poles experience unique conditions including exposed reinforcing steel, circumferential and longitudinal cracks, and surface pitting that can compromise their structural integrity over time.

Annually, hundreds of major and minor deficiencies are identified through the line patrol program. Major deficiencies such as damaged lightning arrestors, conductors, insulators, leaking transformers, are identified during the annual line patrol program which pose an urgent safety or reliability risk are reported and replaced through planned or reactive capital program depending on the severity of the deficiency. Minor deficiencies requiring additional testing or repairs such as primary or secondary loose connections, guy guards, animal guards, missing nomenclature, low hanging wires, etc. are addressed through the performance of reactive maintenance.

In addition to visual inspections, infrared thermography (IR) scans are also performed annually on three-phase overhead lines covering the entire Elexicon territory to identify any abnormal 'hot spot' conditions and signs of deteriorating equipment that may not be visible during overhead line patrol. Depending on the severity level of hot spots (temperature rise), remedy requirements are prioritised as critical, high, medium or low priority and addressed accordingly to facilitate repair or replacement and eliminate the hotspot issue. Proactively addressing equipment with identified hotspots helps prevent premature equipment failures and malfunctions which could lead to unplanned power outages.

Between 2020-2024, approximately 1,514 hotspots were found during the IR scanning program categorized into four severity levels for thermographic survey findings based on temperature rise: Level 1 (Low) suggests a possible deficiency and warrants investigation; Level 2 (Medium) indicates a probable deficiency and should be repaired as time permits; Level 3 (High) reflects a significant discrepancy that must be monitored until corrective measures can be accomplished; and Level 4 (Immediate) represents a major discrepancy requiring immediate repair to prevent failure or safety hazards.[5] Levels 3 and 4 are addressed through planned or reactive capital programs, while Levels 1 and 2 are typically addressed through the planned capital program. A summary of the issues detected from IR scanning identified during the annual line patrol program is provided in Table 5 below, and an illustration of a critical hotspot is provided in Figure 1.

Table 5: Annual Deficiencies Identified Through IR Scanning (2020-2024)

Severity Category	Severity Level	2020	2021	2022	2023	2024	Totals Hotspots Detected by Severity Level
Immediate	4	65	33	60	37	33	228
High	3	127	138	131	159	124	679
Medium	2	155	76	140	76	137	584
Low	1	16	4	3	0	0	23

[5] International Electrical Testing Association, ANSI/NETA MTS-2007, Table 100.8, Portage, MI: NETA, (2007)

Figure 1: Critical Hotspot on Fused Cutout Switch

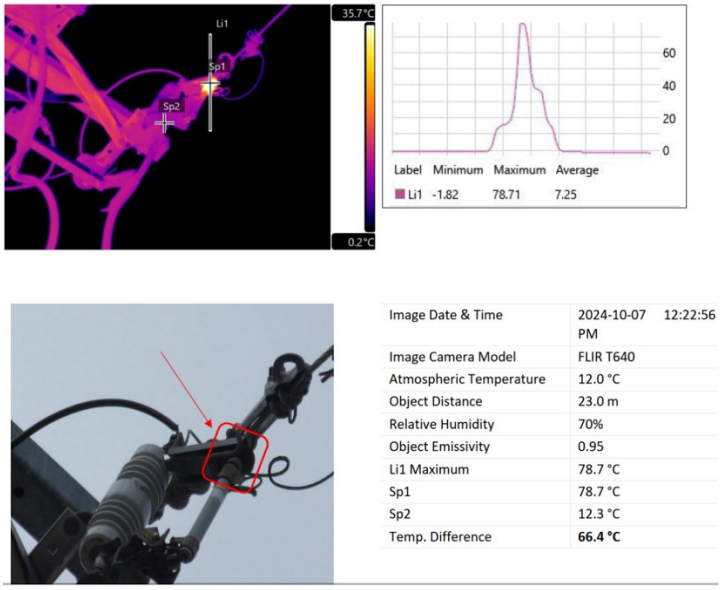


Image Date & Time	2024-10-07 12:22:56 PM
Image Camera Model	FLIR T640
Atmospheric Temperature	12.0 °C
Object Distance	23.0 m
Relative Humidity	70%
Object Emissivity	0.95
Li1 Maximum	78.7 °C
Sp1	78.7 °C
Sp2	12.3 °C
Temp. Difference	**66.4 °C**

2.2.3 Pole-Mounted Transformer Maintenance

Elexicon owns approximately 8,831 pole-mounted transformers across all its service territories. The overhead system line patrol maintenance program includes the inspection and maintenance of these transformers, as described above, with inspections carried out on a three-year cycle.

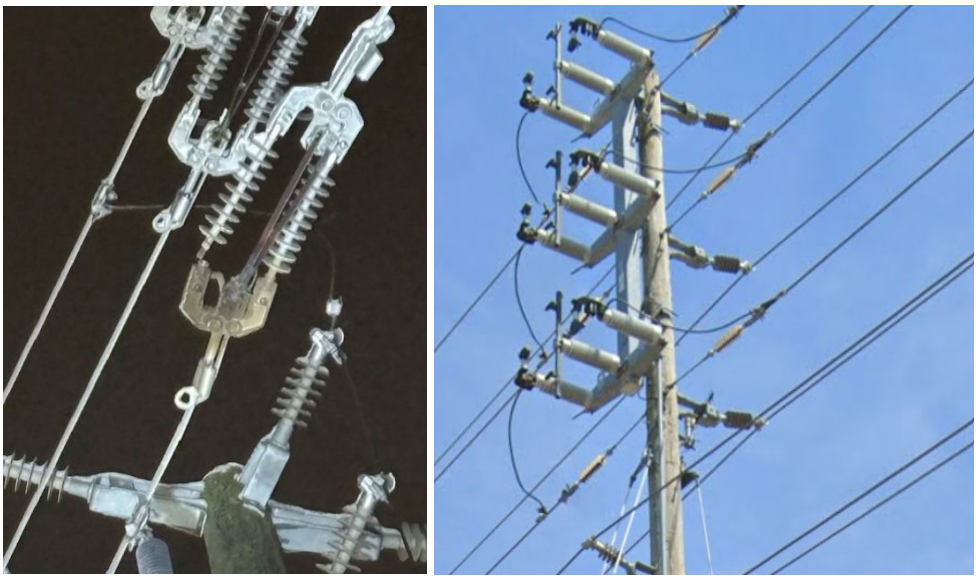
Pole-mounted transformer assets are used to step down from primary voltages to secondary voltage levels to supply residential, commercial and industrial customers. These transformers are exposed to year-round degradation from dirt, salt, dust, rain, snow and humidity. Exposure to salt and moisture can result in rust corrosion of an oil transformer's tank, which could lead to oil leakage into the environment. They can also be exposed to mechanical and electrical damage due to cyclic loading and system faults. Inspections of overhead transformers include checks for corrosion and oil leaks, loose or missing attachment bolts, mechanical damage, exposed or broken ground wires, exposed ground rods, paint condition and other signs of deterioration that can indicate an increased risk of failure.

2.2.4 Overhead Switches

Inspections of overhead switches are conducted on a three-year cycle in alignment with the Ontario Energy Board's (OEB) Minimum Inspection Requirements (Appendix C of the DSC). Elexicon owns three

main types of overhead switches: solid blade in-line disconnect switches, manual gang-operated switches, and remote SCADA operated switches. Approximately 1,920 (three phase) solid blade in-line disconnect switches, and 265 gang-operated switches (including SCADA devices) are maintained across the entire service territory. Approximately one third of the total units are maintained annually. Figure 2 below illustrates a solid blade inline switch and a gang-operated switch bank.

Figure 2: Solid Blade Inline Switch and Gang-operated Switches



Overhead switches sectionalize feeder distribution, transfer loads and provide isolations for maintenance or other operational activities. Manual overhead switching can be a high-risk activity undertaken by crews. If switches are not properly maintained, they can be difficult to operate or become inoperable and therefore create a safety risk for the crew members. These assets are exposed to harsh environmental conditions, and their failure can result in extensive outages from overheated or burnt components resulting in malfunction, miss-operation or structural failure of the switch resulting in downed line. The failure of an overhead switch during manual operation also poses a safety risk to crews exposed to a potential arc flash. Primary degradation factors for overhead switches include sustained exposure to dirt, salt, dust, rain, snow and humidity.

Elexicon's maintenance activities include performing switch blade mechanical operation, lubrication, cleaning of insulators and blade contacts, tightening of connections and replacing any worn parts such as

clamps, bolts, pins and lugs. The segment further includes inspection of the connecting rods, hinges, operating handle, supporting frame, grounding, and arc extinguishing horns for manual and SCADA operated ganged switches.

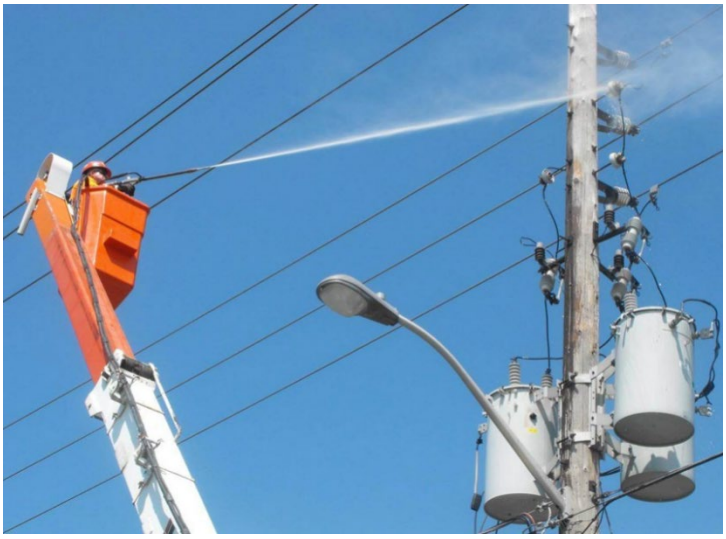
2.2.5 Insulator Washing

Elexicon's overhead insulator washing program is implemented to maintain the reliability and efficiency of the power distribution system by removing contaminants such as dirt, salt, and other pollutants from insulators. The program is targeted to high voltage lines (44kV and 27.6kV) in high contamination zones such as those close to major roadways and highways where salt and dirt contaminants are high and where there is an increased risk of pole fires and equipment failures due to insulator failure.

High pressure washing is conducted on live line insulators annually to remove contamination using demineralized water on poles, and twice annually for those within a 1.5 km radius of major highways and roadways. During winter there is a high exposure in these areas due to the salt treatment of the major roadways and during the summer airborne dust concentrations are high.

Overhead distribution insulators are non-conducting components that physically support conductive elements such as line conductors and switches within the distribution system at a specified height and tension. Build-up of contaminants on insulators can inhibit their insulative effectiveness to prevent the flow of leakage electrical currents through poles, crossarms or brackets, leading to potential electric shocks, arc flashing of equipment or fire. The segment performs targeted cleaning of insulators to maintain their high dielectric insulation capability and mitigate potential failures and outages.

Figure 3: Insulator Washing in Progress



2.2.6 Vault Transformer Maintenance

Elexicon inspects approximately 218 building vaults on a three-year cycle, in compliance with the Distribution System Code. Vault rooms typically house Elexicon's high-voltage equipment, such as three-phase transformer banks or switchgear. In total, Elexicon owns approximately 655 vault transformers.

During vault inspections, Elexicon assesses the condition of customer-owned civil infrastructure, including doors, locking devices, walls, ceilings, floors, intake and exhaust vents, pulling eyes, and duct openings. Customers are responsible for maintaining the civil components of these vaults to ensure safety and compliance. Vault walls, ceilings, and floors must maintain structural integrity and be free from water ingress or damage. Drainage systems must function properly to prevent water accumulation. Safe and secure access to the vault must be provided and doors and latches should be operable and lockable. Adequate ventilation must also be maintained, ensuring vents are clean and unobstructed to allow proper cooling of the transformer. If deficiencies are identified in customer-owned assets during inspection, Elexicon will issue a notice to the customer outlining the issues that require immediate attention and corrective action. Elexicon will also conduct follow-up inspections to verify that the issues have been resolved and that the vault infrastructure meets safety and reliability expectations.

Elexicon will also inspect the grounding, primary and secondary connections and terminations, transformer tank exteriors, primary and secondary racking, fused switch conditions, and oil leaks. These

inspections are essential to ensure the safe and reliable operation of the transformer. Grounding is checked to confirm proper fault current dissipation and personnel safety. Connections and terminations are inspected for signs of overheating, corrosion, or loose fittings that could lead to electrical faults. The transformer tank exterior is examined for physical damage and signs of oil leakage, which may indicate internal issues. Racking systems are assessed for mechanical integrity and proper alignment to ensure safe switching operations. Fused switches are reviewed for wear, proper function, and correct fuse ratings. Identifying oil leaks is critical, as they can compromise insulation, pose environmental hazards, and signal internal transformer deterioration. Elexicon will initiate corrective actions to address any identified deficiencies, including cleaning, repair and replacement to restore the transformer vaults full operational integrity.

The figure below shows a vault door with rust deficiency caused by salt and environmental contamination, identified during an inspection.

Figure 4: Severely Corroded Vault Door



2.2.7 Padmount Transformer Maintenance

Padmount transformer inspections are conducted on a three-year cycle in alignment with the Ontario Energy Board's (OEB) Minimum Inspection Requirement (Appendix C of the DSC). This program aims to address surface corrosion and prevent premature equipment failure or malfunction, which affects safety, reliability, the environment, and operating costs.

Padmount transformers consist of metal enclosures housing the transformer coil, insulating mineral oil and electrical terminations, which are mounted on concrete pads or foundations outside located either within municipal road allowances or on private property. These transformers are exposed to the outside elements year-round which can cause them to deteriorate over time.

Elexicon owns approximately 14,770 padmount transformers across all its service territories. Annually, approximately 5,000 units are inspected, including single-phase and three-phase transformers. The number of units inspected each year varies based on the targeted maintenance area. Figure 5 below illustrates a rusted transformer with a hole due to salt and environmental contamination with a hole that could lead to a safety and environmental risks if not addressed.

Figure 5: Rusted Padmount Transformer



Elexicon inspects the units externally and internally to identify issues such as rust and holes, oil leaks, damaged cooling fins, missing labels or incorrect nomenclature, cracked or overheating primary bushings, gaps between the lid and case, missing or damaged locks and Penta bolts, damaged foundations, overgrown vegetation, and discrepancies between field conditions and records. Where practical, Elexicon refurbishes rusted padmount transformer enclosures through on-site sanding, priming, and repainting. This preventative maintenance approach mitigates the risk of oil tank perforation and environmental contamination while extending asset life and deferring capital expenditures when internal components remain in serviceable condition.

An internal inspection is also performed to identify early signs of wear, damage and deterioration that may not be visible externally. Internal inspections provide a more accurate assessment of a transformer's overall condition, helping to identify potential safety risks and prevent issues such as corrosion or internal faults that could lead to premature failures. The primary load break elbows are inspected to ensure they are seated properly and do not show signs of dirt contamination, cracks, overheating, swelling or tracking. Confirmation that the bleeder wire is connected on the primary elbow is also completed. Secondary service terminations are inspected for tightness and labels indicating service address or lot number. Any minor deficiencies identified during inspection, such as loose elbow connections, damaged foundations, damaged locks, fading paint, or rust, are addressed through the annual maintenance program. Major deficiencies requiring transformer replacements are handled through reactive or planned capital programs, depending on the condition of the asset and severity and nature of the deficiency.

2.2.8 Submarine Cable Inspection and Testing

Elexicon's submarine cables distribute power to the island service areas of Gravenhurst district. Maintaining these cables is crucial as they form the main arterial feeds and interconnections to the distribution networks on these remote islands. There are currently 96 submarine cable segments in service in the Gravenhurst district and approximately 33% of these cable segments are inspected and maintained annually as part of the utility's predictive and preventative maintenance practices. These specialized cables transition from a land connection on a riser pole or pad-mounted switchgear to underground ducts until they emerge from these ducts and enter the water where they are laid on the bed of the lake. The total installed length of Elexicon's assets is approximately 28.54 kms, of which approximately 25.6 km is underground or submerged in water. The submarine cable external jacket and neutral are typically inspected at ground level and low water levels for any signs of damage or stress such as cracks, pitting corrosion or deterioration.

Figure 6: Submarine Cables



Cable protection on the shoreline is also inspected to ensure the cable is being adequately protected from mechanical damage. Cable accessibility, entry landscaping and the presence of warning signs are inspected and their condition assessed to derive an estimate of the cable's remaining useful life.

If required remedial work is identified during the inspection, any work that can be performed at that time will be carried out, such as splicing work to repair the cable. If the required remedy cannot be completed at the time of inspection and the asset condition warrants replacement, the issue will be addressed through either the planned capital or reactive capital program, depending on the urgency and severity of the deficiency.

2.2.9 Padmount Switchgear Maintenance

Elexicon owns and operates approximately 457 underground switchgear in its service territory, including padmount switchgear and multiplex junction units (MJSs). Elexicon inspects and maintains these units on a three-year cycle to prevent premature equipment failure or malfunction, which impact safety, reliability, and system costs. The program is divided into two subcategories: dead front switchgear and live front switchgear. Dead front switchgear typically have epoxy or dielectric encapsulated switches with insulated elbow terminations. Live front switchgear have exposed energized switching components on insulated supports connected to cables by means of metal bolts on terminations. While dead front switchgear is IR scanned for hot spots and inspected, live front switchgear is CO2 (dry ice) cleaned, IR scanned for hotspots and ultrasound tested. CO2 cleaning, as part of the preventative maintenance programs, is performed to

remove dirt and other contaminants from switches. This helps prevent tracking that can lead to arc flash hazards and equipment failure.

Ultrasound testing is also performed on components such as switch and termination support insulators. Sound quality, Fast Fourier Transform (FFT) and time domain analysis results are analysed for electrical issues such as corona discharge, tracking or arcing. If left unaddressed, these issues can lead to insulation degradation, equipment damage and premature failure. Arcing additionally poses significant safety risks including increased potential for flashovers, fire and explosion which can endanger personnel and compromise system reliability.

Further tests conducted as part of maintenance includes checks for thermal overload, insulation stress, grounding and bonding, equipment security, identification and nomenclature, access and landscaping.

Figure 7: Severely Corroded Elbows on Padmount Switchgear Termination



2.2.10 Underground Primary Cable (testing, repair) & Secondary Cable (repair)

Elexicon performs non-destructive testing of direct buried cross-linked polyethylene-insulated (XLPE) cables to assess the condition of cable components and identify signs of degradation such as water treeing. This testing enables targeted remediation efforts of degraded cables, entailing either full cable

replacement or cable injection, depending on the severity and nature of the degradation. The results of these assessments are integrated into Elexicon's Asset Condition Assessment (ACA) framework to enhance proactive maintenance planning and risk management in alignment with industry best practices.

Elexicon's distribution system currently includes approximately 2,624 km of underground primary cables. A comprehensive review of the asset condition and lifecycle status of these cables has identified significant aging and degradation across the network. As of 2025, 1,143 km representing 43.6% of the total unground primary cables have been evaluated with an Asset Condition Assessment (ACA) rating of Poor or Very Poor, indicating degraded condition and an elevated risk of failure. These assets are prioritized for replacement or rejuvenation to mitigate potential failure risks. Additionally, as of 2025, 1,286 km or 49% of the underground primary cables within Elexicon's distribution system have already exceeded their total useful life ("TUL") or are expected to do so by 2031.

Cable testing is a diagnostic tool for identifying the presence and extent of water treeing in XLPE cables, which is a key degradation mechanism affecting cable reliability and longevity. Water treeing is a known degradation mechanism affecting polyethylene-insulated cables, particularly those installed directly in soil without duct structures. It involves the formation of dendritic microcracks within the insulation, filled with microscopic water droplets, which develop over time due to moisture ingress and electrical stress. If left unaddressed, water treeing can compromise the dielectric integrity of the cable, increasing the risk of insulation failure and unplanned outages.

The cable testing process provides a quantified condition score, which, when combined asset condition results, allows Elexicon to identify cables that are candidates for either replacement or rejuvenation through injection. Cable injection is a cost-effective alternative to select full cable replacement, restoring some of the cable's useful life and reducing the likelihood of premature failure. This approach supports capital efficiency and reliability improvements (Exhibit 2B - Tab 4 - Schedule 3 – Appendix F R2 Underground System Renewal).

Testing must be conducted on-site and requires cables to be isolated and de-energized. The identification of water-tree defects through this process is critical to determining whether a cable is suitable for injection-based mitigation. By leveraging real-time, accurate condition data, Elexicon makes informed

decisions that enhance system reliability, optimize capital investments, and minimize service disruptions to customers.

2.2.11 Underground Primary & Secondary Cable Repair

The Elexicon distribution system contains underground cables which are installed within concrete encased duct banks, direct buried ducts or are direct buried. Underground cables are susceptible to insulation deterioration due to physical damage, water ingress, insulation degradation, corrosion, water-treeing, and neutral corrosion. When a direct buried cable fails, the fault location is identified, and a reactive repair is performed depending on the age and condition of the cable. The failed cable is restored to service by splicing the faulted section and replacing the damaged portion.

If the failed cable is not suitable for repair and the condition warrants replacement, the cable will be replaced through the reactive capital program to ensure service continuity. Planned capital replacement of aged or deteriorating cables are conducted in the system renewal investment category to address reliability risks associated with underground cables (Exhibit 2B - Tab 4 - Schedule 3 – Appendix F R2 Underground System Renewal).

2.3 Segment Costs

Table 6: Maintenance – Distribution System Segment Historical, Bridge and Forecast Costs 2020-2031[6]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	3.80	2.30	2.49	2.21	2.78	2.66	3.36	3.95	4.90	4.73	4.88	5.00	2.5%
Variance ($M)		-1.50	0.19	-0.28	0.56	-0.12	0.70	0.59	0.95	-0.17	0.15	0.12	
Variance (%)		-39.5%	8.4%	-11.2%	25.5%	-4.3%	26.3%	17.7%	24.2%	-3.6%	3.2%	2.4%	

2.4 Cost Drivers

The measures implemented in Ontario to manage the Covid-19 pandemic significantly impacted this segment's historical costs and processes.

[6] Numbers may not sum due to rounding.

The increases in costs during the pandemic period were primarily driven by a change in workforce deployment. Labour that would typically be capitalized was instead expensed to this segment, as crews were placed on standby due to health and safety restrictions and performed non-capital tasks such as remote training, rather than performing the capital work originally planned. After crews returned to regular deployment on capital work, sick time increased compared to historical trends, further driving costs. The impacts of Covid-19 are detailed in Exhibit 1 - Tab 9 - Schedule 2.

For maintenance work that did proceed during the restricted periods, additional costs were incurred due to strict health and safety restrictions, such as requiring only one person per vehicle and additional PPE requirements, which led to increased labour and vehicle-related expenses. Cost fluctuations continued as work restrictions in Ontario evolved in response to changes in the pandemic. This includes multiple lockdowns, phased-in reopenings and social distancing requirements throughout 2021 and 2022, as well as strict self-isolation requirements that remained in place until 2023.

Following the pandemic, Elexicon strategically managed its distribution system maintenance budget and focused on compliance activities and critical maintenance on high-risk aging assets while adjusting the scope and timing of other work to optimize resource deployment. To address peak workload periods, which arose from prioritizing demand-driven capital activities, Elexicon's strategically engaged external resources to supplement internal capacity to ensure compliance and program execution. Elexicon informed its decisions through incident tracking to identify emerging risks and proactively adjusted its maintenance plans. For example, the insulator washing maintenance program was reprioritized following an increase in incidents due environmental contamination on insulators that led to overhead switch failures. As a result, a single cycle of the insulator washing program was reinstated on critical poles in 2024.

Over the 2027-2031 period, segment costs are forecasted to increase as Elexicon performs maintenance where scheduling was previously adjusted to accommodate higher priority needs during the historical period. Elexicon will also increase its cadence of maintenance to align with the needs of its distribution system and with industry best practices to improve service quality and minimize safety risks. As a result, maintenance programs that were limited during the historical period will be reinstated beginning in 2027. This includes the maintenance programs for padmount transformers, solid blade switches, pole testing,

and insulator washing, along with enhancements to some maintenance programs to improve their effectiveness, and a restructuring of the work management approach (i.e. from an area-based approach to an asset-based focus).

Elexicon will focus on work affected by prior adjustments to scheduling due to funding constraints, such as increasing inspection activities for padmount transformers and solid blade switches. Inspection protocols will also be augmented to include internal equipment inspections and expand IR scanning to include padmount transformers to detect hotspots, which will help to mitigate the risk of premature and unexpected failures.

Elexicon also plans to enhance its system patrol inspections to include greater detail and surveys identifying nonstandard or legacy material items such as quick sleeves and porcelain insulators that are prone to failure and significantly contribute to reliability issues. Identification of these assets will ensure timely intervention, decrease reactive capital spending and reduce potential outages caused by defective equipment.

Elexicon will further fully reinstate its insulator washing programs and increase frequency to two cycles annually in areas prone to higher environmental contamination. The current insulator washing program only allows for limited number of assets to be targeted annually, restricting the current program's overall effectiveness. This program is necessary to lower the risk of overhead switch failures and fires due to environmental contamination build up.

In addition to these enhancements and increases to Elexicon's maintenance activities, the utility expects that customer growth will further increase the volume of maintenance work required in the forecast period. In addition, the customer growth in the forecast period is also expected to exceed the historical and bridge periods. Subsequently, the volume of maintenance work required will also grow to sustain system reliability as Elexicon' asset base expands to serve expected customer growth. This includes cyclical and non-cyclical maintenance activities. To enable execution of the planned full-scale and enhanced maintenance programs, this segment will maintain appropriate workforce capacity by hiring additional qualified staff to meet program requirements and ensure compliance with reliability and safety standards.

2.5 Cost Management & Productivity Savings

This segment controls its costs by following a strategic resourcing plan for the cost-effective deployment of work. When maintenance programs are required to be contracted, a competitive RFP bidding process is used to secure solutions that meets Elexicon's operational and resource management standards and expectations. Where appropriate, multiyear Master Service Agreements (MSAs) are established with contractors to maintain pricing stability and ensure sufficient resourcing (Exhibit 4 - Tab 2 - Schedule 1). Operational synergies are also leveraged when conducting maintenance programs to optimize cost-effectiveness and minimize operational effort. For example, padmount transformer maintenance is coordinated with overhead system line patrols when the equipment is located along the patrol route, which allows crews to complete multiple programs within one patrol.

Over the forecast period, Elexicon plans to improve the administration of its maintenance program using several measures. Elexicon will shift from an area-based maintenance cycle approach to a total number of assets approach, requiring some inspection cycles to be rescheduled starting in 2028, targeting one-third of assets annually over a three-year cycle. This approach will improve reliability and optimize resource allocation by focusing on the number of total assets and increasing the frequency of inspections for assets in poor condition or past TUL. These assets are prone to increased failure risks, and a reprioritization of inspection cycles of these units will be required to maintain reliability and safety.

Overhead system patrol inspection checklist will be enhanced during the forecast period to improve the quality of inspection data. This will include additional information fields and the digitization of reports to increase efficiency and streamline processes. Expanding deployment of advanced tools such as infrared (IR) scanning for pad mount transformers help with early detection of electrical deficiencies and allow for proactive intervention to avoid major failures, mitigating reliability risks.

Over the bridge years and into the forecast period, efficiencies from Elexicon's Dx NEXT project will improve the productivity of Elexicon's distribution system maintenance work. Dx NEXT will improve recording, access and implementation of asset related data across the utility by implementing a single source of truth for asset specifications, work history, GIS data and graphical representations to improve workflows within the segment. This project will also provide better invoicing, time tracking, work order scheduling and work issuance capabilities to eliminate the use of paper-based processes and automate

administrative work currently performed by the team. Finally, Dx NEXT will enable mobile capabilities for technicians to download work orders, scan barcodes, upload images and trigger maintenance based on time or performance parameters, again improving the efficiency of inspections and maintenance work within the segment. Further information on Dx NEXT is provided in Exhibit 4 - Tab 1 - Schedule 6 - Appendix A.

2.6 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 – 2021 Variance Explanation:

Costs decreased by $1.50M from 2020 to 2021, as pandemic-related restrictions began to ease and capital projects gradually resumed following Ontario's phased reopening of non-essential work, shifting a significant portion of costs back from OM&A to capital.

2021 – 2022 Variance Explanation:

Costs increased by $0.19M from 2021 to 2022, as maintenance activities resumed but were associated with higher expenses due to Covid-19 protocols, including staggered crews and modified deployment as well as outsourcing to address the surge in maintenance activities.

2022 – 2023 Variance Explanation:

Costs decreased by $0.28M from 2022 to 2023, primarily due to the normalization of operations following the full lifting of Covid-19 restrictions.

2023 – 2024 Variance Explanation:

Costs increased by $0.56M from 2023 to 2024, primarily due to partial outsourcing of some of the critical maintenance programs as resources were balanced strategically to deal with a high volume of capital work. Additionally, critical maintenance programs such as insulator washing were reinstated to mitigate asset failures due to environmental contamination.

2.6.1 2024 – 2027 Variance Explanation:

Costs will increase by $1.17M in the bridge period to address the backlog of maintenance from previous years, the increase of certain maintenance programs (such as insulator washing), and the addition of labour to support enhancements to existing maintenance programs (such as overhead system line patrol).

2.6.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $1.05M in this period, primarily due to the addition of staff to support the increase of distribution system maintenance program work, enhancements to maintenance program effectiveness, and the increasing maintenance requirements associated a growing asset base to serve expected customer growth.

3. MAINTENANCE - SUBSTATIONS

3.1 Description

The Substations Maintenance segment ensures that Elexicon can reliably and efficiently deliver electricity to its customers through a full suite of maintenance activities performed on the utility's substations. Work is performed in this segment to ensure the continued safety, reliability, and economic efficiency of Elexicon's station assets, in line with the outcomes listed in the program description. The costs of this segment represent the OM&A portion of this critical work, which have increased over the historical and bridge years due to Elexicon's aging portfolio of stations assets and now require more frequent and extensive attention, the addition of Seaton Municipal Transformer Station, and a vandalism incident in 2024 requiring remediation work. Over this time, Elexicon focused on work required to meet its compliance obligations and on maintenance work for high-risk station assets. Over the forecast period, cost increases are required for Elexicon to increase its volume of substation maintenance work to provide sufficient support to keep its aging infrastructure in proper condition. In addition, the commissioning of

new substations will further increase maintenance requirements, as these assets must be incorporated into ongoing maintenance activities.

Substations maintenance is necessary to determine the integrity of Elexicon's assets and mitigate degradations to avoid equipment failures that may have long repair times and compromise grid integrity. Elexicon's maintenance program also prevents safety hazards from impacting its workers and the public. Without sufficient funding for the substations maintenance segment, Elexicon faces elevated risks that could significantly impact system reliability, safety, regulatory compliance and environmental safety, and stakeholder confidence. Aging infrastructure increases the likelihood of equipment failures, which can negatively affect key reliability metrics, and poses serious risks to public safety and the environment. Inadequate maintenance funding increases the risk of non-compliance with the Distribution System Code (DSC) and other environmental and safety regulations, potentially leading to penalties and enforcement actions. Emergency repairs resulting from unplanned failures are typically more expensive than planned maintenance and strain operational resources. Finally, persistent reliability issues and safety incidents may lead to reputational damage and diminished stakeholder confidence, undermining the utility's ability to deliver safe, reliable service.

3.1.1 Substations Maintenance Planning Process

Elexicon plans its substations maintenance work in accordance with Section 4.4 of the Ontario Energy Board's Distribution System Code (DSC) and leverages ANSI/NETA Maintenance Testing Specifications. The DSC requires utilities to perform regular substations inspections and maintenance to ensure safety, reliability, and regulatory compliance. These inspections follow established standards for frequency, methodology, and documentation. Elexicon leverages ANSI/NETA Maintenance Testing Specifications (MTS) and has implemented a structured approach to substation asset inspection and testing. The NETA MTS framework provides standardized procedures for testing electrical equipment such as circuit breakers, transformers, relays, and switchgear, ensuring consistency and reliability across inspections. Electricians focus on physical infrastructure and wiring, P&C technicians handle relay and control system testing, and contractors supplement capacity during peak periods or specialized tasks. Oversight ensures that testing intervals, documentation, and corrective actions align with regulatory and internal standards. As Elexicon transitions toward digital inspection tools and centralized data systems, including through the Dx NEXT

project, this process is expected to become more efficient, traceable, and data-driven, supporting enhanced asset condition assessments and long-term system planning.

Elexicon also leverages the Asset Condition Assessment (ACA) process to evaluate the actual physical and operational condition of assets rather relying solely on age or time-based schedules. This methodology enables Elexicon to prioritize maintenance and replacement activities based on risk and asset health and leads to improved allocation of maintenance resources. The ACA process typically involves collecting data through field inspections, testing, analysis, and performance metrics, and the results of this process are integrated with the capital and maintenance planning processes (Exhibit 2B - Tab 3 - Schedule 2).

3.1.2 Substations Maintenance Types

Elexicon's asset maintenance activities are categorized into four primary segments based on type of maintenance as follows.

Table 7: Types of Maintenance

Types of Maintenance	
Predictive	Involves monitoring the condition and performance of equipment through scheduled inspections during normal operations to reduce the likelihood of premature failure. This maintenance is performed using data analysis tools and techniques to predict when a piece of equipment might fail so that asset can be repaired or replaced in time to prevent an outage. This method optimizes maintenance schedules and reduces downtime
Preventative	Involves regularly scheduled maintenance and servicing of equipment to prevent unexpected failures. The goal is to maintain equipment in good working condition and sustain its lifespan by addressing potential issues before they become serious problems. This type of maintenance is performed based on a set schedule or usage intervals.
Corrective	Involves equipment that is exhibiting deteriorating conditions that, if left unaddressed, will shorten the asset's useful life, resulting in potential asset failure. The primary goal is to restore the equipment to its normal operating condition.
Reactive	Involves action in response to specific deficiencies observed by employees, contractors or reported by the public. Performed after a fault or failure has caused an outage or due to an unplanned asset failure that has negatively affected functionality. Deficiencies are assessed based on safety, system criticality, asset functionality and crew availability. The objective is to restore the distribution system's functionality. This segment focuses solely on minor repairs and deficiencies. Major repairs are capitalized.

3.1.3 Substations Maintenance by Activity Type

Maintenance activities within this segment fall into two classifications: planned and unplanned. Planned maintenance work includes the predictive, preventative, and corrective maintenance categories, which is

scheduled to assess and maintain asset health and reliability. Unplanned work encompasses reactive activities following an observed deficiency or through a fault or failure of an asset. In these cases, the Restoration segment performs immediate actions to restore power, and when more extensive repairs are required, the work is reassigned to this segment. In cases when major asset replacement is necessary, the corresponding work is scheduled as planned capital or reactive capital.

3.2 Substations Maintenance Programs

3.2.1 Station Transformer Maintenance

The Maintenance – Substations segment performs regular inspections of Elexicon's station transformers, with predictive and preventative inspection and testing activities taking place on a monthly, annual and three-year cycle to ensure their reliable and safe operation. Regular inspections enable Elexicon to monitor transformers' condition, identify potential issues early, and prevent unexpected failures. Routine inspections can extend equipment lifespans and reduce the risk of costly repairs.

On a monthly basis, workers perform visual inspections, temperature monitoring, cooling system checks, and oil level and condition checks on station transformers. This includes a walk-around inspection of the transformer, looking for signs of oil leaks, unusual sounds, rust formation, paint chipping or physical damage. All visible components, including bushings, radiators, and connections, are checked for any abnormalities or deviations from the previous inspection. The top oil temperature and winding temperature from gauges are recorded and compared to readings with the normal operating ranges specified in the transformer's documentation, to note any significant changes or trends that could indicate potential issues. The correct operation and normal sounds of cooling fans and pumps are verified, and any unusual noises or vibrations are noted that may indicate bearing problems or other mechanical issues. Finally, the oil level in the main tank (or conservator tank) and tap changer compartment are monitored using the level gauges to ensure that the oil remains at the designated level. Any significant level changes that may indicate potential leaks leading to contamination or degradation require immediate attention.

Transformer building structures and stations facilities are also captured in conjunction with monthly transformer inspection activities. This includes inspections of the property including identification signs, warning signs, yard debris, weed controls, and fence assembly. It also entails inspection of the station

building itself, including the visual inspection of roofs, walls, insulation, doors, and windows, and identification of any cracks, leaks, and deteriorations of the structure. Minor deficiencies in the substation building such as repairs to fencing, identification signs, warning signs and yard debris are addressed.

On an annual basis, the segment performs transformer and tap changer oil sampling and analysis. This entails the analysis of annual load tap changer and transformer oil samples for moisture, contamination, and dissolved gases including hydrogen, methane, ethane, ethylene, acetylene, carbon monoxide, carbon dioxide, nitrogen and oxygen. These tests offer crucial insights into the condition of transformer windings' paper insulation and the on-load tap changer, aiding in assessment of the transformer's overall reliability.

On a three-year cycle, the segment performs on-load tap changer inspections. These entail oil refurbishment or replacement, insulation resistance, turns ratio measurement, tap changer winding resistance and contact and mechanical tests. The turns ratio test is conducted to verify the ratio of the number of turns in the primary winding and the number of turns in the secondary winding are within tolerances. This test ensures that the transformer will operate correctly, providing the expected voltage transformation and maintaining efficiency and performance. The winding resistance test is conducted to measure the resistance of the windings. This helps identify issues such as shorted turns, loose connections or damaged conductors. Finally, the overall power factor test is conducted to evaluate the condition of a transformer's insulation and its overall efficiency. This test helps identify insulation deterioration, leakage currents and energy losses, ensuring the transformers reliability and operational performance. Elexicon performs corrective and reactive maintenance on transformers and tap changers as needed and identified during the above maintenance activities. This includes replacing contacts to ensure good electrical conductivity, paint touch ups, oil top ups, cleaning, gasket replacement, oil leak fixing and mechanical components lubrication.

3.2.2 Primary and Secondary Switchgear Maintenance

Elexicon performs periodic inspections and maintenance of its primary and secondary switchgear and breakers as part of its maintenance program. Predictive maintenance is conducted monthly through visual inspections. Preventative maintenance occurs every three years, involving comprehensive mechanical and electrical testing. Corrective and reactive maintenance are carried out as required, based on identified deficiencies or unexpected failures. These activities ensure that critical components such as electrical and

manual operations, operating mechanisms, moving and stationary bus stabs, and auxiliary contacts are functioning properly.

The inspection scope includes detailed visual and mechanical assessments of nameplate information, bolted connection tightness, paint condition, grounding systems, lightning arresters, bus support insulators, phase barriers, heaters, and enclosure dryness. Structural integrity and mechanical soundness are also evaluated. Technicians inspect operating mechanisms, contact alignment, stationary and moving contact conditions, grounding connections, and the physical state of HV fuses and fuse links. Insulators and structural stability are reviewed to ensure safe operation.

Maintenance procedures also involve diagnostic testing, such as measuring insulation resistance with a Megohmmeter to verify the dielectric strength of stand-off insulators, air-break switches, fuses and holders, transrupters, and primary breakers. Additionally, DC Megohmmeter tests are performed to assess the integrity of insulation across various apparatuses. Cleaning of insulators and enclosures is conducted to mitigate contamination risks. Functional checks are completed to validate the operation of trip-free and anti-pump circuits, breaker operation counters, auxiliary contacts, interlocks, and limit switches.

Corrective maintenance involves replacing switchgear components when they are identified as deficient and deemed replaceable through inspection or testing. In cases where components are non-replaceable or the deficiency compromises the integrity of the entire unit, a full breaker replacement is planned and executed under the applicable capital investment program. To ensure safety and minimize disruption, a planned outage is scheduled in coordination with operations and field teams. The segment implements detailed planning and cross-functional coordination to optimize resource allocation, reduce downtime, and maintain overall system efficiency. This includes outage scheduling, material procurement, contractor engagement, and commissioning to ensure restored functionality and compliance with operational standards. Figure 8 showcases an example of an observed deficiency identified through the substation maintenance program. It shows the metal casting at the bottom of the insulator has separated from the porcelain resulting in a high risk of insulator failure, which is a safety concern and can lead to an outage. This connection point is required for the support of the aluminum tubular bus as well as fuse support.

Figure 8: Broken Insulator at First Substation

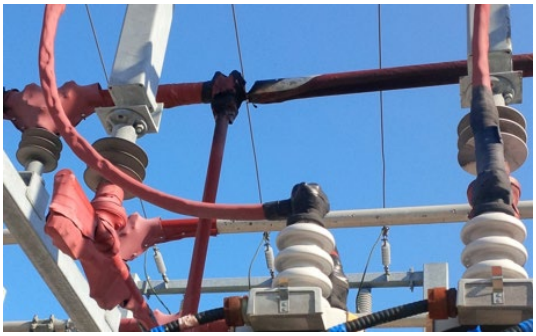


3.2.3 Substation Cable Maintenance

Elexicon performs a structured cadence of substation cable maintenance to ensure reliability and asset integrity. This includes predictive maintenance, conducted monthly through visual inspections of exposed cables to monitor cable conditions and identify early signs of wear or damage. Preventative maintenance is performed every three years, involving detailed visual, mechanical, and electrical testing, as well as cleaning activities. These inspections verify cable specifications, termination supports, and concentric grounding, and include insulation resistance testing to assess the dielectric strength of both primary and secondary cables.

When deficiencies are identified, corrective maintenance is initiated as required. This may involve termination repairs and connector torque verifications to restore proper functionality. In cases of unexpected failures or urgent issues, reactive maintenance is carried out promptly to minimize service disruption. This comprehensive approach of predictive, preventative and corrective maintenance ensures that cable assets are maintained in optimal condition and supports system reliability objectives. Figure 9 shows the T connector for an IPS bus that has failed. This is due to moisture ingress on the red heat shrink. Due to moisture ingress, the water will expand and contract with fluctuating temperatures, creating a high resistance connection. High resistance connections can cause overheating and thermal anomalies, leading to interruptions and safety risks.

Figure 9: Bus work failure at Bay Ridges Substation



3.2.4 Ground Grid Maintenance

Elexicon follows a structured cadence of ground grid testing and maintenance to ensure the safety and reliability of substation grounding systems. Predictive maintenance is performed every three years, except those stations where environmental conditions, contamination, or asset deficiencies require more frequent inspections. Preventative, corrective, and reactive maintenance are carried out as required, often triggered by events such as failures, theft of grounding material, or physical damage to the station infrastructure.

Ground grid testing is a critical activity for verifying the design and performance of grounding systems, ensuring compliance with mandatory safety standards such as IEEE Standard 80. These tests assess key parameters including ground potential rise, ground impedance, step and touch potentials, and current splits into external ground connections. The goal is to confirm that the grounding system can safely dissipate fault currents, maintain safe voltage levels, and protect personnel both within substations and in surrounding high-voltage areas.

Maintenance activities also include the inspection of ground connections to fences, gates, and gradient mats, as well as verifying the integrity of ground rods and their connections. These inspections help identify corrosion, loose connections, or missing components that could compromise the grounding system's effectiveness. By adhering to this cadence and responding promptly to deficiencies, Elexicon ensures that its grounding infrastructure remains robust, compliant, and capable of supporting safe and reliable operations.

3.2.5 Battery System Maintenance

Elexicon conducts DC system and battery maintenance following a structured cadence to ensure reliability and continuity of critical substation operations. Predictive maintenance is performed on a monthly and annual basis, focusing on visual inspections and basic performance checks to identify early signs of degradation. Preventative maintenance is carried out every three years, involving comprehensive testing and cleaning procedures. Corrective and reactive maintenance are conducted as required, typically in response to performance anomalies, test failures, or physical damage.

As part of this program, battery voltage and impedance testing is performed to monitor the health and performance of battery cells. Impedance testing identifies internal resistance and reactance using an AC stimulus, which helps detect declining cell capacity due to increased resistance over time. Visual inspections are also conducted to check for leaks, deformation, accurate electrolyte levels, and corrosion-free connections. Based on impedance test results, a battery replacement plan is developed to proactively address aging or failing units. DC charger testing is also performed to ensure a stable and continuous DC output, which is critical for substation control systems and system reliability. The results of these tests inform the DC charging system replacement plan, ensuring that backup power systems remain reliable and compliant with operational standards.

3.2.6 Infrared Scanning Maintenance

Infrared “IR” thermography is a predictive maintenance task performed annually for many elements of substation assets including transformers, cables and switchgear. IR scanning enables early fault detection by identifying temperature anomalies that indicate potential issues like loose connections or overheated components. This non-contact inspection method enhances safety by allowing live equipment to be inspected at a distance, reducing the risk of electric shock. It is also a cost-effective solution, preventing costly breakdowns through proactive maintenance without disrupting operations.

3.3 Supervisory Control and Data Acquisition System

Supervisory Control and Data Acquisition (“SCADA”) is a centralized system that monitors and controls automated distribution devices and enables real-time visibility and remote operation of these assets. P&C

and automation technicians are responsible for responding to communication issues and minor repairs required on these automated distribution devices.

3.4 Segment Costs

Table 8: Maintenance Substations Segment Historical, Bridge and Forecast Costs 2020-2031[7]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	0.96	1.02	0.88	1.03	4.47	1.81	1.87	2.28	2.33	2.43	2.59	2.64	9.7%
Variance ($M)		0.06	-0.14	0.15	3.44	-2.66	0.06	0.41	0.05	0.10	0.16	0.05	
Variance (%)		6.7%	-13.4%	16.4%	334.3%	-59.5%	3.5%	21.6%	2.4%	4.1%	6.5%	2.1%	

3.5 Cost Drivers

Over the historical period, Elexicon's maintenance expenses were driven by the utility's aging portfolio of substation assets, the addition of Seaton Municipal Transformer Station ("MTS"), and a vandalism incident in 2024 that required the utility to undertake a costly cleanup effort. Many of Elexicon's substations are aging, with some having reached their end of life. These legacy assets are also outdated, which makes them more difficult to maintain and less compatible with current equipment. The oldest of Elexicon's municipal stations date back to the 1950s and many were installed in the 1970s and 1980s with a typical useful life of approximately 40 years. As the volume of Elexicon's aging station assets grows, the frequency and scope of maintenance have increased. These assets typically require more extensive maintenance, including timely replacement of worn parts, enhanced lubrication of moving components, and thorough cleaning to remove contaminants. These activities are essential to meeting compliance requirements and maintaining system reliability and safety.[8]

To address these significant challenges during the historical period, Elexicon restructured and expanded the stations maintenance workforce. At the time of the merger, the station maintenance function in the legacy Veridian Connections service area had dedicated station technicians and protection & control (P&C) technicians, while the Whitby service area relied on dual-role technicians. To align with the legacy Veridian

[7] Numbers may not sum due to rounding.

[8] Ontario Energy Board, "Distribution System Code, Appendix C, Minimum Inspection Requirements"

Connections model, Elexicon restructured the legacy Whitby Hydro workforce by transitioning to dedicated roles and expanded staffing levels to address identified critical gaps in protection and control ("P&C") and ensure that core operational functions were adequately resourced.

During the Covid-19 Pandemic, only essential services that ensured the continued reliability of the electricity system were permitted in Ontario. Elexicon strategically managed its stations maintenance budget, and prioritized compliance activities and critical maintenance on high-risk assets, while adjusting the scope and timing of other work to optimize resource deployment. As a result, a significant backlog of maintenance activities had accumulated following the pandemic. To address this, Elexicon prioritized maintenance efforts at high-risk stations, based on results from asset condition assessments. This effectively allocated maintenance resources and mitigated the potential for defective or failed assets and avoided costly emergency repairs and extended downtime. This strategy reflects a targeted, risk-based approach to asset management, where predictive insights guide preventative and corrective actions to sustain system reliability and safety. For example, Thickson Station is inspected on a 1.5-year cycle due to its proximity to a high-traffic road and railway track, which elevates its risk profile, compared to the standard 3-year inspection cycle.

Due to aging infrastructure, Church substation was removed from service for capital work, which led to significant fluctuations in maintenance costs related to Belleville substations. Its removal reduced system redundancy, which limited the ability to take Belleville substations offline for scheduled preventive maintenance. As a result, maintenance activities planned for Belleville substations in 2022 were deferred to 2023. Similarly, certain station maintenance activities were paused following an incident at Sandy Beach substation in 2022 that was caused by a faulty recloser that is also common to other stations. As a precautionary measure, maintenance work was suspended to allow for further investigation and risk assessment at affected stations.

Routine maintenance on some stations led to unexpected and substantial corrective work, resulting in an increase in operation and maintenance costs, largely attributable to the high proportion of aging assets. In some cases, critical deficiencies were identified that required immediate remediation to prevent major equipment failures, and result into significant, unanticipated cost and effort. For example, the Edgehill Feeder 54 oil circuit breaker underwent comprehensive maintenance work in 2021, including the

replacement of moving, stationary, and arcing contacts. Post-maintenance micro-ohm testing confirmed the successful installation of the new components, with results within acceptable parameters. In some cases, additional deficiencies were uncovered and led to more extensive maintenance efforts. Most recently in 2024, two significant incidents occurred during routine maintenance that led to unexpected and substantial corrective work, resulting in a significant increase in operation and maintenance costs, one at Notion Station and another at Spry Station. The incident at Notion Station occurred when the F1 circuit breaker failed during routine maintenance. The breaker was removed from service until further repairs can be completed. The preventative maintenance also identified the secondary switchgear bus with insulation resistance critically below acceptable thresholds, requiring comprehensive reactive activities to ensure the equipment was fit for service. At Spry Station, partial discharge/corona was found in the T1 bus duct during a monthly inspection. The bus duct was repaired by replacing all the insulators and bus insulation. These examples help illustrate the operational complexity that can emerge when maintaining aging infrastructure. Routine inspections and maintenance can escalate into more involved corrective work, requiring significant coordination and resources.

In addition to maintaining aging station assets, the commissioning of the Seaton MTS in 2022 increased the station asset base requiring maintenance and inspections. Elexicon was required to perform frequent site visits and enhance its training requirements to manage the new modern equipment and technologies at the outset of in-servicing. Elexicon anticipates that Seaton MTS's maintenance burden will be lower going forward, relative to the 2023 to 2024 period, given that the station assets are new. However, additional labour is required to conduct inspections due the complexity and amount of assets at this MTS.

Finally, a significant vandalism incident at a substation occurred in 2024 involving the breach of a boundary fence, and the cutting open of the transformer tank, releasing 7,196 litres of non-PCB mineral transformer oil onto the surrounding concrete and gravel base of the station yard. The required cleanup was costly and involved transformer removal and transport, concrete pad removal, excavation and disposal costs, water accumulation from rainfall and disposal, dewatering excavation site of approximately 400,000 litres of oil, processing discharge, and managing environmental impacts.

Figure 10: 2024 Substation Vandalism Incident



(From left to right: Damage to fence by vandal, Oil spill upon discovery of vandalism, Initial remediation work, During remediation after pad removed)

Substation maintenance costs are expected to increase over the bridge and forecast period due to aging infrastructure and the continued use of obsolete equipment at several legacy stations. Additional staff will be hired to manage the expected increased volume of deficiencies identified during predictive and preventative maintenance activities. These resources will also support an expanded maintenance scope that includes a greater number of minor repairs and emerging deficiencies identified during preventative and predictive maintenance activities. This approach will improve reliability, reduce the risk of unplanned outages, and avoid costly emergency repairs and replacements. These circumstances are becoming more frequent as station infrastructure continues to age and deteriorate. While the capital plan to rebuild and modernize the stations is expected to improve targeted asset condition, the forecast period aligns with the early stages of the plan, and it will take time to fully address the underlying issues across the system. Furthermore, new stations are scheduled to enter service during the forecast period, increasing the number of assets included in maintenance cycles and further contributing to higher resource requirements (Exhibit 2B - Tab 4 - Schedule 3 – Appendix E).

P&C activities are also expected to increase due to aging substation assets that are more prone to faults and failures and are more complex and resource intensive to integrate with newer systems. Information on Elexicon's Asset Condition Assessment results can be found in Exhibit 2B - Tab 3 - Schedule 2 - Appendix B. This segment will increase spending in the forecast period to add dedicated internal resources to support this function, primarily driven by the need to conduct arc flash hazard studies, review test reports, and perform more frequent monitoring, testing, and maintenance to ensure reliability and safety.

3.6 Cost Management & Productivity Savings

Elexicon's merger generated operational synergies related to its substation maintenance practices. Prior to the merger, both legacy utilities owned a diverse range of test equipment for substation apparatus, but these resources were siloed within their respective service territories. Post-merger, Elexicon was able to centralize and optimize the use of test equipment, enabling more efficient deployment across the broader service area.

Other productivity measures within this segment over the historical period including digitization efforts, infrared scanning, and the optimization of maintenance by performing upgrades selectively alongside scheduled activities. Elexicon realized productivity savings by standardizing and digitizing its substation inspection forms in 2021. Inspection results had previously been recorded on paper and then scanned onto drives. This legacy process required the manual entry of data into the utility's digital system before it could be used to evaluate the condition of an asset. It was time-consuming, labour-intensive, and more prone to inefficiencies and potential errors during data entry. Streamlining and digitizing these forms for data entry directly at stations using digital devices has facilitated better data collection and the ability to track trends, optimize maintenance schedules, and prioritize resource allocation for more informed and cost-effective decision making. This change has reduced the labour required for data handling, and has improved data accuracy and accessibility, allowing for quicker and more reliable evaluations of asset condition, and generating both cost savings and stronger decision-making processes for the utility. Elexicon has leveraged the former Whitby Hydro's practice of conducting annual infrared scans by expanding it to all its stations. Infrared tools detect thermal anomalies in electrical and mechanical equipment. This has contributed to a reduction in reactive maintenance costs with early detection and resolution of potential equipment failures.

Elexicon has also strategically aligned capital upgrades with scheduled maintenance activities to maximize efficiency and reduce costs. This integrated approach enables better coordination among stakeholders, with plans communicated in advance through the outage schedule to ensure effective resource allocation and minimize service disruptions. For example, in 2025, during scheduled inspection and maintenance cycles at five substations, Elexicon upgraded AC and DC systems as a coordinated effort. By combining capital and maintenance work, the utility reduces the number of planned outages, optimizes the use of

control room resources, station technicians, and logistics, and improves overall operational efficiency. The effect is greater reliability and fewer interruptions for customers. Similarly, Elexicon applied this approach to its battery replacement program by installing gel styled batteries, as seen in Figure 11 below, during station rebuild projects, to replace its existing lead-acid batteries. These new batteries require less maintenance, are more resilient to temperature variation, have low self-discharge rates, and eliminate risks of corrosion, spills, or leaks, while offering superior deep-cycle performance. The DC system ensures system reliability and operational safety by providing a backup power supply to the protection and control systems.

Figure 11: Replacement Batteries under the Battery Replacement Program



Part A: Flooded Lead-acid batteries



Part B: Sealed-Gel Lead-Acid batteries

The substations team further developed an annual station outage schedule in 2024. This schedule improved the efficiency of maintenance work by planning and coordinating to perform planned maintenance and required capital synchronously within the fewest number of planned outages. This schedule has improved the efficiency of planning work, decreased the number of planned outages at the utility, and reduced the level of work and effort required to coordinate between the maintenance and control room segments.

To improve the consistency and effectiveness of its substation maintenance practices, Elexicon is establishing a Substations Maintenance Manual. The manual consolidates existing procedures into a single, centralized document, providing clear, standardized guidance for field staff and planners. Its purpose is to streamline maintenance practices, enhance reliability, and support lifecycle cost

management to meet regulatory requirements and industry best practices in asset stewardship. By improving clarity and accessibility, the manual will help ensure that maintenance is performed consistently, deficiencies are addressed effectively, and planning is aligned with asset condition and operational risk.

Over the bridge years and into the upcoming forecast period, the implementation of Dx NEXT will also enhance Elexicon's substation maintenance capabilities by transforming how asset data is managed, analyzed, and utilized. Dx NEXT will support more efficient maintenance practices through features including provision of a single source of truth for asset specifications, work history, GIS data, and graphical representations to streamline maintenance workflows and reporting. Dx NEXT will also provide better time tracking and will offer mobile workforce capabilities to download work orders, scan barcodes, upload images, and trigger maintenance based on time or performance parameters. These features will enable Elexicon to move to a proactive, data-driven asset management model, improving reliability, safety, and operational efficiency across its substation network.

3.7 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

<u>2020 – 2021 Variance Explanation:</u>

There is no material variance during this period.

<u>2021 – 2022 Variance Explanation:</u>

Costs decreased by $0.14M from 2021 to 2022, primarily due to a reduction in staffing level and deferred maintenance activities at stations impacted by system redundancy limitations and equipment-related incidents.

2022 – 2023 Variance Explanation:

Costs increased by $0.15M in from 2022 to 2023, primarily due to work on deferred maintenance activities in 2022, as well as the addition of staff to provide Stations and P&C technical support.

2023 – 2024 Variance Explanation:

Costs increased by $3.44M from 2023 to 2024, primarily due to remediation activities related to a significant vandalism incident requiring extensive cleanup of contaminated soil, water, and materials to mitigate environmental impacts. This is in addition to significant corrective maintenance at Notion Station and Spry Station, completion of previously deferred maintenance activities and the addition of technical staff to support P&C and Station maintenance activities, including maintenance on SCADA devices and station assets, such as Seaton MTS.

3.7.1 2024 – 2027 Variance Explanation:

Costs will decrease by $2.19M in the bridge period, primarily due to normalization following the atypically high costs in 2024 related to the substantial vandalism incident as well as significant corrective maintenance activities.

3.7.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.36M in this period, primarily due to additional staff to address the increase in ongoing deficiencies, as well as support the broadened scope of deficiencies addressed during proactive and preventative maintenance activities. These resources will also support the accelerating workload required to maintain assets as they continue to age and approach end-of-life, necessitating more frequent and comprehensive maintenance, as well as maintenance activities for newly commissioned stations.

4. RESTORATION

4.1 Description

The Restoration segment describes the activities Elexicon performs to restore power outages in unplanned and emergency events. Costs in this segment represent the OM&A portion of this critical work. The increase in segment costs over the historical and bridge periods reflects higher outage volumes caused by

equipment failures from aging equipment and heightened storm activity. Notably, two major storm events in the bridge period were exceptional occurrences, requiring extensive and unique response to restore service safely and efficiently. This response resulted in significantly higher OM&A costs than typical, driven by the rural and island locations impacted, which required specialized equipment and extensive access clearing to meet reliability and safety obligations. Over the forecast period, costs are forecasted to normalize following these extraordinary storm-related expenditures, then gradually increase in line with inflation and the continued aging of Elexicon's asset base. The utility anticipates that the deployment of Dx NEXT and higher volumes of preventative maintenance over 2027-2031 will act as a cost control in this segment.

This segment supports unplanned restoration and emergency response operations in several contexts, including widespread outages caused by weather events, damage caused by vehicular collisions with electrical infrastructure, and faults due to defective equipment. If the system event requires more extensive work, restoration crews will stabilize the situation and schedule follow-up permanent repairs to be completed later within the appropriate distribution or substation maintenance programs. In situations with widespread outages, the restoration segment responds to trouble calls in line with Elexicon's power restoration plan. This plan outlines the responsibilities and the procedures to be taken by Elexicon personnel to alleviate the effects of a widespread outage on the Elexicon system and for declared emergencies issued by Elexicon, its municipalities, neighbouring utilities, the IESO, Hydro One, the EDA, or regional or county Emergency Management Offices (Exhibit 2B - Tab 4 - Schedule 3 – Appendix H).

Elexicon also maintains 24-hour responsiveness with on-call powerline technicians, stations technicians, supervision, and leadership to address system events across all service areas. These events include, but are not limited to, unplanned power outages, faults, irregular voltage, emergencies, and major weather events. Upon receiving a trouble call, restoration crews begin by inspecting the system to verify component functionality and identify faults or damage. Based on their assessment, crews perform restoration activities, such as replacing defective connectors, tightening connections, clearing branches or debris from overhead lines, sleeving downed or damaged overhead lines, removing animals that have come in contact with electrical components, and installing or replacing animal protection devices.

Figure 12: Field Response to Unplanned System Events



(From left to right: Crew removing branches from line- Ice storm 2025, Crew sleeving damaged lines)

For underground services, crews may deploy temporary restoration equipment and then return to make permanent repairs on the reactive maintenance budget. The segment also supports switching operations to reroute power and maintain service during unplanned incidents, including emergencies. In addition, switching orders initiated by the System Control Centre are used proactively to resolve identified real-time capacity constraints or voltage issues, preventing service interruptions and improving reliability.

By managing these activities effectively and responsively, work performed as part of this segment helps to achieve Elexicon's primary restoration objectives, which include ensuring that critical infrastructure and services remain functional, restoring power as safely and efficiently as possible, mitigating public safety and environmental risks (e.g. Oil leakage). To ensure the timely and effective restoration of service, activities within the restoration segment are performed by Elexicon's line operations team, who works in conjunction with the utility's System Control Centre and Stations Operations to manage and respond to various system emergencies, trouble calls, public safety concerns, load shifting, and power outages. The majority of restoration tasks are completed by internal resources, while contracted services may be utilized for activities such as minor excavations, traffic control, and forestry services. Contracted services are also employed during high volume events when internal crews are fully utilized. This collaboration ensures a coordinated approach to maintaining the reliability and safety of the distribution system.

Without sufficient funding for the Restoration segment, Elexicon risks deteriorated reliability and service continuity from extended outages due to resource constraints, the potential for delayed responses to safety and environmental risks, reduced disaster preparedness, and the potential for non-compliance with DSC requirements for emergency response procedures and capabilities.

4.2 Segment Costs

Table 9: Restoration Segment Historical, Bridge and Forecast Costs 2020-2031[9]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	1.66	1.70	1.78	2.32	2.42	2.83	2.49	2.33	2.42	2.47	2.53	2.59	4.1%
Variance ($M)		0.04	0.08	0.54	0.11	0.41	-0.34	-0.16	0.09	0.05	0.06	0.06	
Variance (%)		2.3%	5.0%	30.2%	4.6%	16.8%	-12.1%	-6.5%	3.9%	2.2%	2.6%	2.3%	

4.3 Cost Drivers

Annual costs in the Restoration segment are primarily driven by fluctuations in trouble call volumes and complexity, including those from storm activity. Trouble call volumes have increased over the historical period, due to Elexicon's aging asset base, making them more prone to failure, and leading to more frequent unplanned incidents requiring additional time and expenses to repair or replace. Vegetation overgrowth that comes into contact with overhead distribution assets has also been an increased driver of unplanned incidents requiring trouble call responses in the historical period. The Restoration segment incurs additional costs for rural, remote and water access areas due to extended travel time and reliance on more manual work practices, which are typically more time consuming. In Gravenhurst specifically, equipment related expenses can be significant, such as for the use of barging equipment and helicopters. These factors, combined with the impact of extreme weather events in the historical period, caused significant damage to infrastructure and placed additional complexity on restoration efforts. Restoration work during severe weather events can be complex, labour intensive, and often involves overtime and subcontractor costs. Elexicon experienced 12 significant weather events from 2020 to 2025 that resulted in material costs within this segment. Elexicon's Gravenhurst service district includes aging overhead

[9] Numbers may not sum due to rounding.

infrastructure in heavily forested areas that proved to be especially vulnerable over this period, often resulting in extensive work required to restore power safely. Restoration activity increased significantly in 2024 due to a major snowstorm, followed by an ice storm in Gravenhurst in 2025. In response to the 2025 event in Gravenhurst, Elexicon deployed significant resources working on the storm including snow removal, excavation, forestry staff and internal Elexicon staff to address the outage and perform restoration work.

Figure 13: Gravenhurst 2024 Snowstorm and 2025 Ice Storm



(*From left to right: Crews restoring power to island customers (2024), Assets damaged during snowstorm (2024), Crews repairing assets damaged (2025), Lines down due to ice loading (2025))*

Over the 2027-2031 period, Elexicon forecasts that its restoration work costs will increase in line with continued customer growth and the aging of Elexicon's asset base. While individual years may experience significantly high costs due to major weather events or system anomalies, these are typically followed by lower costs in subsequent years as restoration efforts normalize. The utility also anticipates that the capital investment and increasing preventative maintenance during this period will act as a cost control in this segment. As a result, the overall trend across the five-year forecast period is expected to remain stable.

4.4 Cost Management & Productivity Savings

Over the bridge years and into the forecast period, Elexicon will implement technology solutions related to grid modernization that will increase productivity within the Restoration segment. These include automated switches, fault interrupters, Fault Location Isolation and Service Restoration (FLISR), and advanced sensors to enable real-time monitoring, perform proactive outage management, and improve system reliability. These investments will reduce outage restoration times and lessen the need for manual

intervention by enabling faster fault detection and providing operators with improved control over automated switches and the use of protective devices to ensure efficient grid operation. They will also reduce restoration costs and response times by limiting the need for field crew deployments to resolve issues. More information on Elexicon's Grid Mod Strategy can be found in Exhibit 2B - Tab 3 - Schedule 2 - Appendix A.

Productivity in the Restoration segment will also be increased by improved GIS mapping to ensure accurate spatial and asset data (Exhibit 4 - Tab 1 - Schedule 3), which helps with accurate fault location and efficient dispatching. This data provides System Control Centre operators with live insights into grid performance and access to an enhanced asset performance monitoring system that tracks the condition of critical grid assets to reduce the risk of failure and subsequent restoration activities.

The Dx NEXT project implementation planned for the bridge years into the forecast period will deploy software solutions to streamline processes between departments including dispatching work, trouble call reporting, tying inventory to projects, and timesheet entries. This project will deliver more integrated operational, maintenance and administrative processes and provide improved data to help drive operational effectiveness. The restoration team anticipates that the deployment of these solutions will improve the efficiency of work assignment processes by reducing the use of paper-based processes, enhancing the team's ability to conduct long-term planning, improving scheduling abilities for the efficient use of resources, generating a greater ability to manage volumes of contracted work during high volume restoration events, optimizing the scheduling of damage assessment technicians based on defined priorities and capacity during high volume events, and leveraging system information in the system to improve upon the current reliance on manually created reports.

4.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 – 2021 Variance Explanation:

There is no material variance during this period.

2021 – 2022 Variance Explanation:

Costs increased by $0.08M from 2021 to 2022, primarily due to an increase in trouble calls due to storm restorations in multiple service areas.

2022 – 2023 Variance Explanation:

Costs increased by $0.54M from 2022 to 2023, primarily due to an increase in restorations across multiple areas due to significant weather events, including notable increases in the Clarington area.

2023 – 2024 Variance Explanation:

Costs increased by $0.11 from 2023 to 2024, primarily due to restoration activities following significant weather event in the Gravenhurst service area.

4.5.1 2024 – 2027 Variance Explanation:

Costs will decrease by $0.10M during this period, primarily due to the reduction from exceptionally high costs related to the restoration activities in the Gravenhurst service area in 2024 and 2025. The 2027 forecast reflects a return to standard OM&A levels, adjusted to account for expected cost increases associated with capacity growth and an increase in customers and Elexicon's asset base.

4.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.27M during this period, to reflect a steady rise in line with inflation and a larger base of infrastructure and customers, which will drive higher restoration needs. Increased capital and maintenance activities are expected to help offset the operational impact of adverse weather that may occur.

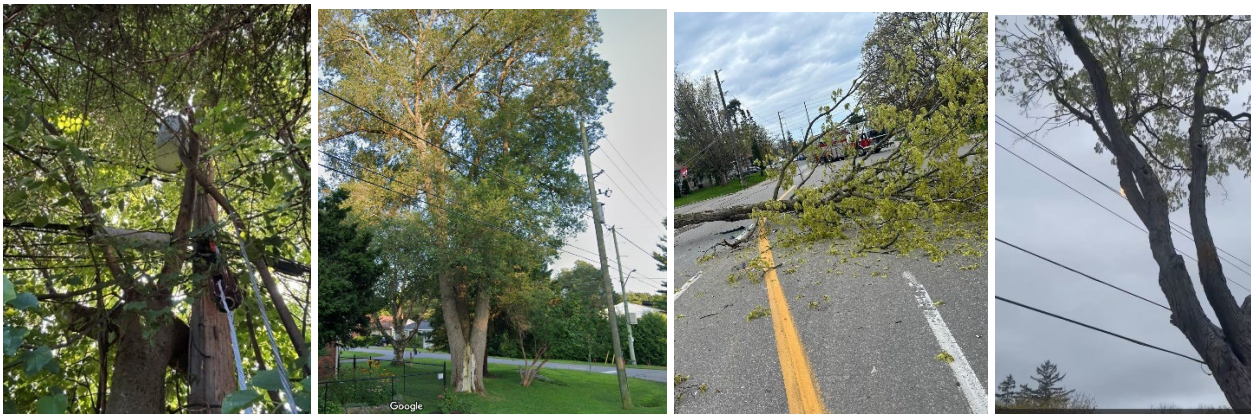
5. VEGETATION MANAGEMENT

5.1 Description

Elexicon's vegetation management segment entails tree trimming on 256 primary overhead feeders, which covers approximately 1,971 kilometres of overhead circuits across the utility's six non-contiguous service territories that span both urban and rural areas. Elexicon increased the volume of vegetation management that it performed over the historical and bridge period, thus increasing costs, to address its declining reliability and an average yearly increase in sustained outages due to tree contacts that the utility experienced from 2020 onwards. Tree trimming costs were also subject to unit cost increases averaging 4% annually over this time. Over the forecast period, cost increases are due to enhancements to Elexicon's tree trimming program and the shift to a feeder-based trimming cycle that will improve system reliability through reduced tree contacts, the implementation of technology to support Elexicon's enhanced strategy, and growth of Elexicon's customer base driving system expansion of the distribution grid.

The purpose of this segment is to prevent tree contacts that can lead to power interruptions for customers and safety issues for Elexicon workers and members of the public. Activities include vegetation management such as trimming and removal of dead or hazardous trees to reduce the risk of striking energized lines, which can result in downed conductors and poles, fires and create hazardous conditions. Tree contacts with overhead lines can occur due to natural growth, when branches break and fall on lines, ice and snow build up on overhead lines that causes sagging, and during severe weather events that can cause entire trees to fall onto the lines or make contact. These contacts can cause significant issues, including power outages, damage infrastructure, and fire hazards resulting in degraded system reliability, increased reactive capital and maintenance costs, and pose safety risks to both utility workers and the public.

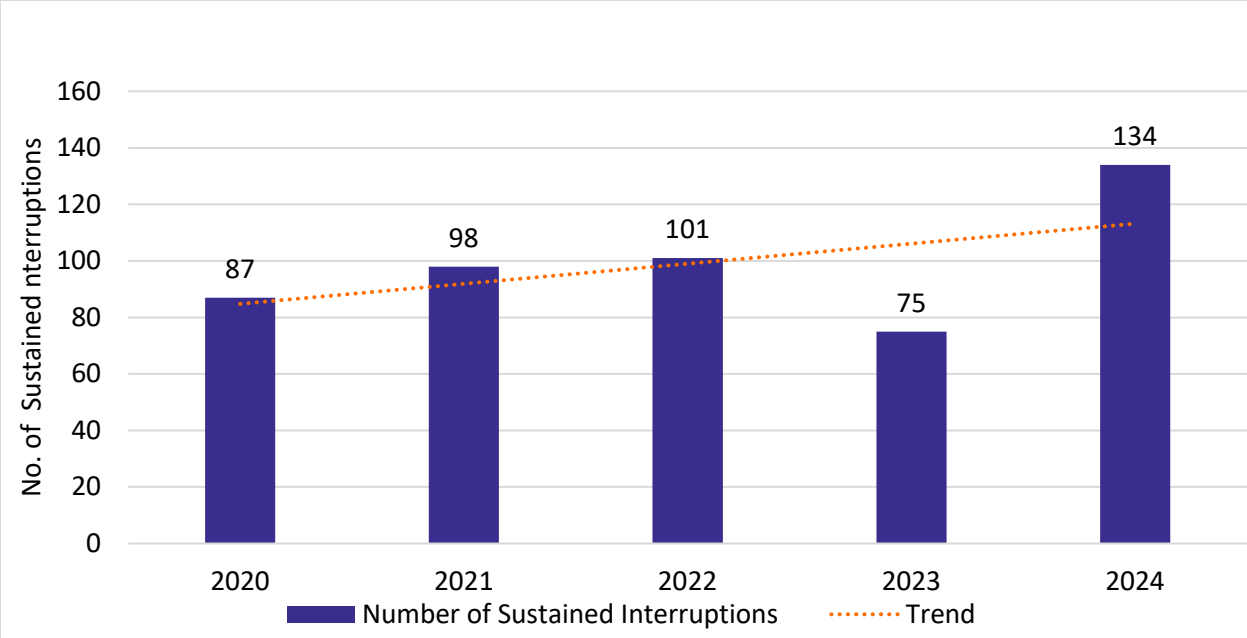
Figure 14: Examples of Vegetation Interference on Distribution System Assets



(From left to right: Overgrown tree around a backyard pole line, overgrown tree near an overhead conductor, downed conductor and pole due to broken tree trunk, tree contact with an energized overhead conductor)

Tree contacts are one of the top three contributors to power interruptions at Elexicon and have a significant impact on system reliability performance SAIDI and SAIFI metrics. From 2020-2024, tree contacts caused a total of 495 sustained interruptions, resulting in 144,780 Customer Interruptions (CI) and 261,804 Customer Hours Interruptions (CHI) (excluding major event days). Figure 15 below illustrates the number of tree contacts outages annually, indicating a rise in tree contacts trend over the 5-year (2020-2024) period.

Figure 15: Number of Sustained Interruptions from Tree Contacts 2020-2024



The utility mitigates tree contacts through regular tree clearing of Elexicon-owned high voltage lines on public and private lands, as well as low voltage lines on public lands. Elexicon leverages the clearance standards defined in American National Standards Institute ("ANSI") ANSI A300 Standard Practices for Trees, Shrubs and other Woody Plant Maintenance. In addition to minimum clearance standards, Elexicon accounts for tree species growth, voltage level and line criticality, the need to thin out trees along main lines for storm hardening, hazard trees, under brushing, and right of way clearance in the execution of its program. Elexicon's vegetation management segment includes a cyclical clearing program that addresses the overhead lines in each of Elexicon's maintenance areas within its service territory at least once every three years, in line with the Distribution System Code's minimum patrol cycles of three years for urban areas and six years for rural regions (Distribution System Code Appendix C, Minimum Inspection Requirements). To mitigate risks of outages due to tree contact outages, Elexicon has implemented a uniform three-year trimming cycle across its entire service territory including in locations with a blend of urban and rural zones. This program ensures that vegetation is regularly managed and covers 15 municipalities of varying sizes and landscapes, organized into six main districts. Each district is further divided into three maintenance areas, totalling 18 maintenance zones across the full-service territory.

Elexicon also conducts additional clearing or "spot trimming" that is performed when issues are identified by inspectors and Elexicon's operations staff or as requested by municipalities or Elexicon's customers. Finally, Elexicon conducts miscellaneous clearing in response to localized outages caused by vegetation interference during routine trouble calls or adverse weather events, handled by internal operations crews during power restoration. Additionally, Elexicon may request its vegetation management contractors to mobilize standby crews, ensuring rapid response to emergency tree clearing operations in anticipation of severe weather events.

Beyond technical planning, this segment includes essential administrative functions such as developing and distributing system schematics and maps to support the execution of the segments, issuing notices to municipalities and the members of the public about vegetation management activity, addressing customer requests for spot clearing, and issuing works orders, tracking progress and reviewing inspection reports.

Elexicon's vegetation management segment enhances the safety and efficiency of the utility's distribution system. Planned vegetation management work also reduces reactive expenditures spent on corrective and emergency responses to tree contacts (see Section 4 above). Without sufficient funding for Elexicon's vegetation management segment, Elexicon risks declining reliability from outages caused by tree contacts and a higher potential for decreased safety within its service territory due to downed branches and fires from contacts with overhead lines. These risks may grow as extreme weather events continue to occur at higher rates, increasing the likelihood of broken branches and fallen trees. Insufficient funding also increases the risk of high reactive spending on repairs or replacements for downed conductors, poles, overhead switches and other distribution system assets that are at risk of damage from tree contacts.

5.2 Segment Costs

Table 10: Vegetation Management Segment Historical, Bridge and Forecast Costs 2020-2031[10]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	1.03	1.32	1.17	1.33	1.61	1.85	1.77	1.97	2.69	2.82	2.89	3.13	10.6%
Variance ($M)		0.29	-0.15	0.15	0.28	0.25	-0.08	0.20	0.72	0.13	0.07	0.23	
Variance (%)		27.6%	-11.2%	13.1%	21.1%	15.3%	-4.3%	11.4%	36.3%	4.9%	2.6%	8.1%	

[10] Numbers may not sum due to rounding.

5.3 Cost Drivers

Annual costs in the vegetation management segment fluctuate based on the volume and nature of work performed each year. The primary cost drivers are the three-year planned feeder clearing cycle, ad hoc spot trimming, and removal of dead or hazardous trees. Annual costs for the planned feeder clearing cycle vary based on the total length of the feeders cleared and the extent to which those feeders are in areas with diverse vegetation characteristics. Rural areas present the greatest cost pressures due to denser vegetation, challenging terrain, and limited accessibility. Urban areas with mature tree growth can also contribute to higher costs, particularly from the additional complexity of clearing overhead feeders that are located near busy roadways or private residential or commercial properties, including rear lot infrastructure. Spot trimming includes activities performed to address emergent vegetation issues that are customer-initiated, identified during line patrols, or required as follow-up to complete work that was initially mitigated by the Restoration segment during their response to incidents triggered by trouble calls. Like planned feeder clearing, spot trimming in rural and mature urban areas typically incur high costs for clearing. For example, Elexicon has rear lot pole lines that are prone to tree contacts and are more challenging to access, requiring additional equipment for safe trimming, resulting in higher costs. All vegetation management field work is performed by external contractors, so contract rates also impact expenses in this this segment.

During the historical period, annual costs generally fluctuated in line with the planned feeder clearing cycle and the annual volume and complexity of spot trimming activities. The exception was in 2024, when costs for contracted field work increased significantly. External contractors are retained through a competitive Request for Proposal (RFP) bidding process (Exhibit 4 - Tab 1 - Schedule 6), and in 2024, there was a reduction in the number of respondents, impacting the program costs in a specific Elexicon area. As a result, the program incurred higher costs during this year.

Elexicon's current vegetation management strategy supports a standard clearing cycle of three years, which has not been able to keep pace in areas with mature and dense vegetation, particularly in rural areas and in urban areas with mature trees. Spot trimming volumes have also increased, particularly following major weather events involving high winds or heavy precipitation, which caused vegetation or fallen branches to come into contact with feeders. These incidents often led to ad-hoc spot trimming

activities to address broader vegetation management needs along the affected feeder. The number of spot trimming requests from customers, along with the associated costs, has also grown steadily from 2020 to 2024. This increase is largely driven by the growing demand for off-cycle spot trimming as time passes since a feeder's last scheduled trimming.

Tree contacts on overhead feeders is one of the leading causes of outages, making vegetation management a critical strategy for mitigating reliability and safety risks. The majority of Elexicon's top 20 Worst Performing Feeders (WPFs) are in rural areas, with some also located in mature urban areas. From 2020 to 2024, the number of sustained interruptions caused by tree contacts on these feeders, excluding major weather event days, increased from 52 incidents in 2020 to 78 incidents in 2024, representing a compound annual growth rate (CAGR) of 8.45%. This increasing trend demonstrates the growing impact of vegetation on reliability performance and indicates that the current three-year trimming cycle needs to be strengthened to keep pace with vegetation growth in heavily treed areas.

The impact of vegetation on reliability was further worsened during the historical period by storm-related events. Strong winds, heavy snowfall, and ice accumulation caused branches to break or trees to uproot and contact overhead feeders, resulting in increased tree-related outages.

In response to the significant increasing vegetation-related outages and growing volume of reactive spot trimming in the historical period, Elexicon plans to enhance its current area-based planned vegetation program by switching to a systematic feeder-based trimming cycle during the forecast period. By focusing on individual feeders, Elexicon can better prioritize high-risk areas, and optimize scheduling and resource deployment, which is expected to reduce tree-related incidents and lower off-cycle spot trimming costs over time. The development of optimized cycle lengths is expected to also extend the current three-year cycle to up to five years for feeders with lower tree contact incidents. This enhanced approach will result in more efficient use of resources without compromising reliability and safety. The transition from the current trimming cycle will result in a temporary increase in vegetation management activities and costs because some trimming activities will be advanced to align with the new cycle that would not otherwise be due under the current schedule. The volume and associated costs will normalize once the new cycle is fully established, resulting in a more consistent and risk-targeted approach to vegetation management in the later years of the forecast period, and over the long term.

Elexicon will further strengthen its vegetation strategy in the forecast period by introducing mid-cycle spot trimming on Worst Performing Feeders (WPFs), which are typically located in heavily treed rural and mature urban areas. This approach will allow this segment to proactively target spot feeder trimming and schedule the priority areas in bulk, which is a significant improvement over the current individual and uncoordinated reactive off-cycle trimming. The addition of mid-cycle spot trimming is also expected to reduce damage to distribution assets caused by vegetation contacts, which will improve operational and cost efficiency for Elexicon's overall operations.

To support the enhanced feeder-based approach and mid-cycle spot trimming schedule, this segment will adopt advanced technologies such as AI-powered vegetation analytics and LiDAR which are becoming standard practice for utilities. LiDAR uses laser-based scanning to create precise 3D models of vegetation and infrastructure, enabling accurate identification of clearance issues and prioritization of trimming activities. These tools use digital mapping, and satellite imagery and artificial intelligence to identify tree encroachments and high-risk zones, which will enable proactive trimming and the development of optimized feeder trimming cycles. This condition-based approach will strengthen Elexicon's vegetation management strategy and is expected to lead to overall operational efficiencies, reduce outages and improve reliability and safety. Elexicon will pilot these technologies with a single scan in a selected service area in 2027. Full implementation across Elexicon's service territory is planned for 2028, with two scans completed per year to enable continuous monitoring and data-driven decision-making. The full productivity benefits of AI-powered vegetation analytics and LiDAR will be realized following the initial years of implementation, which will be focused on comprehensive data collection across Elexicon's service territory. There will also be a temporary increase in costs at this time to address newly prioritized feeders that require trimming activity. Productivity benefits will phase in as the data matures and trimming cycles across Elexicon's service territory are optimized.

The forecast period will experience additional pressure on this segment due to ongoing system expansion, driven by Elexicon's growing customer base and new overhead lines that are expected to be added across Elexicon's service territory. This expansion will increase the volume of vegetation management activities. As the network grows, proactive planning and efficient trimming strategies will be essential to maintain reliability and manage costs effectively.

5.4 Cost Management & Productivity Savings

Over the historical period, Elexicon controlled its Vegetation Management segment costs through competitive bidding within a Request for Proposal process. This competitive process evaluates several attributes from the vendor proposals, including safety, quality, operational capabilities and pricing to facilitate the evaluation and decision-making process on the vendor selections (Exhibit 4 - Tab 1 - Schedule 6).

Over the forecast period, Elexicon will employ new technology and tools within the vegetation management program to help control costs through the forecast period and beyond. Elexicon plans to implement LiDAR scanning and satellite imagery technology to manage condition-based trimming cycles and allow for targeted and proactive trimming. This approach will maximize cost benefits for the vegetation management program.

Over the bridge years into the forecast period, the implementation of Elexicon's Dx NEXT project will enhance the efficiency of activities in this segment by integrating advanced data analytics and predictive modeling into its planning process. This system, in conjunction with the LiDAR scanning and satellite imagery technology, will enable precise tree classification, growth prediction, asset proximity analysis, and weather impact assessments, allowing for a more strategic and proactive approach to vegetation management. By leveraging data-driven decision making, Dx NEXT will help Elexicon optimize trimming cycles by identifying specific sections of lines or feeders that require less frequent maintenance. Dx NEXT is also expected to help Elexicon streamline administrative processes by reducing manual workloads such as issuing work orders for spot trimming jobs. Automation in work order management will not only enhance operational efficiency but also minimize administrative expenses, ensuring a more cost-effective and agile vegetation management strategy.

5.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information

pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 – 2021 Variance Explanation:

Costs increased by $0.29M from 2020 to 2021, primarily due to a significantly higher proportion of planned feeder clearing in rural areas compared to 2020, along with an increase in off-cycle spot trimming activities.

2021 – 2022 Variance Explanation:

Costs decreased by $0.15M from 2021 to 2022, primarily due to a lower proportion of planned feeder clearing in rural areas compared to 2021.

2022 – 2023 Variance Explanation:

Costs increased by $0.15M from 2022 to 2023, primarily due to an increase in off-cycle spot trimming activities.

2023 – 2024 Variance Explanation:

Costs increased by $0.28M from 2023 to 2024, primarily due to cost increases to perform planned feeder clearing and off-cycle spot trimming activities.

5.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.37M in this period, primarily due to expenses related to the introduction of LiDAR scanning in a piloted approach, the transition from area-based to feeder-based trimming, the addition of mid-cycle spot trimming on selected high-risk Worst Performing Feeders (WPFs) in rural areas, and removal of dead trees.

5.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $1.16M in this period, primarily due to the full implementation of LiDAR scanning and satellite imaging across Elexicon's entire service territory, expanding mid-cycle spot trimming to additional high-risk Worst Performing Feeders (WPFs) across rural and urban zones, the removal of dead

trees, continued transition to feeder based trimming cycles, and additional trimming required with the increase in overhead lines from system expansion within Elexicon's service territory.

6. LOCATES

6.1 Description

Elexicon's Locates segment administers locate requests from third parties. The purpose of a locate is to identify and mark underground assets in order to prevent damage from third-party excavators, and to protect workers involved in excavations and the public from safety risks. Elexicon provided an average of 25,000 locates a year between 2020-2024. Over the historical and bridge periods, Elexicon's Locates segment costs grew due to legislative changes that increased locate request numbers and imposed new penalties for non-compliance, changes to the labour market, and increases to equipment and material costs. Over the forecast period, locate costs are forecasted to increase in line with inflation, and volumes are anticipated to be correlated with growth in Elexicon's customer base and the buildout of infrastructure in Elexicon's service territory.

Locate services are provided in accordance with Ontario Regulation 22/04 under the Electricity Act, 1998, and the Ontario One Call Act, 2011 (Bill 180), which requires utilities to become members of Ontario One Call (OOC). Utilities are responsible for annual assessment fees and to comply with the OOC's membership requirements, such as responding to locate requests, handling phone call inquiries, reporting, providing accurate mapping data and participating in mapping consulting. The Ontario Underground Infrastructure Notification System Act (OUINSA) mandates that all excavators, including homeowners, use the OOC service to ensure the work area is free of underground infrastructure, thereby safeguarding public safety and preventing damage. Once OOC receives a notification, it is sent to Elexicon, processed through a digital portal, then sent to the field to be located. The field execution is then completed by third party Locate Service Providers (LSP) contracted to Elexicon.

Elexicon provides locate services at no charge to the requesting customer and recovers the costs through its distribution revenue. This encourages wide use of the program to ensure public safety and protect Elexicon's assets from damage. As locates work is non-discretionary and governed by statutory

requirements, Elexicon is responsible for performing this work in compliance with mandated timelines while managing the costs of this essential service within its service territory.

To enhance utility locating services, many Local Distribution Companies (LDC) have collaborated through the Locate Alliance Consortium (LAC). The LAC facilitates a joint procurement process, managing contracts with LSPs on behalf of its collective utility and municipal members to ensure standardized pricing and consistent service standards, and to minimize damages and costs associated with excavation activities. The legacy utilities that formed Elexicon were existing members of LAC, and so Elexicon was a member at the time of the merger. LAC is dedicated to improving the efficiency and effectiveness of utility locating services by promoting consistent and repeatable processes. As of April 2024, Elexicon transitioned to having 100% of all field locates conducted by contracted LSPs through its LAC membership. The approach of using third-party contractors for all field locates is unique because, as members of the LAC, Elexicon benefits from the joint RFP, which provides highly competitive and attractive pricing. This model delivers significant cost advantages, while ensuring efficiency and consistency across all operations. Whereas outsourcing typically comes at a premium and sacrifices institutional knowledge and established relationships, making it less advantageous than internal delivery, Locates stands out as an exception—through the LAC model, the utility retains quality and reliability while achieving cost savings that would be unattainable internally.

Elexicon's locates segment includes internal staff who are responsible for a range of critical tasks that support safe excavation and infrastructure protection. As of 2024, Elexicon established a dedicated Locates & Damage Prevention team to enhance oversight and ensure the effective delivery of its locates program. This initiative was implemented to provide increased focus and accountability across all aspects of damage prevention and locate activities. Key responsibilities of staff include overseeing the transmission of locate requests from the OOC platform to Elexicon's LSPs and ensuring compliance with timelines, assisting LSPs with field-related challenges like accessing infrastructure, scheduling LSPs to attend underground infrastructure strikes and damages, performing field inspections on contractor locates and reviewing internal audit results submitted by LSPs to maintain high standards of accuracy and compliance. Further responsibilities include facilitating contracts and agreements with external vendors and excavators, performing monthly invoicing, and contributing to the Locate Alliance Consortium (LAC) steering board

and participating in provincial and territorial committees to support industry best practices. This segment is also responsible for Alternate Locate Agreements (ALAs), which involve evaluating, planning, and issuing blanket locate clearances for excavators using hydrovac methods.

Without sufficient funding for its Locates segment, Elexicon risks damage to its infrastructure with cascading impacts on public safety if locate services become delayed or inaccurate, increasing the likelihood of accidental strikes on underground infrastructure. Preventive programs like field locate inspections, data analysis, and planned public and excavator education may also be scaled back. Without sufficient funding to meet prescribed timelines and other requirements, Elexicon may also face costly administrative penalties due to non-compliance with applicable regulations, whose penalties include written warnings, fines, prosecution and enforcement actions on the utility.

6.2 Segment Costs

Table 11: Locates Segment Historical, Bridge and Forecast Costs 2020-2031[11]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	1.23	1.11	1.24	1.68	1.89	2.30	2.10	2.18	2.22	2.44	2.49	2.54	6.8%
Variance ($M)		-0.12	0.14	0.44	0.20	0.41	-0.20	0.08	0.04	0.22	0.05	0.05	
Variance (%)		-10.1%	12.4%	35.3%	12.1%	21.7%	-8.7%	3.9%	1.9%	9.9%	2.0%	1.9%	

The OEB issued Accounting Order 002-2023 that established the Getting Ontario Connected Act ("GOCA") variance account (EB-2023-0143), which is a generic, sector-wide variance account to specifically track incremental costs of locates arising from the implementation of recent provincial legislation: Bill 93 (the Getting Ontario Connected Act, 2022). This variance account requires utilities to record the locate "revenue" amount representing the OM&A expense related to the locate cost that was approved in the utility's base rates as Other Revenue. This allowed Elexicon to track such costs incurred from April 1, 2023, through to December 31, 2026, up to the 2027 rebasing. For accounting purposes, Table 12 below provides the annual costs for this segment with adjustments resulting from the application of Accounting Order

[11] Numbers may not sum due to rounding.

002-2023. Further details on Other Revenue are provided in Exhibit 6 - Tab 3 - Schedule 1 and, and the GOCA variance account is described in Exhibit 9 - Tab 3 - Schedule 5.

Table 12: Locates Costs Adjusted per Accounting Order 002-2023[12]

Years	**2023**	**2024**	**2025**	**2026**
Segment Costs ($M)	1.68	1.89	2.30	2.10
Costs approved in base rates recorded as Other Revenue (4305) ($M)	1.12	1.57	1.62	1.67
Costs resulting from Bill 93 recorded in GOCA variance account (1508) ($M)	0.45	0.32	0.68	0.42

6.3 Cost Drivers

Increases to the costs of administering Elexicon's Locates segment over the historical and bridge periods have been driven by legislative changes, higher competition for qualified labour, greater numbers of locate requests and more locate requests spanning a larger geographic area resulting from an increase in construction and development through infilling in greenfield areas and development related to the buildout of broadband infrastructure, and higher normal-course operating costs due to supply chain disruptions and inflation.

During the historical period, legislative changes imposed stricter requirements for excavators and developers to obtain underground locates, resulting in increased diligence and a higher number of locate requests. The Building Broadband Faster Act came into force in 2021, with the legislative objective of facilitating the build out of fibre optics and broadband infrastructure in Ontario, thus increasing demand for locates for broadband projects. The buildout of broadband infrastructure also requires Multi Unit Segment specified locate requests that require increased time and additional resources to complete. The Getting Ontario Connected Act amended the Building Broadband Faster Act in 2022 by introducing daily financial penalties for utilities' non-compliance with locates timelines and an enforcement scheme that went into effect in 2024. Amendments to the provision of mandatory locates for utilities under the Ontario Underground Infrastructure Notification System Act (OUINSA) in 2023 and 2024 have also strengthened OOC's enforcement authority, which has increased locate requests from third parties to avoid penalties.

[12] Numbers may not sum due to rounding.

In response to sustained regulatory pressures and consistently high volumes of complex locate requests, many of which must be completed on an expedited basis, Elexicon took proactive steps in 2024 and 2025 to reinforce operational accountability and support long-term productivity. The utility expanded its workforce and established a dedicated Locates & Damage Prevention team. This internal team was created to ensure timely and compliant responses to locate requests under the new legislative standards by providing essential administrative support and oversight of contractor LSPs. This enables the utility to manage its increased workload efficiently and to maintain compliance with evolving regulatory obligations. Since introducing the dedicated team, compliance with locates requirements has significantly improved and stabilized. As a result of these improvements, the utility received an industry award from Ontario One Call, recognizing its commitment to continuous improvement and the promotion of safety in damage prevention. Some additional activities include data analysis, oversight of LSPs to avoid penalties and ensuring adherence with time limits. OOC also updated its method for rescheduling appointments to require rescheduling in writing, all of which requires additional time and resources.

Labour market changes also impacted the sector and are reflected in Elexicon's locates costs over the historical period. Prior to 2022, market compensation for locators was uncompetitive, and the industry showed poor retention relative to other construction positions. To meet evolving compliance requirements, as well as increased demand for services, the LSPs needed to increase compensation to ensure a sufficient supply of qualified labour. Maintaining a stable and qualified workforce is essential to meeting strict regulatory timelines and ensuring consistent service levels, particularly during periods of inclement weather or emergencies, as these conditions often lead to increased locate volumes that must still be completed within the same strict timelines. In response, the industry implemented wage increases in 2022, primarily through collective bargaining, to attract, train and retain personnel. For example, from 2022 to 2023, LSP rates increased by approximately 30% to 160% depending on the LSP and the type of service to be performed.

Other factors increasing costs during the historical period include increased OOC membership fees by 20% as of 2024 to implement IT upgrades, service delivery improvements, sector education, and the promotion of safe excavation awareness. LSP vendor costs have also risen from increasing materials and software costs.

During the bridge period, this segment will incur a one-time cost increase to update Elexicon's mapping records to meet the requirements of defined coverage areas for the OOC mapping notification system, which outlines the specific geographic zones where the utility is responsible for responding to locate requests. This avoids unnecessary costs in the future by ensuring LSPs are not dispatched to areas where Elexicon has no infrastructure to be located.

Over the forecast period, the segment forecasts increase due to the addition of staff, to address growing workloads related to contract administration, data analysis, and to promote public awareness around damage prevention to avoid underground line strikes and costly repairs to Elexicon infrastructure, as well as potential safety incidents. Elexicon also anticipates costs to increase due to the rise in LSP rates and locate requests from new and growing infrastructure construction, electrification trends, increasing urban density in Elexicon's service area, and heightened risk mitigation requirements. Major public and private construction initiatives including transit development, housing development, and broadband rollout are increasing the demand for underground utility locates. Additionally, the replacement of aging infrastructure (water, sewer, gas, and electrical) is contributing to higher locate volumes. The province's plans to build more homes are particularly impactful in Elexicon's high-growth regions such as Pickering, Ajax, Whitby, and Clarington, where the underground networks are more complex. The construction of new homes and business development growth will drive demand for new utility connections which is directly correlated with increased locate activity.

6.4 Cost Management and Productivity Savings

Elexicon has implemented several measures over the historical period to control locates costs, including adopting Alternate Locate Agreements (ALAs), which are arrangements between a member of OOC and an excavator in certain circumstances. These agreements allow ground disturbance activities to proceed without a traditional field locate in circumstances where the excavator can adhere to the terms specified in the agreement. Elexicon also works with OOC to spot and reduce remarks or non-emergent locates and prevent locates abuse. These strategies reduce field visits and administrative costs and workload.

As noted above, Elexicon has also leveraged memberships and resource pooling to control its costs by collaborating with the LAC and other Local Distribution Companies (LDCs), including Enbridge Gas, Toronto Hydro, Hydro One, Hydro Ottawa, Alectra and others, to jointly procure locate services in designated

geographic areas. This cooperative model enables members to share costs and benefit from economies of scale. By pooling resources, LAC members can negotiate bulk pricing for utility locate services, significantly reducing individual costs. For example, in the Greater Toronto Area (GTA), the standard rate for a single utility locate is approximately $109.20, depending on the size of the locate. As a LAC member, Elexicon pays between $57.64 and $109.20 per locate, with an average cost of $75.96.

Accurate utility locates are a key driver of cost efficiency for Elexicon's operations, because they help prevent costly emergency repairs, excavation disruptions due to record confirmation, and inaccurate OOC notifications. By maintaining precise and up-to-date mapping of underground infrastructure, Elexicon enhances confidence in its asset data, improves coordination with stakeholders, enabling faster and more efficient locate issuance. This accuracy is critical to protecting public safety, as inaccurate asset records could lead to the risk of an individual striking energized assets during excavation. To support this, the Locates and Damage Prevention department has launched a records update initiative targeting two of the most mapping-deficient areas in Elexicon service territory, Gravenhurst and Port Hope, to be completed during the bridge period. This project will significantly improve the accuracy of Elexicon's defined locate coverage area, which outlines the specific geographic zones where the utility is responsible for responding to locate requests. Leveraging advanced digital mapping tools, this approach allows for more efficient dispatching, reduces duplication of efforts, and ensures timely, accurate, and compliant locate services. As a result, Elexicon expects to improve its operational performance and achieve cost savings by avoiding emergency repair expenses and by preventing OOC notifications in areas outside of Elexicon's service coverage areas.

Elexicon's Dx NEXT initiative is expected to deliver productivity benefits to the locates segment in the forecast period. Dx NEXT is expected to make Elexicon's contractor administration, accounts receivable and accounts payable more efficient by providing centralized access to project and asset data. It will introduce automated workflows and task tracking to streamline coordination and oversight. The project is further expected to support the billing process through implementing traceable digital approvals and audit trails. The project will streamline accounts payable processes by automating invoice matching, approval workflows, and payment scheduling. Integration with Dx NEXT will validate vendor invoices against work orders and material receipts, reducing manual errors and delays.

6.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 – 2021 Variance Explanation:

Costs decreased by $0.12M from 2020 to 2021, primarily attributed to the decrease in staffing levels due to retirements that were not replaced.

2021 – 2022 Variance Explanation:

Costs increased by $0.14M from 2021 to 2022, primarily due to increased cost for LSP services. LSP rates and the volume of locate requests, both increased in 2022.

2022 – 2023 Variance Explanation:

Costs increased by $0.44M from 2022 to 2023, primarily driven by pricing increases from LSPs resulting from the impact of Bill 93 on demand for these services. This is in addition to expenses related to third-party mapping services.

2023 – 2024 Variance Explanation:

Costs increased by $0.20M from 2023 to 2024, primarily due to the establishment of the new Locates and Damage Prevention team, including a dedicated supervisor. This is in addition to the ongoing increases to LSP services as well as an increase in OOC membership fees.

6.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.29M over bridge period, primarily due to additional staff required to oversee LSP-delivered locates to ensure compliance with amended legislation and avoid penalties, as well as ongoing

increases in volume of locates and LSP service costs. Spending will fluctuate during this period, with a notable increase in 2025 to complete the records update initiative.

6.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $0.36M during this period, primarily due to the addition of staff to provide the utility-specific knowledge necessary to support this segment. This is in addition to the ongoing cost increases related to the volume of locate requests and LSP services.

CUSTOMER CARE

1. PROGRAM OVERVIEW

The Customer Care program consists of four segments: Billing, Customer Experience and Contact Centre, Payment and Collections, and Metering and Wholesale Settlements.

Table 1: Summary of Total Customer Care Program Costs[1]

	Historical					Bridge		Forecast				
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Billing ($M)	3.19	3.47	3.45	3.03	3.37	3.56	3.71	4.00	4.05	4.07	4.06	4.05
Customer Experience and Contact Centre ($M)	2.77	2.95	3.52	4.19	4.57	4.86	5.15	5.40	5.40	5.53	5.67	5.80
Payments and Collections ($M)	4.14	3.03	2.11	2.08	2.59	3.01	3.23	3.29	3.43	3.64	3.58	3.66
Metering and Wholesale Settlements ($M)	3.36	3.21	2.94	2.86	2.96	3.33	3.35	3.55	5.25	4.58	4.67	4.75
Total Customer Care ($M)	**13.46**	**12.65**	**12.02**	**12.15**	**13.49**	**14.76**	**15.44**	**16.23**	**18.13**	**17.81**	**17.98**	**18.26**

1.1 Program Description

Elexicon's Customer Care program includes the Billing, Customer Experience and Contact Centre, Payments and Collections, and Metering and Wholesale Settlements segments. This program includes work to administer the meter-to-cash process for Elexicon's 180,000 customers, the provision of high-quality customer care through the Elexicon Contact Centre, the preparation and issuance of bills to Elexicon's customers, and the performance of disconnections, reconnections and collection activities in line with OEB and Electricity Service Quality requirements, as well as Elexicon's bad debt expense. Over the historical and bridge periods, this program experienced growth from incremental work that was driven by regulatory and policy developments such as changes to price optionality, the IESO Market Renewal Program, Industrial Conservation Initiative and LEAP funding requirements, an increasing complexity of processes to deliver the program's core functions, new customer expectations, and the need to modernize Elexicon's systems to manage customer information and process requested changes. Despite these

[1] Numbers may not sum due to rounding.

changes to Elexicon's operating environment, costs were relatively flat over the 2020 to 2026 period with a compound annual growth rate of only 2.3% due to synergies and efficiencies realized within the segment over this period. Over the forecast period, costs in this program will be controlled through the implementation of Dx NEXT, which is expected to bring substantial efficiencies across all segments. Dx NEXT will enable cost control despite expected customer growth by reducing the manual effort required to process and issue bills, review security deposits, monitor case management customer accounts, and perform the manual processes associated with metering and wholesale settlement activities. Dx NEXT will also introduce new communications and information options within the Customer Experience segment for customers to enhance their self-serve capabilities. Cost increases in the Wholesale Metering and Settlements segment over the forecast period are attributable to the implementation of AMI 2.0 starting in 2028.

1.1.1 Historical Period and Bridge Years (2020-2026)

Changes to legal and regulatory requirements have been a primary driver of increased work across the Customer Care program throughout the historical and bridge years. These changes include increased metering and testing obligations from updated Measurement Canada requirements, IESO process initiatives including the replacement of its Settlement Statements Project and the implementation of its Market Renewal Program, and OEB and Ministry of Energy-led changes for Class A customers, the Ontario Energy Rebate, Pricing Optionality, the Ultra Low Overnight Price Plan and the Green Button. All of these initiatives generated work within the program to implement changes and cascade them across Elexicon's metering and billing systems so that they were appropriately reflected in data collection, utility processes, and options available to customers. In addition to these planned changes, reactive policy changes related to the Covid-19 pandemic and related emergency assistance programs increased work volumes for the Contact Centre, which needed to communicate these changes, and for the Payments and Collections segment, which had to integrate these changes into its disconnection and reconnection activities.

These changes occurred alongside an increasing volume of customer requests as Elexicon's customer base grew, and a growing diversity of requests from customers about energy consumption analysis, outage responses, access to financial assistance programs, EV charging solutions, and the integration of renewable

energy systems and behind-the meter technologies. The growing breadth of inquiries have required changes within the program to provide appropriate information to customers.

Field work also increased over the historical period. This includes the volume of work required to maintain Elexicon's metering assets, driven by metering installations for Elexicon's growing customer base, increased metering testing obligations and an aging asset base that requires more frequent testing to remain compliant. It also includes an increase in disconnections and reconnections work as collection activities increased in the post-pandemic period.

1.1.2 OM&A Requirements in the Forecast Period (2027-2031)

Over the forecast period, the Customer Care program will incur costs associated with the adoption of AMI 2.0 technology starting in 2028. AMI 2.0 is a critical investment needed to provide service in line with customer expectations and industry standards. The Metering and Wholesale Settlements segment will support Elexicon's transition to AMI 2.0 through the implementation of supporting software to improve system monitoring and troubleshooting, grid visibility and flexibility, reliability and outage management (Exhibit 2B - Tab 4 - Schedule 3 – Appendix D). The volume of metering maintenance work is also expected to increase to address maintenance that was deferred due to budgetary limitations over the historical period, including the performance of cross-phase testing verifications.

The volume of collections, billing and contact centre work is forecast to increase, as a growing customer base increases the number of inquiries for Elexicon to address and bills to issue, and the work is anticipated to become more complex owing to ongoing OEB engagement on topics including distributed energy resources, electric vehicles, price optionality and others.

These cost increases are forecast to be largely offset by significant efficiencies across this program that will be realized from the implementation of the Dx NEXT project, Elexicon's cloud-based CIS/ERP solution. This project will enable the automation of manual work required for bill processing resulting in substantial time savings. The new CIS/ERP solution will reduce the manual effort associated with Elexicon's security deposit reviews and its data compilation for wholesale settlement reconciliation, streamline the process for determining and applying payments made to final bill accounts, reduce the manual effort required for data collection, and introduce online chat support and a customer portal to Elexicon's contact centre that will

provide customers with enhanced self-serve abilities. Dx NEXT is expected to deliver efficiencies across all segments within this program. These efficiencies were factored into the budget planning for this program, as the investment will preclude the need for the planned hiring of 18 FTE over the bridge year and forecast period, for forecast savings of $8.12 million dollars over 2027-2031. A project summary for the Dx NEXT project is filed as Appendix A in Exhibit 4 - Tab 1 - Schedule 6. The costs saved from this avoided hiring has been factored into the projects for this program.

Adequate funding over the forecast period is necessary for this program to ensure customer satisfaction and financial viability. Without sufficient funding, Elexicon risks the provision of accurate and timely billing to its customers, longer wait times for access to Elexicon's contact centre, limited capacity to perform collections and manage its arrears and bad debt, and insufficient resources to manage its metering assets and install new services. Without adequate funding, utility financial performance, customer satisfaction, achievement of OEB standards, and utility reputation may be compromised.

1.2 Program Segments

The Customer Care Program is comprised of four segments as follows.

1.2.1 Billing

This segment governs the preparation and issuance of over 2.1 million bills annually to Elexicon's customers, achieving a billing accuracy of 99% or higher. Work in the billing segment is performed in compliance with the Distribution System Code and OEB requirements, and in coordination with the activities performed by the other segments in this program.

1.2.2 Customer Experience and Contact Centre

This segment governs the operation of Elexicon's contact centre and customer experience projects and programs, including telephone inquiries, Elexicon's Customer Information System (CIS) and its customer portal. This segment manages these tools and communicates with customers about planned and unplanned outages, billing and payment options, customer choice price plans, consumption and demand data, financial assistance programs, inquiries related to customer power quality and reliability, and behind-the-meter energy solutions, as well as other types of customer engagement. This segment also includes

the costs related to the Key Accounts team which manages the relationship with larger, complex, and unique customers.

1.2.3 Payments and Collections

This segment governs the end-to-end customer account collections process and includes the collection of security deposits, the identification of at-risk accounts, the issuance of arrears notices, the scheduling of disconnections and reconnections and the management of write offs and bankruptcy proceedings. This segment also coordinates resources for financially vulnerable customers including LEAP and OESP funding, and the support provided by community agencies in Elexicon's service territory. In addition to the expenses related to performing these activities, bad debt expenses are also included in this segment's costs. Alongside the expenses incurred in performing these activities, bad debt expenses are also included in this segment's costs.

1.2.4 Metering and Wholesale Settlements

This segment manages maintenance for Elexicon's retail and wholesale meters including ensuring compliance with Measurement Canada meter testing and verification requirements. It also performs field disconnections and reconnections activities, and is responsible for collecting and processing meter data for billing and settlement in compliance with applicable laws, regulations and standards.

1.3 Outcomes

Table 2: Customer Care Program Activities and Outcomes

Focus Area	Activities and Outcomes
Customer Focus	• Enables Elexicon to meet its OEB performance targets including those for billing cycles and accuracy, telephone accessibility, call abandon rates, written response times, and resolution of customer inquiries, perform RRR reporting, meet reconnection standards under its DSC obligations • Enables Elexicon's customer-centric approach, which includes proactive communication with customers, multiple methods of contact for customers to reach advisors, • Enables the provision of high-quality, tailored support for a diverse customer base with a variety of needs, ranging from support for key accounts needs to support for

	customers with financial challenges including education about financial support programs such as LEAP and OESP and coordination with community agencies
Operational Effectiveness	• Helps meet Elexicon's safety standards by providing response support in the normal course through incident reporting and planned outages, during emergencies externally through a 24-hour outage hotline and internally through integration with field operations, and by providing education for customers about safe energy practices • This program contributes to Elexicon's safety standards by coordinating between metering and operations field teams to perform metering and collections work
Public Policy Responsiveness	• Enables Elexicon to implement legislative and regulatory changes and requirements within mandated timelines includes policy changes from the OEB and legislative changes related to Measurement Canada • Ensures collections activities are performed in compliance with OEB and DSC obligations • Operates in compliance with Measurement Canada requirements S-S-06 and Bulletin E-26
Environment	• Enables Elexicon to educate customers about programs to reduce energy consumption, conservation incentives and information about renewable energy systems, the connection of distributed energy resources and electric vehicle charging
Financial Performance	• Encourages customer adoption of cost-saving measures including paperless billing and equal payment plans that reduce Elexicon's bad debt • Implements process automation, the use of data to optimize workflows, and technological solutions that enhance program productivity to optimize the utility's financial resources • Performs the collection of security deposits to minimize financial risk to Elexicon, and the processing and collection of overdue arrears to manage Elexicon's bad debt

2. BILLING

2.1 Description

The Billing segment includes work to prepare and issue over 2.1 million bills annually to Elexicon's customers for distribution services, verify the accurate application of rates for billing accuracy, determine eligibility for rebate programs, manage services for net metering customers and retailers, and provide

reporting in line with the utility's obligations. Elexicon successfully maintains a billing accuracy of 99% or higher and its bills are prepared in compliance with applicable regulatory requirements. Average cost increases in this segment over the historical and bridge years have occurred at a rate lower than inflation due to steady work volumes and cost savings from increased customer transitions to ebilling over the bridge period. Over the forecast period, Elexicon expects limited cost increases as Dx NEXT is anticipated to partially offset cost increases from a growing customer base and postage rate increases (Exhibit 4 – Tab 1 -Schedule 6 – Appendix A).

The majority of work performed in this segment relates to the end-to-end preparation of customer bills. This process begins with a reasonability review of bill-ready meter read data produced by the Elexicon's Wholesale Settlements segment, with the utility managing exceptions and coordinating the correction of issues. The bills are then prepared in compliance with rate order and regulatory requirements, and with incorporation of pricing plan options including tiered, time of use and ultra-low overnight pricing.

This segment applies required updates to the billing process, including monthly updates in Elexicon's Customer Information System (CIS) for Class B and Class A Global Adjustment and Wholesale Market Services rates, bi-annual updates for Regulated Price Plan rates, annual updates to incorporate Elexicon's distribution rates changes, and updates as required to incorporate regulatory and legislative changes. This segment also manages testing requirements for all changes related to billing, including targeted testing of new changes and regression testing of existing functionality.

Work within this segment includes determining eligibility for rebate programs such as the Ontario Electricity Rebate (OER) by reviewing customer rebate self-declaration forms for accounts that are not eligible by default, and administering changes to customers' rates as applicable, as well as management of the Ontario Electricity Support Program (OESP) and provision of support throughout the customer enrollment, billing and settlement cycle.

The Billing segment is further responsible for providing services to Elexicon's customers, including supporting detailed customer requests for electricity consumption and demand data that are escalated from the Contact Centre, the provision of services to net metered customers and issuance of credits to them in accordance with Ontario Regulation 541/05, and management of retailers using the Electronic Billing Transaction ("EBT") System, which entails managing exceptions for all incoming and outgoing EBTs

to ensure billing timeliness and accuracy and providing support for retailers through the customer enrollment, billing and settlement cycle.

Elexicon maintains data accuracy by conducting annual audits of non-residential customers. These audits review demand and kWh usage to determine whether the customer should remain in their existing rate classification or be assigned to a different rate classification as per Elexicon's rate order and Section 2.5 of the DSC. This segment also periodically reviews Elexicon's internal control process to discover potential billing errors and resolve them in a timely manner. This includes regular reviews of account configurations, reasonability checks of meter data, and reviews to determine that correct rates have been applied to customers' bills.

Finally, work is performed in this segment to manage reporting requirements for Elexicon's Energy and Water Reporting and Benchmarking (EWRB) and Reporting and Record Keeping Requirements (RRR), including collecting, summarizing and reporting the data in the prescribed format. Elexicon further prepares reports for the Ontario Electricity Rebate (OER), Ontario Electricity Support Program (OESP), and Final Variance Settlement Amount (FVSA) programs.

Without sufficient funding to maintain adequate staffing levels over the upcoming forecast period, Elexicon faces an increased risk of untimely and inaccurate billing and may have less ability to support policy changes designed to improve affordability and promote conservation. This can affect multiple areas including ability to meet OEB billing accuracy targets, potential customer dissatisfaction, damage to the utility's credibility, increased customer complaints or bad debt from unpaid bills. The requested cost increases in the billing segment are below inflation, as Dx NEXT is forecast to drive efficiencies that will reduce time spent on manual bill preparation processes.

2.2 Segment Costs

Table 3: Billing Segment Historical, Bridge and Forecast Costs 2020-2031[2]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	3.19	3.47	3.45	3.03	3.37	3.56	3.71	4.00	4.05	4.07	4.06	4.05	2.2%
Variance ($M)		0.28	-0.01	-0.43	0.34	0.20	0.15	0.28	0.06	0.02	-0.01	-0.01	
Variance (%)		8.9%	-0.4%	-12.3%	11.2%	5.8%	4.1%	7.6%	1.4%	0.4%	-0.2%	-0.3%	

2.3 Cost Drivers

Increased costs in the Billing segment have been driven by several key factors. Regulatory and legislative changes have added new requirements that have made preparing and administering the segment more complex. In the historical period, implementation of these changes required the Billing segment to allocate resources to update billing practices that had been designed for a time with less frequent changes. Customer growth has also led to a higher volume of transactions to generate and deliver bills, as well as to respond to customer inquiries and review and analyze data for reporting purposes, assess eligibility for billing options and ensure bill accuracy and compliance with codes and rules.

The customer base is expected to grow in the remainder of bridge period and throughout the forecast period at higher rates than historical growth. As a result, it is expected that the workload for this segment will also increase accordingly. In addition, regulatory changes are expected to continue and drive increased billing activity, particularly from enhanced compliance requirements and more complex rate structures.

Postage rates to mail bills are a significant contributor of expenses in this segment. Postage rates typically increase gradually over time, however there were notable increases in 2023 and 2025 that materially impacted expenses in this segment. While the 2023 increase was notable, it was relatively moderate compared to the significant increase in 2025, which was closely linked to the financial pressures caused by the 2024 Canada Post strike. As a result, the current labour disruption in 2025 is expected to contribute to further significant postage rate increases in the bridge period, despite government reforms that are proposed to help manage Canada Post's operating costs. In addition to increasing postage rates, there has also been a noticeable increase in stationery expenses, including the cost for paper used for bill printing

[2] Numbers may not sum due to rounding.

and envelopes. These cost drivers are expected to become increasingly material as Elexicon's customer base continues to grow steadily in the forecast period.

2.4 Cost Management & Productivity Savings

Elexicon leveraged significant synergies from the merger of its legacy utilities that enabled it to control costs in this segment over the historical period. The utility used existing AMI meter reading infrastructure from legacy utility Veridian Connections to reduce its meter reading costs for the former Whitby rate zone. Elexicon similarly merged its Customer Information Systems ("CIS") which enabled efficiencies for billing Whitby rate zone customers by using existing automation that was in place from the legacy Veridian Connections utility. The legacy Veridian Connections utility also shared its subject matter expertise in performing MDM/R operations to support both rate zones and to consolidate operations, enabling Elexicon to cancel its contract with the vendor performing these operations for the former Whitby Hydro. Finally, Elexicon used favourable bill print unit costs from legacy utility Veridian, combined with the higher volumes it could command as a larger merged utility, to generate savings. In addition to merger synergies, the billing segment has controlled expenses related to paper bills by making efforts to convert customers to e-billing through customer outreach and education. As of 2025 prices, Elexicon saved approximately $18.70 per year per customer through conversion to e-billing.

This segment also works closely and collaboratively with other areas to promote efficiency. For example, to better align operational responsibilities and support process integration, an administrative transfer of the CIS maintenance contract was made from the Billing segment to the Contact Centre segment. Since the Contact Centre is the primary user of the system, this realignment was a logical step to improve coordination and resource management.

Over the forecast rate period, Elexicon plans to leverage productivity gains from the implementation of the Dx NEXT project. This project will implement software solutions that will create substantial process automation of Elexicon's bill generation process, thus enabling Elexicon to manage the work performed within this segment without hiring any additional staff during the forecast period.

Prior to Dx NEXT, each bill batch required manual processing that takes approximately 3 hours. Under future state capabilities enabled from Dx NEXT, it is expected that the majority of customer bills (98%) will

be generated using automated processes with only a small remainder requiring manual treatment. These efficiencies will enable the utility to prepare bills with fewer labour hours, generating labour efficiencies to manage the size of the billing team. Implementation of this technology will allow for avoided costs of hiring additional resources to accommodate ongoing regulatory changes, growth in customer base and eliminate the cybersecurity vulnerabilities associated with the legacy systems. More details on the Dx NEXT project are provided in Exhibit 4 - Tab 1 - Schedule 6 - Appendix A.

2.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

Costs increased by $0.28M from 2020 to 2021, primarily due to significant expenses related to bill presentment for the newly merged utility and system changes required to implement Ontario's Green Button initiative. These costs were partially offset by merger efficiencies, including the integration of Whitby customers into Veridian's more advanced billing system and processes.

2021 – 2022 Variance Explanation:

There are no material variances during this period.

2022 – 2023 Variance Explanation:

Costs decreased by $0.43M from 2022 to 2023, primarily due to the reduction of staff from retirements. This is in addition to an administrative transfer of the CIS maintenance contract from Billing to the Contact Centre segment. These decreases were partially offset by notable increases in postage rates and stationery, as well as expenses to implement the OEB's Ultra-Low Overnight electricity price plan.

2023 – 2024 Variance Explanation:

Costs increased by $0.34M from 2023 to 2024, primarily due to the addition of staff to backfill roles vacated from retirements that were necessary to support increasing workloads. This is in addition to ongoing stationery and postage rate increases.

2.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.63M during this period, primarily due to significant increases in the postage rate.

2.5.2 2027 – 2031 Variance Explanation

There is no material variance in the forecast period.

3. CUSTOMER EXPERIENCE AND CONTACT CENTRE

3.1 Description

The Customer Experience and Contact Centre segment supports Elexicon's operations by responding to customer inquiries, operating the utility's 24-hour outage hotline, operating key customer-facing systems, managing customer data, and participating in oversight of the meter-to-cash cycle. During the historical and bridge periods, the segment required additional staff to support an increasing volume and complexity of customer inquiries, provide technical and system support, and establish a Key Accounts team. The integration of Elexicon's Customer Information Systems was also a driver of incremental costs. Costs are forecasted to remain flat in the second half of the upcoming forecast period, as projected efficiencies from the Dx NEXT project and process automations will minimize incremental labour requirements and non-labour costs.

This segment manages a substantial volume of customer inquiries, including approximately 100,000 telephone and 20,000 email inquiries yearly. Elexicon receives inquiries about billing and payment options, customer choice price plans, consumption and demand data, customer moves, collections, financial assistance programs, utility services, and the energy industry more broadly. This segment operates a 24-hour outage hotline where advisors assist customers with outage reporting and providing timely information and support during power outages. This segment also provides tailored experience to support key accounts customers who have specific objectives related to power quality and reliability, complex

connections and expansions, environmental goals, and behind-the-meter energy solutions. Work within this segment is performed in close conjunction with the Payments and Collections, Metering and Wholesale Settlements segments, including work to manage payments, make payment arrangements including pre-authorized and equal payment plans, issue 48-hour disconnection warnings, advise on financial assistance resources, and resolve outstanding payments.

In addition to direct customer inquiries, this segment operates and maintains key customer-facing systems, including Elexicon's Customer Information System (CIS), Mobile Workforce Management System, telephone system, and Customer Portal. It also manages Elexicon's CIS maintenance contract as of 2023 to provide ongoing system reliability and support. These tools securely manage customer data, billing information, and service requests, while providing customers with convenient access to their account information and self-service options via phone and web. These systems also support the operational needs of the Billing, Credit, Wholesale Settlement, and Metering segments. The utility leverages customer data, calls and emails collected by these systems to identify trends, improve processes and team performance, and elevate customer satisfaction through the application of data analytics tools. Finally, these insights provide critical cross-functional support to the Billing, and Metering and Wholesale Settlement segments.

Inadequate funding for the forecast period may compromise Elexicon's ability to maintain adequate staffing levels, leading to longer wait times for customers to report outages and receive responses to customer inquiries, and potentially impacting Elexicon's compliance with OEB performance targets for telephone accessibility and call abandonment rates. Without adequate funding, Elexicon may also be unable to sufficiently support customers with newer types of inquiries such as those seeking information on EV and DER adoption, and on how renewable energy solutions will impact their bills (e.g. price optionality), as well as support large businesses and critical service providers who rely on Elexicon for timely information and expertise.

3.2 Segment Costs

Table 4: Contact Centre Segment Historical, Bridge and Forecast Costs 2020-2031[3]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	2.77	2.95	3.52	4.19	4.57	4.86	5.15	5.40	5.40	5.53	5.67	5.80	6.9%
Variance ($M)		0.17	0.57	0.68	0.38	0.29	0.29	0.25	0.01	0.12	0.15	0.13	
Variance (%)		6.3%	19.4%	19.3%	9.0%	6.3%	5.9%	4.9%	0.1%	2.2%	2.7%	2.3%	

3.3 Cost Drivers

During the historical period, cost drivers in this segment include costs to consolidate the CIS systems from the legacy utilities during the merger. This consolidation required internal resources and external consulting support. Additional staff were also required to manage Elexicon's Customer Portal, the Mobile Workforce Management tool and NorthStar CIS. Activity also increased due to the Covid-19 pandemic as customers inquired about provincial financial assistance programs and OEB support measures. As the contact centre provides support for customers who have received a collections notice, this volume of work increased significantly when collections notices resumed following the expiration of the Covid-19 related moratorium.

Following the pandemic, Elexicon undertook additional work to update internal processes and provide training to staff in response to evolving regulatory requirements. For example, the Distribution System Code was amended to establish requirements for communicating with customers during a widespread outage.[4] To implement the amended requirements, Elexicon updated its Interactive Voice Response ("IVR") system and revised internal procedures. These changes led to higher costs and have increased the complexity to customer interactions during severe weather events.

Over the historical period, the contact centre has continued to receive a greater variety of inquiries beyond traditional billing and payment questions. These include requests for energy consumption analysis, outage responses, access to financial assistance programs, EV charging solutions, the integration of renewable energy systems, and behind-the-meter technologies. Demand for these services is also being driven by Elexicon's growing customer base. To effectively support customers in this evolving regulatory and social

[3] Numbers may not sum due to rounding.
[4] Ontario Energy Board, EB-2021-0307, (March 17, 2025)

environment, the contact centre team has upskilled through enhanced training to equip staff with the technical knowledge, analytical skills, and problem-solving capabilities required to manage increasingly intricate inquiries, meet regulatory requirements, and provide a high level of customer service. This segment also recognized the need to enhance call management and process efficiency to respond to the increase in call volumes and types of calls received. To address this, additional staff were hired to focus on data analytics to enable data-driven decision-making, optimize resource allocation, and improve service delivery.

The team has also adopted a modern contact centre platform (Genesys), data analytics platforms (Power BI), and more recently, Customer Relationship Management (CRM Service Cloud Version 2) and Customer Information Systems (CIS SAP S4/HANA through Dx NEXT) to modernize service delivery and address the limitations and vulnerabilities of outdated tools. Costs associated with these tools include costs to establish technical and business requirements, user acceptance testing, updates to processes, and for training during implementation. These tools enable better issue resolution, proactive customer engagement, and stronger data security. These new systems are necessary to maintain and improve service levels for Elexicon's growing customer base and the increasing complexity of work within this segment. The segment has also invested in additional staffing to support Key Account relationships and to address increasing technical demands from customers, such as responding to customer requests for detailed billing and consumption history and patterns and scenario-based assessments.

In 2023, costs within this segment were adjusted to more accurately reflect its operational responsibilities. The budgets for the Customer Information System (CIS) maintenance contract and after-hours outage response services were transferred to this segment, which ensured that expenses are recorded in the areas where the related activities were predominantly performed.

Pressure on the segment's staffing levels is expected to remain over the forecast period. This segment will increase staffing to keep pace with customer growth, diversification of service needs, regulatory changes and to support capital programs.

3.4 Cost Management & Productivity Savings

Over the historical period, to ensure the efficient resolution of customer inquiries, the segment streamlined its processes to redirect specialized inquiries directly to dedicated queues. This approach connects customers with the most qualified advisors, enhances the overall customer experience, and optimizes resource allocation. As a result, average call-handling time decreased by 33% as of 2023, reflecting a significant improvement in operational efficiency.

Elexicon also implemented self-service tools and telephone automation to enhance operational efficiency. Features such as tailored automated responses within the phone system, sophisticated interactive voice response (IVR), and the Green Button initiative enable customers to access their energy data, resolve common inquiries independently, and make informed decisions about their consumption. These enhancements have significantly reduced reliance on contact centre advisors and improved call handling efficiency. Overall call volume has decreased by approximately 20,000 calls annually since the implementation of the Genesys platform in 2022.

Elexicon further strategically leveraged automation to streamline repetitive tasks such as Equal Payment Plan reviews and refunds, as well as web-based move requests. By automating these processes and assigning appropriate resources to oversee them, this segment achieved an overall operational efficiency improvement of approximately 10%. Additionally, with the implementation of an Advanced Distribution Management System (ADMS), the flow of information for outage reporting has been significantly streamlined between the Contact Centre and the Control Centre, enhancing coordination.

By leveraging advanced analytics, Elexicon's contact centre also gained valuable insights into call volume patterns, particularly the seasonal increase during summer months driven by collection activities. This led the utility to leverage the strategic hiring of student staff during peak periods to manage additional call volumes. This targeted approach to staffing has proven cost-effective for managing overflow work.

Since the implementation of the Genesys platform in 2022, Elexicon shortened its average email response time to approximately 4 days, which encouraged more customers to shift from the phone channel to email. This shift has contributed to a reduction in reliance on Elexicon's more costly phone-based support model.

Over the bridge and forecast period, the Dx NEXT initiative will further improve Elexicon's digital engagement by introducing online chat support and customer portal messaging to improve the overall customer experience. This shift toward digital-first interactions, including email correspondence, aligns with evolving customer needs and expectations (Exhibit 1 - Tab 7 - Schedule 2). Elexicon's integrated digital portal and mobile app, implemented through Dx NEXT, will provide customers with enhanced self-service capabilities. These tools will allow users to independently manage their accounts, view and pay bills, monitor consumption data, and update their personal information more efficiently. These solutions are expected to reduce the volume of contact centre time spent on simple inquiries and increased the proportion of time available for answering complex inquiries. More details on the Dx NEXT project are provided in Exhibit 4 - Tab 1 - Schedule 6 - Appendix A.

3.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

Costs increased by $0.17M from 2020 to 2021, primarily due to the expenses related to the consolidation of CIS systems following the merger. Additional increases were driven by the addition of contract staff to support high call volumes from Covid-19 matters, as well as Customer Choice.

2021 – 2022 Variance Explanation:

Costs increased by $0.57M from 2021 to 2022, primarily due to expenses related to retaining external support for various functions across the segment. The external consultants provided support for credit process optimization, the development of an online process documentation repository, automation and technical support for NorthStar CIS and servers and process enhancements to address end-of-life systems upon CIS consolidation. This is in addition to staff to support data analytics.

2022 – 2023 Variance Explanation:

Costs increased by $0.68M from 2022 to 2023, primarily due to the transition of the CIS maintenance contract from the Billing segment. Additional increases were driven by the transfer of the budget from the Control Room segment to support after hours outage response services, as well as the addition of contract temporary staff to support increased activities related to the resumption of collections.

2023 – 2024 Variance Explanation:

Costs increased by $0.38M from 2023 to 2024, primarily due to the establishment of the Key Accounts function and to support data readiness for Dx NEXT. Additional increases are attributed to a further increase in contract fees to support the CIS server.

3.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.83M during this period, primarily due to the addition of staff to support the increasing volume and complexity of customer inquiries, as well as the discovery phase for AMI 2.0. Further increases reflect costs for the first full year of operations for the Key Accounts function.

3.5.2 2027 – 2031 Variance Explanation:

Costs are expected to steadily increase during the forecast period, by $0.41M, driven by annual economic increases that will impact this segment's costs, such as vendor contracts and day-to-day operational expenses, and to keep pace with customer growth, diversification of service needs, regulatory changes and to support capital programs.

4. PAYMENTS AND COLLECTIONS

4.1 Description

The Payments and Collections segment supports Elexicon through the performance of its arrears management and collections cycle, its processing of final billed accounts, and its administration of support programs including the Low-Income Energy Program ("LEAP"). Elexicon's collections costs increased over the historical and bridge period as a result of rising collections activity and growing customer arrears, a more complex collections environment, increasing collections agency and postage costs, and a growing workload in line with Elexicon's customer growth. Costs over the forecast period are expected to grow in

line with inflation, as further cost increases in collections activity and customer growth are anticipated to be offset by efficiencies and automation capabilities delivered through Elexicon's Dx NEXT project.

This segment also includes the utility's bad debt costs. Over the historical and bridge period, Elexicon initially experienced anomalously high bad debt costs in 2020 due to the Covid-19 pandemic. These costs then stabilized through a downwards risk adjustment as the economy recovered from the pandemic, before slowly increasing again to account for the impacts of inflationary economic pressure upon customers' ability to pay. These costs are forecast to increase over the forecast period as a result of continued economic uncertainty from tariffs and ongoing inflationary pressure.

The majority of work within the Payments and Collections segment is related to the management of customer arrears and collections through all stages of the process, beginning with responses to inbound credit related calls and emails and issuance of notices to customers for arrears owing. In 2024 the segment issued approximately 99,629 overdue notices, over 10,000 disconnection notices, and approximately 4,782 overdue 48-hour final notice calls through the automated IVR system for active accounts, as well as sending approximately 2,200 accounts to third party collection agencies in circumstances where a customer has been issued their final bill and has moved out of Elexicon's service territory. Where necessary, the collections team then creates and schedules disconnection and reconnection service orders through the field Workforce Management System for the utility's metering team to action. The team also works with disconnected accounts to negotiate payment arrangements and, where eligible, enters into payment agreements to facilitate reconnection. This can include options such as customized payment arrangements, formal arrears payment agreements ("APAs"), and equal monthly payment plans. Finally, this segment processes and submits claim documentation for bankruptcy and court protected accounts, and liaises with court appointed trustees or monitors, to ensure that Elexicon is listed as a creditor to receive dividend payments. It also includes processing final billed accounts with aged arrears for write-off where applicable, managing reverse write-offs, managing balance transferring arrears and managing credit balances between customer accounts to reduce outstanding balances for accounts with payments, as well as issuing credit refund requests to the Finance segment in situations of overpayment or credit balances at the time of final billing.

The Payments and Collections segment uses proactive management measures to minimize collections activities and assist customers in maintaining service. This includes proactive identification of at-risk accounts and encouragement of timely payments through case management, and collection of security deposits for General Service Customers as a condition of supplying or continuing to supply distribution services. The Collections team actively manages and monitors approximately 1,900 security deposits, which includes conducting an annual security deposit review and creating CRA T5s annually for accounts with $50 or more in security deposit interest.

Related to its collections work, this segment oversees the administration of the Low-Income Energy Assistance Program ("LEAP") program, which provides emergency financial support to eligible customers. While the program is managed operationally within this segment, the associated funding is recorded under the Regulatory segment in the Common Corporate program (Exhibit 4 – Tab 1 – Schedule 6). Responsibilities under this segment include informing customers of available assistance programs and support resources, communicating with LEAP agencies to determine customer eligibility, liaising with collection agencies to assist in the collection of arrears and working with support agencies such as Home Assistance Program (HSP), Ontario Works (OW) and Ontario Disability Support Program (ODSP) to provide electricity consumption details and update customer accounts for direct agency payments. This segment is responsible for ensuring that customers with accounts in collections are informed of province-wide programs that impact them, through communications mandated by the Ontario Energy Board (OEB) or the Ministry, such as bill inserts.

The Collections team also supports customer service and regulatory compliance requirements. In addition to its core collections responsibilities, the team contacts customers who self-identify as requiring life support medical devices to ensure proper documentation is on file and to notify relevant internal teams of their status. In addition, the team compiles, verifies, and submits data to meet RRR metrics 2.1.8 and 2.1.16, as well as Electricity Service Quality Requirement (ESQR) Standards, including Appointments (7.2, 7.3, 7.4) and Reconnection Standards (7.10).

To help maintain customer service levels during periods of high call volumes, the collections team also supports Elexicon's Contact Centre by assisting with inbound calls, ensuring timely responses and continuity in service delivery.

With respect to its bad debt costs, the Payments and Collections segment manages Elexicon's bad debt provision, which the utility sets aside to cover the expected financial losses or risk to Elexicon if Elexicon is unable to fully collect customer and project receivables. Bad Debt provision rates are based on recent and changing trends to customer aging balances, customer collection patterns and risk of customer default. The Payments and Collections segment actively monitors the aged and at-risk balances and actions those accounts through the collection process, often taking a case management approach.

Without sufficient funding over the upcoming forecast period for Elexicon's collections and bad debt costs, Elexicon risks a reduced ability to perform collections work and manage bad debt that could impact the utility's financial health by increasing volumes of arrears from unpaid accounts, write offs, and agency collection fees. Elexicon may also face challenges supporting customers by offering payment plan options and directing customers to financial assistance, programs, which may also create difficulty for financially vulnerable customers and lower customer satisfaction.

4.2 Segment Costs

Table 5: Payments and Collections Segment Historical, Bridge and Forecast Costs 2020-2031[5]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Bad Debt ($M)	3.25	1.95	0.87	0.85	1.25	1.53	1.56	1.65	1.71	1.74	1.77	1.81	-5.2%
Collections ($M)	0.90	1.08	1.24	1.22	1.34	1.48	1.67	1.64	1.72	1.90	1.81	1.85	6.8%
Total Costs ($M)	4.14	3.03	2.11	2.08	2.59	3.01	3.23	3.29	3.43	3.64	3.58	3.66	-1.1%
Variance ($M)		-1.11	-0.92	-0.04	0.52	0.42	0.23	0.06	0.14	0.21	-0.06	0.08	
Variance (%)		-26.8%	-30.4%	-1.7%	24.8%	16.0%	7.5%	1.8%	4.2%	6.1%	-1.5%	2.1%	

4.3 Cost Drivers

4.3.1 Bad Debt

Bad debt amounts are primarily influenced by broader economic conditions that affect a customer's ability to pay. Over the historical period, Elexicon's bad debt costs experienced significant variance due to the economic impacts from the Covid-19 pandemic and some of the OEB's measures put in place at that time to assist vulnerable customers, such as the extended disconnection moratorium.[6] As a result, Elexicon's bad debt costs in 2020 were anomalously high due to the uncertainty related to recovery of overdue

[5] Numbers may not sum due to rounding.
[6] Ontario Energy Board, EB-2021-0307, (March 17, 2025) and EB-2020-0109, (March 19, 2020)

balances at this time, which increased Elexicon's provision for expected credit losses. Costs decreased moving into 2021 relative to the significant bad debt amounts in 2020, and levelized in 2022 and 2023 because the bad debt provision declined as the economy stabilized following the pandemic and collection activities on overdue balances were reintroduced.

The bad debt provision increased again beginning in 2024 and is expected to continue increasing throughout the bridge period due to economic pressures from rising interest rates, inflation and cost of living that are expected to hinder customers' ability to pay their electricity bills. These economic pressures increase the utility's risk of non-recoverable receivables in the bridge period. Elexicon's bad debt provision was further impacted from the closure of two large customer businesses in 2024 and 2025.

Elexicon expects bad debt amounts to increase steadily during the forecast period due to ongoing inflation impacts as well as the rising cost of living and doing business, both of which are expected to affect residential and commercial customers' ability to pay their electricity bills.

4.3.2 Collections Costs

The OEB's measures in response to the Covid-19 Pandemic also impacted the Payments and Collections segment in the historical period. Elexicon's collections costs were unusually low in 2020 and 2021 due to suspended collection activities during the pandemic and extended disconnection moratorium periods. Costs slowly increased and stabilized as collection activities resumed. During this time, the OEB also issued enhanced customer service rules relating to the disconnection processes and collection activities to protect customers' access to electricity services, particularly for cases of non-payment.[7] While these protections are essential for vulnerable customers, they led to further increases in the number and size of customer arrears as well increasing the complexity of collection activities. Additional complexity required Elexicon to update its systems and processes to defer collection activities and hire temporary staff to complete more intense workloads during the months outside of the protected period.

Collection activities also increased over the historical period as a result of OEB changes to the LEAP program in 2024. These changes increased customers' eligibility for assistance[8], which created higher

[7] Ontario Energy Board, EB-2017-0183, (March 14, 2019)
[8] Ontario Energy Board, EB-2023-0135, (February 12, 2024)

demand for agency support and a high volume of customer interactions for the collections team to administer the grants. Further regulatory changes have also increased the need for enhanced reporting capabilities, flexible collection agency modules, and case management to identify trends, efficiently and effectively focus on at-risk arrears, and action the growing aging arrears and bad debt expense. Costs increases in this segment were also driven by increased ancillary costs such as collection agency fees and postage costs over this period.

Over the historical period, this segment also increased its support to the Contact Centre and Customer Experience segment. Elexicon's growing customer base and the ongoing impact of economic conditions on customers' abilities to pay their bills and manage their arrears has led to more inquiries from customers about financial assistance programs and options. The Collections team provides guidance to various staff on up-to-date regulatory criteria and on skills related to customer interactions and problem solving. This collaboration between segments enables Elexicon to effectively respond to an expanding range of customer inquiries at the first point of contact.

Collection costs are expected to increase in the bridge period due to customer growth and affordability pressures. Elexicon plans to conduct a review of its arrangements with third-party collection agencies in 2026. Elexicon contracts collection agencies to recover balances on overdue final billed accounts in circumstances where internal efforts have been exhausted. This allows internal staff to focus on a higher volume of active accounts and priority at-risk accounts that may still be recoverable. This type of review has not been performed since the current contracts were signed prior to the merger. This review will ensure that Elexicon's arrangements with collection agencies are efficient, commission fees are appropriate and expected recovery of overdue balances expectations are met to help protect Elexicon from revenue losses.

In the forecast period, Elexicon plans to conduct a second review of its third-party collection agency arrangements in 2029 to ensure they remain prudent. Expenses related to third-party services are also expected to increase further as these costs typically scale with the volume of accounts. This is in addition to an expected increase in rates for temporary contract staff to support increased collections activities outside the Winter Disconnection Ban period and for operational purchases, such as postage rates and

costs related to leased postage machines, the post office box at the Canada Post office and machines to automate mailroom operations.

4.4 Cost Management & Productivity Savings

Over the historical period, Elexicon generated synergies following the merger of its legacy utilities by consolidating collections activities. Elexicon integrated customers served in the Whitby rate zone into the existing auto-dialer capabilities established by the legacy Veridian Connections utility, resulting in efficiencies as the legacy Whitby Hydro utility did not previously have these automation features. The merger also allowed Elexicon to consolidate the notice issuance process and third-party vendor services for disconnections and reconnections.

Elexicon also generated productivity savings over the historical period by insourcing key field activities and implementing process improvements identified in Elexicon's Credit Optimization Review, including automation of legacy processes, increased visibility into customer accounts through newly developed reports and data analytics for more effective decision-making, and proactive engagement with new customers at risk of disconnection due to not setting up their account. These initiatives contributed to increased success in collecting aging customer arrears and reducing accounts receivable ("A/R") balances and created more efficient processes that have allowed staff to focus on other value-added tasks and contribute to the reduction of contract staff during the non-moratorium season. More specifically, the utility automated its outdated and inflexible collection process to the current Customer Information System (CIS) using an internally developed collections module that reduced the amount of time required to complete daily notices by up to 75%. Further automation occurred more recently in the historical period. In 2023, an automated outbound campaign auto-dialer for 48-hour Final Notices for non-payment was implemented, which significantly reduced hand-delivery and manual phone calls. In 2024, to support new customers with Failure to Contract (FTC) accounts in which there is a move-out but no corresponding move-in account holder, the collections team implemented letter queries that enabled less manual and more efficient processes for sending secondary letters. Data analysis showed that there was a decrease in the number of FTC accounts after the third and fourth month, thereby providing residential customers with additional time to set up their new account and avoid disconnection, which result in less field activity costs. Elexicon also developed collection dashboards and measurement capabilities to allow for an

increased ability to adjust its collection strategy in real-time based on customer payment trends, thereby increasing field efficiency and collection activity. The Payments and Collections segment further achieved cost savings from insourcing its disconnection and reconnection field activities from a third-party vendor to Elexicon's metering team.

Over the forecast period, the implementation of Elexicon's Dx NEXT project is expected to gain process and cost efficiencies for the Payments and Collections segment by increasing automation. This project is expected to reduce the manual effort associated with Elexicon's security deposit review, to reduce the number of manually monitored case management accounts by allowing for multiple dunning path exceptions cases, to streamline the process for determining and applying payments made to final bill accounts with collection agencies, to streamline and automate the process of issuing letter for payment arrangement monitoring and reduce the manual effort required to compile certain types of data required for RRR reporting on ESQR 7.10 Reconnection Standards, 7.3 Appointment Scheduling, 7.4 Appointments Met and 7.5 Rescheduling Missed Appointments.

4.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

Costs decreased by $1.11M from 2020 to 2021, primarily due to a decrease of $1.29M from bad debt expenditures normalizing following an unusually high accounting provision in 2020 due to the economic impact of the Covid-19 pandemic. This increase was partially offset by an increase in disconnection and reconnection activities as collection activities slowly resumed in mid-2021 following low levels since 2020 due to Covid-19-related measures implemented by the OEB to protect most customers from disconnection. Additional cost increases were a result of higher collection agency commission fees as Elexicon resumed collections on final billed accounts.

2021 – 2022 Variance Explanation:

Costs decreased by $0.92M from 2021 and 2022, primarily due to the decrease of $1.08M in Elexicon's bad debt provision to reflect a reduced risk as the economy continued to stabilize from the Covid-19 pandemic. These decreases were partially offset by an increase in expenses related to a gradual return to normal levels of collection activities, and to retain and extend seasonal staff until December to assist with notice generation and customer communication. Additional cost increases were attributed to a higher flat fee rate charged by the third-party external field services contractor.

2022 – 2023 Variance Explanation:

There is no material variance during this period.

2023 – 2024 Variance Explanation:

Costs increased by $0.52M from 2023 to 2024, primarily due to the increase in the accounting provision for bad debt in 2024 to account for continued financial pressures impacting customers' ability to pay and contributing to an increase in Elexicon's receivables balance. This is in addition to an increase in collection agency fees and for postage costs from growing volumes of mailed collection activity and a postage rate increase.

4.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.70M during the bridge period, primarily due to a $0.40M increase in bad debt amounts and a $0.30M increase from higher levels of collections activities. Economic pressures are expected to continue and impact Elexicon's estimated amount of non-recoverable customer accounts receivables. The bad debt provision and collection activity volumes are expected to increase correspondingly. This is in addition to planned hiring of contract staff to support rises in collection activity volumes due to customer growth in Elexicon's service area and upward pricing impacts on collection activity costs, such as leases and maintenance costs for mailing equipment, gas and mileage costs, postage, and collection agency commission fees. This variance also includes the cost for the first of two reviews of the collection agency model in 2026.

4.5.2 2027 – 2031 Variance Explanation:

Costs are expected to remain relatively stable for the Payments and Collections segment, increasing by a total of $0.37M primarily due to a $0.16M increase in bad debt amounts and a $0.21M increase from collections activities. The majority of this increase will occur in the 2027 to 2029 forecast years. The increase is largely attributed to anticipated economic pressures such as the rise of material costs (i.e. postage), vendor costs for collection agency commission fees, expected customer growth and Bad Debt provision expenses. This increase also includes the cost for the second collection agency review that is planned for 2029.

5. METERING & WHOLESALE SETTLEMENTS

5.1 Description

This segment includes the end-to-end management and operation of Elexicon's metering and wholesale settlement processes. Elexicon's Metering team performs metering maintenance including testing in the field. Elexicon's Wholesale Settlements team collects and processes metering data for billing and settlement. Cost increases for the metering team over the historical and bridge period have been driven by higher volumes of testing required to maintain the utility's aging metering assets. Over the forecast period, the metering function requires additional funding to perform deferred maintenance including cross-phase testing of metering equipment. Cost increases for the wholesale settlements team over the historical and bridge period have been driven by incremental work to modernize Elexicon's data collection infrastructure, and to accommodate IESO process initiatives including its RSS project and Market Renewal Program. Over the forecast period, the wholesale settlements team requires additional funding in 2028 to transition to AMI 2.0 software, which will be done in conjunction with capital investments in next-generation metering assets described in Exhibit 2B - Tab 4 - Schedule 3 – Appendix D.

5.1.1 Metering

Elexicon operates 172,744 residential and GS<50 meters, 1,800 commercial and industrial meters, 740 MicroFITs, FITs, NET, and GLB meters, and 104 wholesale meters. All of Elexicon's meters are read remotely on a daily basis and are subject to a system that checks consistency, accuracy and billing readiness. Elexicon achieves an average monthly success rate of 99.29% accurate meter readings.

The metering team performs maintenance for both wholesale meters and retail meters that record electricity consumed by Elexicon's customers. This includes proactive maintenance to ensure compliance with applicable regulatory and legislative requirements, including those set out in Chapter 6 of the IESO Market Rules and Measurement Canada standards. The team conducts maintenance of retail equipment, assets, and associated communication technologies to ensure proper functionality and accuracy of meter readings for customer billing and settlement data. To meet these objectives, the team performs communications mode adjustments, maintenance of collectors and repeaters, updates to modem technologies, reverifications, sample testing and upgrades. The team also performs ongoing meter testing in line with Measurement Canada requirements S-S-06 and Bulletin E-26, testing of large user meter installations for accuracy, and installation of compliant reused meters following accuracy testing. The team further facilitates field audits by the IESO of its wholesale meters. In addition to this proactive maintenance, the team investigates failures when they occur and performs corrective actions to restore communications, such as physical readings to wholesale settlements for reconciliation.

Insufficient funding for the metering team over the forecast period will increase the risk of poorly maintained and non-functional metering assets due to a lack of staff to perform maintenance, potential staffing insufficiencies to install new metering services for Elexicon's growing customer base, and a potential increase in costly reactive maintenance time required to diagnose issues and troubleshoot temporary solutions for communications problems on failing equipment due to insufficient resources to perform planned maintenance, including maintenance that was deferred over the historical and bridge years. Insufficient funding may also increase the risk of utility non-compliance with mandatory Measurement Canada, OEB and IESO rules. Inaccurate meter reads will also affect the accuracy of consumption data, which is leveraged to assess load forecast and electricity capacity needs.

5.1.2 Wholesale Settlements

Elexicon's wholesale settlements team is responsible for collecting and processing meter data for billing and settlement. These activities are conducted in accordance with O. Reg. 425/06, which specifies that AMI must successfully collect and transmit at least 98% of meter reads from all advanced metering communication devices (AMCDs). The wholesale settlement team addresses communications issues and troubleshoots meters at the software level when problems occur. This process generates tickets for

reactive maintenance performed by the metering field team or vendors as appropriate. The team also works with the billing segment to address data anomalies when they arise, and to maintain existing systems and apply upgrades and system patches and support configuration changes as needed. Further along in the billing process, the team reconciles wholesale electricity invoices from key market participants and completes IESO and Hydro One invoice reconciliations to ensure they are accurate, identifies discrepancies and resolves any disputes. Finally, the team addresses customer requests for electricity consumption and demand data by providing access to a portal with relevant information.

The wholesale settlements team also follows strict protocols to ensure compliance with Market Rules reporting requirements (e.g. IESO Market Rules, Chapter 6). This includes generating Meter Trouble Reports (MTRs) in line with IESO requirements. When metering issues arise, Elexicon must address and report on the validation, estimation and editing (VEE) processes, as well as take corrective actions as needed. The team also provides accurate and timely data to Elexicon's regulatory affairs department for use in the monthly settlement process (Form 1598) to the Independent Electricity System Operator (IESO).

In addition to these activities, the wholesale settlements team currently administers initiatives including the IESO's Industrial Conservation Initiative (ICI) program, which allows eligible Class A customers to calculate their Global Adjustment (GA) charges based on their energy usage during Ontario's five highest peak hours in accordance with O. Reg. 429/04. The team works closely with IESO and internal stakeholders to verify customer demand and program eligibility, confirm customers' decisions to opt in or out where applicable and submit required data, coordinate with internal teams to gather key load data and follow the IESO reporting timeline requirements, and validate and adjust billing based on verified peak hour consumption and IESO requirements.

Insufficient funding over the upcoming forecast period would risk Elexicon's ability to integrate AMI 2.0 technology into its wholesale settlement operations. Without AMI 2.0, Elexicon would be required to perform higher levels of troubleshooting, potentially leading to increased labour costs. Elexicon may also risk falling behind other utilities who have implemented AMI 2.0, and who will gain efficiency and customer engagement advantages including access to real-time energy data to manage usage. Finally,

Elexicon will not realize the benefits of AMI 2.0 that can enable better fraud detection and accurate billing, thus reducing revenue leakage from metering errors.

5.2 Segment Costs

Table 6: Metering and Wholesale Settlements Segment Historical, Bridge and Forecast Costs 2020-2031[9]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Metering Costs ($M)	1.80	1.67	1.46	1.43	1.33	1.55	1.59	1.66	1.77	1.80	1.84	1.87	0.4%
Wholesale Settlements Costs ($M)	1.57	1.53	1.48	1.43	1.63	1.78	1.76	1.89	3.48	2.77	2.83	2.88	5.7%
Total Segment Costs ($M)	3.36	3.21	2.94	2.86	2.96	3.33	3.35	3.55	5.25	4.58	4.67	4.75	3.2%
Variance ($M)		-0.16	-0.27	-0.09	0.11	0.37	0.02	0.20	1.70	-0.67	0.09	0.08	
Variance (%)		-4.6%	-8.3%	-2.9%	3.7%	12.5%	0.5%	5.9%	48.0%	-12.8%	2.0%	1.8%	

5.3 Cost Drivers

5.3.1 Metering

Over the historical and bridge period, the metering team focused its efforts on performing core mandatory maintenance activities to ensure regulatory and legislative compliance and operational reliability. The metering function prioritized capital work, reactive maintenance needs, and increased demands associated with aging meter assets. As a result, non-essential activities, such as meter testing activities that can typically be deferred for one to three years, were postponed to the maximum allowable period of three years to help manage resource constraints and reduce immediate operational costs.

Throughout the historical and bridge period, the number of meter assets increased with Elexicon's growth in customer base. Additional staff were hired to support the greater demands placed on the metering team's workload. The metering team also progressively increased the frequency of its testing and resealing on legacy smart meters in accordance with Measurement Canada's requirements.[10] Upon installation, smart meters are first tested after ten years. Then, the frequency increases to every eight years, then every six years, then four years, and then finally every two years. This means that the cadence of testing

[9] Numbers may not sum due to rounding.
[10] Measurement Canada, "S-S-06—Sampling plans for the inspection of isolated lots of meters in service", (February 17, 2023)

increases from twice to five times as meters enter their third decade of service, compared to their first. The majority of Elexicon's meters were installed over the 2006-2010 period and now require a higher frequency of testing that creates more work for the metering team. This increased cadence of testing has led to the identification of more aging smart meters requiring maintenance, resulting in a corresponding rise in maintenance activities.

Work in the Gravenhurst area also contributed to increased expenses and time, as there is no local crew based in Gravenhurst and meter technicians must travel from other locations. The 2025 ice storm in Gravenhurst caused extensive damage to meter communication infrastructure, requiring technicians to make frequent site visits to diagnose issues and carry out repairs.

Over the bridge and forecast years, this segment will onboard staff to provide meter service and technical metering support. This staff will manage ongoing increasing activities driven by expected growth and complexity of Elexicon's meter asset base. Elexicon also requires additional funding over the forecast period to perform maintenance obligations including a higher volume of testing and maintenance on legacy smart meters, as many will be in the final stage of their service life when cadence of testing is at its peak, and to perform cross-phase testing verifications of metering equipment that were deferred during the historical period. This testing is standard practice and required to verify the accuracy of the existing instrument transformers, potential transformers and meters. It is performed on the electrical system using a temporary connection to an external analyzer.

5.3.2 Wholesale Settlements

During the historical period, the wholesale settlements team experienced a growing volume of work while managing fluctuating staffing levels due to retirements and staggered backfilling of vacant roles. In 2022, settlement activities for the legacy Whitby Hydro customers were insourced, along with the consolidation and validation of data for all commercial and industrial meters in the Whitby service area. Customer growth has led to a steady increase in settlement points and related activities over this time. Elexicon has also been required to settle separately with the Independent Electricity System Operator (IESO) for its two legacy utilities until full harmonization in 2027 and will continue to maintain two separate software headend systems for each rate zone until AMI 2.0 is fully implemented. Dealing with customer growth in the historical and bridge period during this time created additional volume and complexity for routine

operational activities. This additional work is expected to be alleviated once IESO settlements and the software headend systems are consolidated.

The team has also experienced an increase in its weekly workload over the historical and bridge years to accommodate the implementation of IESO process initiatives. The IESO's Replacement of the Settlement Statements ("RSS") project, launched in 2023 to modernize its settlement and invoicing platform and align with its Market Renewal Program, has increased the team's weekly workload to implement on an ongoing basis as the change has generated multiple recalculation windows that require more ongoing review and reconciliation through the settlement lifecycle.

During the bridge period, the wholesale settlements team will fill its vacancies that had resulted from retirements and staff departures during the historical period by backfilling roles to maintain staffing levels consistent with those in place at the time of the merger. This will relieve the team from the ongoing increased workload and manage upcoming regulation changes. The IESO's Market Renewal Program will be implemented in May 2025, which is expected increase the team's workload on an ongoing basis and require increased costs for system upgrades, new software implementation, change management and resources for system testing and validation.

The team is also participating in the modernization of Elexicon's data collection infrastructure by deploying additional gatekeepers and antenna extensions for interval meters to enhance their automated data collection abilities. This data collection infrastructure project will be performed to prepare for the transition to AMI 2.0 software in the forecast period. The transition to AMI 2.0 software will be implemented in conjunction with corresponding capital investments in next-generation metering assets as described in Exhibit 2B - Tab 4 - Schedule 3 - Appendix D. These investments will replace meters that have exceeded their service life and are experiencing increased failure rates. The wholesale settlements team's participation in this project will begin with the acquisition of software licenses over 2027-2028 to support the transition, and then with further implementation costs forecast for 2028-2031. The renewal of Elexicon's metering assets and the adoption of AMI 2.0 together will provide the wholesale settlements team with better system monitoring and troubleshooting capabilities, grid visibility, and flexibility, better overall system reliability and better outage management tools. Elexicon's move to AMI 2.0 is well-supported by industry trends, including the OEB and IESO's increased emphasis on grid modernization,

system reliability and customer empowerment, and its adoption by major utilities including Hydro One, Toronto Hydro, BC Hydro and Alectra. Elexicon requires the adoption of AMI 2.0 technology to enable grid flexibility and visibility, local generation and storage, and to maintain current industry practices for customer service and grid resiliency. The utility further expects that AMI 2.0 will improve its communications speed, coverage and cybersecurity, enable integration with DERs, and enhance customer satisfaction by providing faster outage responses, personalized insights, and better control over energy use. Subsequently, the team will also invest in an AMI BI tool in 2028. This is an analytical tool to create business intelligence reports to leverage the expanded data capabilities of AMI 2.0 for Elexicon's work management.

5.4 Cost Management & Productivity Savings

5.4.1 Metering

Over the historical period, the metering team achieved productivity savings by updating Elexicon's metering communications technology to address communication failures that had previously posed reliability issues on the landline-based communications system and had previously required in-person repairs at the meter. To achieve efficiencies, the technology was migrated to cellular networks that have higher reliability and can be repaired remotely in some cases. These improvements have led to fewer field service calls and more accurate billing data.

The implementation of the Dx NEXT project is expected to drive efficiencies through the metering process, by moving from paper-based service orders to an integrated system, using processes to reduce user error, generating efficiencies through the organization of work orders by geographical location, and enabling greater coordination with capital investments. These efficiencies will enable the metering team to increase its productivity and perform greater amounts of work with the same number of resources, avoiding the need for certain additional staffing resources.

5.4.2 Wholesale Settlements

Since the merger, Elexicon has operated two separate rate zones for settlement purposes. These will be harmonized in 2027 (Exhibit 8 - Tab 1 - Schedule 1), creating efficiencies across settlement processing, IESO and OEB reporting, and invoice reconciliations. Consolidation will streamline these functions into a unified

process, reducing effort, complexity, and the risk of inconsistencies. The integration of the two rate zones will also minimize discrepancies, simplify reconciliations, and reduce manual adjustments across systems. The harmonization of these systems will lead to enhanced compliance efficiency with OEB and IESO requirements, simplify audit preparation, and eliminate the need to track and manage zone-specific regulatory formats. Rate harmonization is expected to reduce the workload for one member of the wholesale settlements team by approximately 20% from what it would otherwise be and free up the team's availability to address incremental workloads associated with customer growth, AMI 2.0 deployment, and IESO process changes.

During the forecast period, the wholesale settlements team also anticipates that SAP integration under the Dx NEXT project will reduce the manual work of setting up smart meters, freeing up five hours per week on the team. A significant portion of the team's workflows are currently manual. These processes include manual meter change paperwork from metering, data extraction for IESO submissions (Form 1598), and invoice reconciliation. For example, the team is currently required to compile over 30 data extracts from various systems to support the 1598 submission to the IESO. All related data is manually reconciled in a spreadsheet, which is also used to reconcile the IESO invoice and calculate adjustments for the next submission. This process is both time-consuming and labour-intensive. With the implementation of SAP, the team can streamline and partially this process, resulting in significant time savings and reduced labour costs. Automation from SAP will also reduce reliance on manual data entry and reconciliation efforts, lowering operational costs by improving efficiency and accuracy. This will also minimize costly errors in settlements and invoice discrepancies, enhance compliance with IESO reporting requirements, and create a scalable framework that reduces the need for additional staffing as transaction volumes increase. The team expects to see 200 hours per year saved from decreased repetitive paperwork, and an increased accuracy of manual paperwork.

5.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 - Tab 5 - Schedule 2. Information

pertaining to customer growth is presented in Exhibit 3 - Tab 1 - Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 - Tab 2 - Schedule 1.

2020 – 2021 Variance Explanation:

Costs decreased by $0.16M from 2020 to 2021, primarily due to unusually high costs in 2020 from staff who typically charge their time to capital projects that were instead recorded as OM&A expenses during Ontario's stay-at-home order due to the Covid-19 Pandemic.

2021 – 2022 Variance Explanation:

Costs decreased by $0.27M from 2021 to 2022, primarily due to deferred non-essential activities related to meter equipment maintenance, as well as the insourcing of settlement-related functions which reduced expenses on external vendor support.

2022 – 2023 Variance Explanation:

Costs decreased by $0.09M from 2022 to 2023, primarily due to further savings that materialized in 2023 as a result of the full transition to insourced settlement activities.

2023 – 2024 Variance Explanation:

Costs increased by $0.11M from 2023 to 2024, primarily due to the addition of staff to support increasing metering maintenance needs, as well as increased wholesale settlement expenses related to the implement IESO process initiatives as of 2023.

5.5.1 2024 – 2027 Variance Explanation:

Costs will increase by $0.58M in the bridge period, primarily due to expenses related to address damaged meter communication infrastructure in the Gravenhurst service area, as well as the implementation of the IESO's Market Renewal Program, and to acquire software licenses to support the transition to AMI 2.0, beginning in 2027.

5.5.2 2027 – 2031 Variance Explanation:

Costs are expected to increase by $1.20M, primarily due to expenses related to AMI 2.0 in 2027 and 2028 for additional subscriptions and technical upgrades, including a one-time infrastructure upgrade fee for

the AMI BI tool and an expected additional fee for its meter data collection and management system license for Elexicon's growing meter asset base. Expenses within the metering function will also increase, largely due to the addition of staff to support the increased activities to maintain legacy smart meters, incremental growth in the meter asset base, and to perform cross-phase testing verifications of metering equipment that were deferred during the historical period.

COMMON CORPORATE

1. PROGRAM OVERVIEW

The Common Corporate program consists of seven segments: Technology, People and Culture, Finance, Procurement and Facilities, Regulatory Affairs, Stakeholder Relations and Legal and Corporate Secretariat.

Table 1 presents gross amounts to align with cost drivers. For the Regulatory Affairs segment, a portion of the costs are recorded in Group 2 variance accounts, including Account 1518 for retail service cost variances, Account 1548 for service transaction request variances, and Account 1508 sub-accounts for OEB cost assessments and LEAP EFA funding. The resulting net costs for the Regulatory Affairs segment and subsequent net costs for the total Common Corporate program are also provided in Table 1 as reconciliation to OEB Appendix 2-JC, provided in Exhibit 4 – Tab 1 – Schedule 1 – Attachment 1. Further details regarding this adjustment is provided in the Regulatory Affairs segment discussion below in Section 6.

Table 1: Summary of Total Common Corporate Program Costs[1]

	Historical					Bridge		Forecast				
Description	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Technology ($M)	2.78	3.31	4.18	4.91	5.27	6.83	6.80	12.09	12.86	12.46	12.77	13.22
People & Culture ($M)	2.09	3.10	3.08	4.10	4.88	5.51	6.15	6.86	7.14	7.35	7.55	7.72
Finance ($M)	3.43	3.67	3.92	3.52	3.59	4.12	4.69	5.25	5.53	5.97	6.33	6.47
Procurement & Facilities ($M)	1.77	0.78	1.31	1.21	1.17	1.05	1.26	2.18	2.28	2.36	2.45	2.54
Regulatory Affairs ($M)	1.48	1.62	1.44	3.12	2.69	2.74	3.17	4.65	4.93	4.99	5.06	5.12
Stakeholder Relations ($M)	0.40	0.90	1.41	1.21	1.34	1.46	1.51	1.71	1.93	2.18	2.23	2.28
Legal and Corporate Secretariat ($M)	2.55	3.03	3.42	3.58	3.54	4.97	5.89	6.89	7.38	8.32	8.72	9.13
Common Corporate Sub-Total ($M)	**14.51**	**16.41**	**18.76**	**21.65**	**22.46**	**26.67**	**29.46**	**39.61**	**42.05**	**43.64**	**45.11**	**46.49**
Less: Regulatory Affairs Adjustment ($M)	-0.32	-0.21	-0.28	-0.37	-0.90	-0.23	-0.67	-	-	-	-	-
Net Regulatory Affairs ($M)	1.16	1.41	1.16	2.75	1.79	2.52	2.49	4.65	4.93	4.99	5.06	5.12
Net Common Corporate Sub-Total ($M)	**14.19**	**16.20**	**18.49**	**21.28**	**21.56**	**26.45**	**28.79**	**39.61**	**42.05**	**43.64**	**45.11**	**46.49**

1.1 Program Description

Elexicon's Common Corporate program spans the utility's back-office operations and includes the Technology (IT/OT), People and Culture, Finance, Procurement and Facilities, Regulatory Affairs, Stakeholder Relations and Legal and Corporate Secretariat segments. Work in this program increased

[1] Numbers may not sum due to rounding.

significantly over the historical period in response to growth in Elexicon's capital program, increased cyber security measures and refresh of end-of-life technology assets, and a rising volume and complexity of regulatory, legal and policy obligations that required dedicated human resources, regulatory, legal, governance, enterprise risk, privacy and stakeholder functions to manage:

- increased levels of hiring and training;
- heightened regulatory, customer and stakeholder expectations;
- financial requirements stemming from a growing capital program;
- increasing cyber security risks and related compliance requirements; and
- the need to modernize the utility's business technology applications and processes.

Over the forecast period, the need for these expanded functions is expected to persist and, in some cases, increase in alignment with the growth of the utility's capital and maintenance plans. Elexicon anticipates that the Dx NEXT project will mitigate a portion of costs by creating efficiencies. For example, efficiencies in accounting processes, capital projects planning, reporting, data integration and information governance within the Finance segment are expected to reduce the need for additional staffing.

1.1.1 Historical Period and Bridge Years (2020-2026)

Costs grew over the historical period and bridge years as Elexicon's business environment evolved. The most significant growth occurred in functions that evolved to account for Elexicon's changing risk profile, evolving business technology requirements, and growth in the volume of work required to address required regulatory affairs, legal, governance, risk, privacy, IT infrastructure and information management subjects.

Elexicon experienced the following shifts that altered the demands and increased the internal resources required to maintain compliance and manage risks to the utility.

1.1.2 A Shift to Remote Work due to Covid-19 Pandemic

The Covid-19 Pandemic and associated social distancing requirements required Elexicon to rapidly shift towards online meetings, adopt Microsoft 365 architecture and applications, and enhance information sharing-enabled flexibility for its workforce. The cyber security risks associated with Elexicon's digital infrastructure increased as a result of this shift and required Elexicon to improve cyber security capabilities.

To respond to these trends, Elexicon developed back-end systems and applications to permit remote work, acquired licenses for modern business tools, and provided laptop and mobile devices for office staff who worked exclusively in-office prior to 2020. Over this period, Elexicon also began to make investments necessary to modernize IT applications, including implementation of the Modern Workplace and Dx NEXT projects. A project summary for Dx NEXT is provided as Appendix A to this schedule.

1.1.3 Elevated Levels of Regulatory and Policy Initiatives, Consultations and Stakeholdering

The Ontario Energy Board and the Province of Ontario each substantially increased their level of policy and consultation activity over the historical period, requiring Elexicon to establish dedicated Regulatory Affairs and Stakeholder teams to participate in these processes and cascade changing expectations and compliance requirements to the various impacted departments, all on increasingly expedited timeframes compared to historical averages. With respect to OEB policy consultations, there have been over two dozen active policy files during the 2022 through 2025 period, 19 of which remain active to some degree in Q3 2025. Changes over this period include updates to distributed energy resources and electric vehicle connection procedures, price optionality for RPP customers, the centralized capacity information map, DER cost responsibility, the Ontario Cyber Security Framework, the IESO Market Renewal Program, reliability reporting and benchmarking, the Cost Allocation Model for multi-phase housing developments, changes to the revenue and connection horizons, the Optional Enhanced and Ultra-Low Overnight Time of Use Rates, the Ontario Electricity Support Program and LEAP, and Distribution System Code changes related to housing expansions. This work was required in addition to the normal course regulatory reporting, annual rate applications and additional ICM applications that Elexicon filed over this period.

1.1.4 Expansion of the Scope of Stakeholder Engagement and Customer Communications to Address Emerging Requirements and Expectations

Over the historical and bridge periods, Elexicon experienced a significant increase in connection requests from developers, larger commercial and industrial loads that required the utility to perform elevated levels of stakeholdering and engagement with municipalities, project developers and other industry stakeholders (Exhibit 2B - Tab 1 – Schedule 1). Elexicon's customers also increased their expectations for access to information through the external website and social media (e.g. outage communications). To respond to this trend, Elexicon redeveloped the utility's website, responded to new levels of social media activity, and

enhanced the provision of information related to customer service, billing, government programs and outage notifications through multiple platforms.

1.1.5 Establishment of Internal Legal, Information and Enterprise Risk Management and Privacy Capabilities

In response to a changing business environment, growing volumes of legal work, and the emergence of new requirements and expectations related to privacy and cyber security, Elexicon established internal legal, information and enterprise risk management and privacy capabilities over the historical period. By building an internal legal team, and formalizing competencies and processes related to privacy, governance, information management, and enterprise risk management, Elexicon developed sufficient resources to manage risks to the business and handle increasing volumes of commercial transactions, both to meet volumes in the historical and bridge periods, and to adequately prepare for a growing capital program in the forecast period. These newly adopted functions are critical to the business's performance and ability to mitigate legal, compliance, and cyber security risks.

1.1.6 Support for a Expanding Capital Work Program and Organizational Growth

Over the historical period, the Procurement and Finance segments in the Common Corporate program saw an increase in transactional activities related to the significant growth of capital work (Exhibit 2B – Tab 1 – Schedule 1). The increase in gross capital additions increased the work within Elexicon's finance segment to track and manage capital programs and projects. With the expansion of capital and maintenance work, the organization has seen an increase in the complexity of operations formed dedicated work teams. These groups require enhanced financial support, including robust reporting and oversight, to ensure compliance and effective management of resources. The capital work also increased the activity within Elexicon's procurement team to source the necessary equipment and materials within an environment of significant supply chain disruption and for managing inventory to support operational requirements.

1.1.7 Enhanced Training and Performance Management

As the need for a larger, well-equipped workforce became apparent in 2022 due to the evolution of business conditions and realization of utility needs over that time, discussed in Elexicon's Workforce and Compensation Evidence (Exhibit 4 - Tab 2 - Schedule 1), Elexicon enhanced the human resources function

by developing more extensive training programs, acquiring modern performance management tools and online platforms, and adding better recruitment capabilities to meet workforce needs and to manage and retain talent within a competitive labour environment.

1.1.8 Security Measures to Mitigate Thefts and Break-ins

Elexicon experienced thefts, trespassing and vandalism at facilities in the historical period and added [Redacted]. These investments have been successful to-date, as the utility has not experienced a break in or theft at these facilities since being put into operation. However, other sites continue to face occasional security breaches. Elexicon is expanding the program to help deter unauthorized access, enhance employee and visitor safety, and prevent theft of equipment and materials that can disrupt operations and create financial risk.

1.2 OM&A requirements in the Forecast Period (2027-2031)

Over the forecast period, growth in Elexicon's capital program and ongoing business complexity will continue to influence the volume of activity in the Common Corporate program. Elexicon requires adequate resourcing to address consistently high levels of communications, legal and regulatory activity. The Ministry of Energy's recent letters of direction indicate continued high levels of policy activity, as described in Exhibit 4 - Tab 1 - Schedule 1. Changes to the sector's compliance and regulatory requirements are expected to continue. Ongoing momentum is expected within the legal and regulatory realm as the province moves towards greater electrification and growth. The OEB's policy agenda and consultations with distributors and other industry stakeholders is also expected to maintain the current level of activity, if not increase.

Over the forecast period, Elexicon's Finance segment will continue growing as the function transitions to scale with the increasing size and complexity of the organization and the capital program. To enable this strategy, Elexicon will add resources across the Finance segment to support the growing volume and complexity of capital and recoverable work, expand financial analysis and internal support for business units, and meet the demands of an increasingly complex regulatory and reporting environment, including the implementation of a dedicated treasury function to enable more advanced capabilities in forecasting of financing needs with a growing capital work program and manage a greater range of sources of capital (e.g., debt issuances) and the associated reporting requirements. This will also involve governance work

to support new corporate filings, training and financial regulation obligations that will flow from this change. Higher numbers of customer connections and system growth will increase the volume of commercial transactions requiring legal oversight, as well as increasing Elexicon's communication responsibilities within a growing customer base.

Facilities maintenance requirements are forecast to remain elevated as these asset portfolios will have limited capital investment to offset their continued aging and thus requiring higher levels of maintenance spending. Elexicon will also expand security technology installations and monitoring services at key locations and properties in order to protect an increasing level of assets from theft and/or damage over the forecast period. This long-term security plan will enhance safety, security, and operational oversight. This investment will strengthen Elexicon's ability to deter theft, vandalism, and unauthorized access, while providing critical footage to support incident investigations and reduce operational disruptions.

The implementation of new technological solutions including Dx NEXT and operational grid technology, as well as elevated cyber security risk, will increase some of Elexicon's costs for the licensing and development of solutions and applications, in addition to the costs associated with implementing Dx NEXT discussed in Appendix A to this schedule. While the Dx NEXT program entails implementation and support costs, it is expected to deliver capabilities that help control labour costs within the Finance and Procurement segments by providing a fully integrated system from record to report, automating elements of the accounts payable controls process, and improving management and audit reporting data and analytics. These features will significantly reduce the time required to close capital jobs and capitalize assets. Dx NEXT is also expected to enhance workflows more broadly across the program through better data integration and features to streamline procurement and contract compliance. Elexicon's Modern Workplace project, discussed in the IT/OT segment evidence at Section 2.1.7 of this schedule will also enable the automation of certain aspects of information governance and records retention and destruction.

Insufficient funding for Elexicon's Common Corporate program would expose the utility to elevated levels of cyber security, financial, privacy, legal and regulatory risk. It may compromise Elexicon's ability to manage compliance and reporting obligations across the whole of this program, which may impact the ability to serve customers, stakeholders and advocate for the interests of customers and communities,

deploy capital in a timely manner, produce timely and accurate rate filings, implement the corporate strategy, and manage its reputation. Elexicon's ability to attract, train and retain talent may be reduced, as well as the ability to support other areas of the business, including the utility's ability to procure materials and equipment in a timely and cost-effective manner, maintain facilities, deploy technology solutions for grid management and automation and mitigate cyber security risk.

1.3 Program Segments

The common corporate program is comprised of seven segments as follows. Each is discussed in detail below.

Technology (IT/OT)

This segment supports all of Elexicon's information technology (IT) and operational technology (OT) functions. IT consists of the systems that support business operations, data management, and enterprise applications, while OT refers to technologies that monitor and control physical grid infrastructure. This function provisions IT hardware, IT software, data, and communications assets, licenses and subscriptions for enterprise-wide applications, and develops and implements the IT strategies, policies, standards and guidelines, the management of the utility's core IT & OT infrastructure, the management of digital security operations and enterprise IT risks including cyber security, and the project management and governance of IT/OT project implementations.

People and Culture

This segment provides human resources (HR) services that support the utility's talent objectives throughout the employee lifecycle. This segment also includes the programming associated with health, safety and environmental objectives and compliance, as well as all corporate and trades training.

Finance

This segment supports Elexicon's financial, capital planning and management reporting processes and accounting, treasury, and corporate tax services. This segment also includes end-to-end management of vendor accounts, capital and recoverable project accounting processes, and performance of financial analysis to support operational decision-making at the utility.

Procurement and Facilities

This segment includes the management of purchasing and warehousing operations to support Elexicon's capital and operating programs. The segment is also responsible for the maintenance, condition, and security of all of Elexicon's work locations and properties.

Regulatory Affairs

This segment includes the preparation and submission of rate applications and implementation of OEB decisions and orders, ongoing participation in OEB consultation and stakeholdering processes, assurance of compliance with policy implementation and reporting requirements, regulatory accounting and IESO settlement process, and the administration of regulatory and legislative requirements across the business. Costs under this segment also include OEB assessments as well as the funding for Elexicon's Low-Income Energy Assistance Program (LEAP).

Stakeholder Relations

This segment supports the utility's internal engagement with employees through multiple communication channels, corporate events and meetings. It is also responsible for all external engagement and advocacy with customers and stakeholders, including all levels of government and industry groups. Mass customer communications include the provision of information about outages, safety, billing, financial relief, rates, services and general electricity information through e-newsletters, community reports, Elexicon's website, and social media platforms.

Legal and Corporate Secretariat

This segment administers professional services to support the utility's governance, legal, privacy and information management, enterprise risk, and internal audit functions in line with the utility's legal and regulatory obligations. It also manages Elexicon's insurance policies to ensure appropriate coverage and risk mitigation across the organization.

1.4 Outcomes

Table 2: Common Corporate Program Activities and Outcomes

Focus Area	Activities and Outcomes
Customer Focus	• Protect customer information and address privacy concerns • Support the resolution of customer requests and issues involving those involving legal agreements • Responsive customer communications and community stakeholder engagement and issues management (including social media) • Support reliable customer service infrastructure by maintaining and supporting the utility's IT assets • Manage outage communications and the utility website to provide accurate and timely information to customers about emergency situations, financial assistance and safety information
Operational Effectiveness	• Manage enterprise risk to improve safety, operations, system reliability, environmental awareness • Provide accurate information, data with the appropriate controls for privacy, security and access • Administer workplace training, PPE, tools and reporting mechanisms to maintain the utility's culture of safety • Perform facilities maintenance to ensure the efficient operation of the utility's buildings portfolio, and perform repairs to address safety issues • Manage IT assets that prevent cyber threats from compromising infrastructure and detect potential distribution system failures before incidents occur
Public Policy Responsiveness	• Data gathering and reporting in compliance with statutory and regulatory requirements, and industry standards and best practices, including reporting on OEB scorecard metrics and RRR standards, the Ontario Cyber Security Framework, compliance certifications, training requirements, and collective bargaining requirements • Process Freedom of Information requests • Participate in OEB and Ministry of Energy consultations and stakeholdering activities including preparation of submissions and participation in policy working groups to advocate for Elexicon's customers • Enable housing development and economic growth in line with policy expectations
Environment	• Implement facilities measures to reduce Elexicon's environmental impact, including energy efficient HVAC and lighting systems, anti-idling technology, and GPS for monitoring fuel usage
Financial Performance	• Prudent oversight of Elexicon's financial planning and financing, documentation and reporting to support the utility's financial performance and meet financial obligations • Ensuring adequate insurance coverage to protect liquidity and enable investment, and to manage the potential financial impacts of incidents

2. TECHNOLOGY (INFORMATION TECHNOLOGY & OPERATIONAL TECHNOLOGY)

2.1 Description

Elexicon's Technology (IT&OT) segment provides IT hardware, IT software, and communication systems to support Elexicon's business and distribution system operations. Costs in this segment represent the OM&A portion of Elexicon's technology assets, systems and services.

Over the historical period, cost increases in this segment were required to modernize Elexicon's core IT assets, transition to a hybrid work environment, develop appropriate cyber security measures to meet a rapidly growing cyber threat landscape, invest in sector-specific tools for grid modernization technologies and operations platforms, and implement major cloud-based IT projects such as Dx NEXT and Modern Workplace. During the bridge and forecast period, this segment is leading the implementation of Elexicon's Dx NEXT project from 2025 to 2028. The Dx NEXT project is further described in Appendix A of this schedule. Spending is expected to stabilize and remain steady throughout the remainder of the forecast period. The types of work performed in this segment are discussed in greater detail below.

2.1.1 Governance of Elexicon's Core IT Strategy

The IT/OT segment governs the development and implementation of Elexicon's company-wide IT strategy in line with corporate policies, standards and guidelines. This includes management of core IT & OT infrastructure across the utility, performance of administrative functions, provision of technical support, management of security and data protection processes, support for procurement processes (management of vendor contracts and service levels, licenses and subscriptions, etc), records management, audits, and the evaluation and integration of new technologies in alignment with the company's strategic objectives and IT expenditure plans.

2.1.2 Support for Elexicon's IT Assets and Infrastructure

This segment provides oversight of Elexicon's cyber security systems, databases, middleware, and business-facing applications, and supports the company's IT assets across the full technology stack. This includes back-end infrastructure such as servers, local area networks, enterprise data storage, and data centres, as well as security appliances that safeguard sensitive information. It also encompasses the management of endpoint devices, such as desktop computers, laptops, printers, smartphones, and

tablets, that are essential to the Elexicon's day-to-day operations. Support activities range from routine maintenance such as system patching, firmware upgrades, and backup management to troubleshooting performance issues, resolving outages, and responding to security incidents. The group also manages hardware replacements, software updates, user access provisioning, and monitoring of system health to proactively identify and correct potential issues. By carrying out these activities, the IT function ensures that critical systems remain secure, resilient, and continuously available to support customers and operations.

2.1.3 Support for Cyber Security Measures

The cyber security landscape is highly dynamic and Elexicon evaluates potential solutions and applications on an ongoing basis and in line with industry standards and emerging threats. This segment administers cyber security investments that reflect current best practices across the utility sector and that align with widely adopted standards such as the National Institute of Standards and Technology (NIST) Cyber Security Framework, Centre of Internet Security (CIS) Controls, and the Ontario Cyber Security Framework. The utility's cyber security measures address specific and evolving threat vectors, ensuring that Elexicon maintains a strong, modernized security posture to protect sensitive customer information, operational reliability, and public safety.

2.1.4 Investments in Operational Technology Tools

This segment supports the deployment of operational software at Elexicon, including the radio system, middleware programming, Supervisory Control and Data Acquisition (SCADA) systems, grid monitoring and control technology, protection and automation systems, and third-party communication services. These technologies enable the collection and analysis of real-time operational data to support predictive maintenance, outage management, and grid optimization efforts. The integration of OT data with the utility's enterprise IT systems helps Elexicon manage situational awareness and inform strategic decision-making.

2.1.5 Elexicon's Cloud Software Strategy

In addition to the day-to-day operations, this segment includes costs for the project management and governance of IT/OT project implementations required to facilitate the shift from on-premise to cloud-based computing. This shift has affected segment costs because cloud computing services are classified as

operating expenses under accounting standards, whereas traditional on-premise solutions were treated as capital investments. Across the utility sector, on-premise enterprise software is no longer the industry standard and, in many cases, is no longer offered or supported by vendors. Major software providers serving the utility industry including SAP, Oracle, Microsoft, and Smart Energy Water (SEW) have transitioned their product suites entirely to cloud-based delivery models. For example, SAP S/4HANA IS-U, Smart Energy Water's CX and WX platforms, and Microsoft 365 are now available exclusively as cloud solutions. This shift means utilities can no longer procure or maintain traditional on-premise versions of these applications, leaving cloud adoption as the only viable option for maintaining vendor support, cybersecurity compliance, and access to new functionality. Moving to the cloud ensures continuous delivery of software updates, advanced security monitoring, and integration with emerging technologies. These are capabilities that are essential to maintaining reliability, protecting customer data, and meeting evolving regulatory and operational requirements. On-premises software and infrastructure imposes limits on technical capacity that lead to operational inefficiencies and cyber risk when relying on internally hosted systems that require ongoing investment in patching, upgrades, and security hardening. Cloud-based software and infrastructure services offer a practical, scalable solution, enabling Elexicon to adopt advanced, industry-standard tools that are continuously updated, monitored, and protected by specialized providers. This approach ensures secure, resilient, and long-term cost-effective access to modern capabilities that would otherwise be unattainable through internal means, which aligns with the OEB's priorities for prudent investment, reliability, and risk mitigation.

Cloud-based computing provides the following advantages as described in Table 3 below.

Table 3: Comparison of Cloud-Based and On-Premise Solution Features

Criteria	Cloud-Based Solution	On-Premise Solution
Scalability	High – Easily scales with demand	Limited – Requires hardware upgrades
Maintenance & Upgrades	Vendor-managed, automatic, frequent updates	Utility-managed, often infrequent and resource-intensive
Cyber security	Modern security framework: vendor applies latest patches and monitoring	Utility must manage security and patching internally
System Availability (Uptime)	High – Redundant and geographically dispersed infrastructure	Dependent on local infrastructure and recovery protocols
Flexibility / Innovation Speed	High – New features rolled out quickly	Slower – New functionality requires manual deployment and testing
Staffing Requirements	Lower – Reduced internal IT burden	Higher – Ongoing internal support and specialized skillsets needed
Regulatory Alignment	Supports timely adaptation to new requirements and market changes	Slower response to regulatory changes due to system inflexibility
Business Continuity / Resilience	Strong – Built-in disaster recovery and data redundancy	Requires separate disaster recovery investment

2.1.6 Dx NEXT Project

Elexicon is undertaking a cloud-based Enterprise Resource Planning (ERP) software implementation, referred to as Dx NEXT. This project was launched in 2024 and will be fully implemented by the first quarter of 2028. Dx NEXT is described in a project summary provided as Appendix A to this schedule.

The OEB's guidance on cloud-based IT infrastructure[2], provides for the treatment of previously capitalized costs that are now expensed, given that cloud computing investments provide multi-year benefits to utilities and their customers. As Dx NEXT costs relate to cloud implementation, the bulk of costs would directly impact Elexicon's OM&A budget because they cannot be capitalized.

[2] Ontario Energy Board, "Regulatory Options for the Treatment of Cloud Computing Costs", (September 8, 2023). Ontario Energy Board, "Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs", (November 2, 2023).

2.1.7 Modern Workplace Project

In addition to the Dx NEXT project, Elexicon is also implementing a second cloud solution through the Modern Workplace project. This project will mitigate cyber security risks and enhance data sharing, security and governance across the organization. Elexicon will achieve these security and productivity outcomes by transitioning from legacy systems such as traditional file shares and on-premises SharePoint to a modern, cloud-based environment with tools including SharePoint Online, Microsoft Purview, the Power Platform, and other Microsoft 365 capabilities. This project is essential to addressing and mitigating immediate cyber security risks to Elexicon including the authentication, authorization and encryption of system access requests and enabling the use of modern data protection technologies such as Data Loss Protection, real-time threat detection and response, the automatic application of security patches, use of role-based and condition access, the enhancement of remote work through VPNs, and secure access service edge (SASE). These features will enable Elexicon to have scalable governance, compliance, and information security protections, and will serve as future-ready infrastructure that supports employee productivity.

To execute this project, Elexicon selected a preferred vendor based on past experience and cost-effectiveness. The chosen provider offered the most comprehensive and cost-effective proposal and has a proven track record of successful collaboration with Elexicon on previous initiatives such as the Modern Workplace Strategy, Exchange Online migration and One Drive user education. Their extensive experience and demonstrated expertise in this domain further reinforced suitability for the project.

This project will be completed over two phases. Phase One will see the design of the future state architecture informed by Elexicon's current ecosystem. Elexicon's architecture will adopt the following tools and capabilities including enhanced collaboration through Microsoft Teams, SharePoint, and OneDrive, scalable governance, compliance, and information security protections with Microsoft Purview and built-in regulatory tools, and future-ready infrastructure that supports innovation and employee productivity.

In Phase Two, data will be migrated to the new platforms, existing workflows will be transitioned, and robust data governance frameworks and controls will be applied.

Without sufficient funding for the IT/OT segment, Elexicon and its customers may be exposed to significant risks over the forecast period. These include an increased risk of a cyber security breach due to insufficient staffing resources and a higher risk of non-compliance with the Ontario Cyber Security Framework and other regulatory obligations due to insufficient capacity. Insufficient funding may also delay the adoption of cloud solutions and IT projects required to modernize the business. Day-to-day operations may be impacted due to an inability to support critical systems and end users with ongoing technical issues. Pilot programs for grid modernization and non-wires solutions may also be deferred or withdrawn if internal support cannot be allocated. The myriad risk to customers from security breaches, data losses, and delays in obtaining support due to inadequate IT resources could lead to customer service degradation and disrupted business operations.

2.2 Segment Costs

Table 4: Technology Segment Historical, Bridge and Forecast Costs 2020-2031[3]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	2.78	3.31	4.18	4.91	5.27	6.83	6.80	12.09	12.86	12.46	12.77	13.22	15.2%
Variance ($M)		0.52	0.87	0.74	0.36	1.56	-0.03	5.29	0.77	-0.39	0.31	0.44	
Variance (%)		18.9%	26.3%	17.7%	7.2%	29.5%	-0.4%	77.8%	6.4%	-3.1%	2.5%	3.5%	

2.3 Cost Drivers

This OM&A segment experienced a significant degree of change from many different factors over the historical period. These include the consolidation of legacy IT systems post-merger, costs related to the transition to remote work during the Covid-19 pandemic and the subsequent shift to a hybrid work model, the transition to a digital-first workplace underpinned by cloud-based computing, and an increasing focus on cybersecurity readiness led by the evolving multi-phase initiatives from the IESO's Project Lighthouse.[4] These factors have fundamentally changed the requirements, expertise, and costs needed to deliver an enterprise technology program to support Elexicon's business and operational needs.

[3] Numbers may not sum due to rounding.
[4] Ontario Energy Board, "Enhancing Cyber Security Readiness in Ontario's Electricity Sector", (May 6, 2025).

The Covid-19 pandemic required Elexicon to quickly shift to remote work while maintaining service continuity for customers. Core IT capabilities such as remote access, mobile device management, endpoint protection, and cloud collaboration tools, ensured staff could perform critical functions outside the office without disruption. Other activities included the provisioning and deployment of end user devices to ensure that staff could remain productive and connected. These actions helped address the immediate challenges of the pandemic and established the basis for handling future disruptions such as severe weather or cyberattacks. The subsequent shift from remote to a hybrid work model required the provisioning and deployment of endpoint equipment in offices for employees hired during the pandemic who worked remotely prior to a return to the office and adoption of the hybrid model. This is in addition to a price increase for user licenses and subscription agreements, which are typically expected in year one of contracts renegotiated on a one-to-three-year basis. Costs were also impacted by the addition of staff required to manage greater complexity of IT infrastructure and to support the modernization and risk mitigation of several different systems across the utility.

Elexicon's costs for ongoing support from vendors to provide updates, enhancements and technical support for licensed software, such as Microsoft Office and VMware, also increased from 2020 to 2024. Similar to Microsoft Office, VMware is an industry standard software solution used in enterprise IT environments. This software maximizes data centre efficiency, supports business continuity, and simplifies IT infrastructure management. Microsoft licensing costs have further increased due to the need to purchase additional licenses in line with workforce growth and to ensure ongoing compliance with the terms of Elexicon's software licensing agreements. The licensing costs for VMware increased due to growth in the number of licenses required by Elexicon and large rate increases passed along by new company ownership. Elexicon's costs for licenses will continue to increase for those software applications where costs are determined by headcount increases and to maintain compliance with software licensing agreements during the forecast period. Over the historical and bridge periods, Elexicon's licenses and subscriptions were subject to significant increases of up to 10% annually. Other services such as lines and data services from Bell Canada that were necessary for the deployment of grid modernization hardware are expected to increase by 10% annually during the bridge and forecast periods. Maintenance contracts and subscriptions for specialized software such as SolarWinds IT Service Management that Elexicon

requires to augment internal expertise are also forecast to continue increasing. Further details on Grid Modernization are provided in Exhibit 2B – Tab 3 – Schedule 2 – Appendix A.

In addition to supporting the modernization initiatives described above, new staff will be added during the bridge and forecast periods to directly enable improvements that benefit customers (Exhibit 4 - Tab 2 - Schedule 1). An additional resource will be added to support the build out of infrastructure that forms the foundation of Elexicon's Grid Modernization plan, which includes investments to enhance reliability, support the integration of renewable energy, and prepare the grid for future customer needs. At the same time, expanding the utility's data analytics and reporting capability will establish an insight-driven organization with more proactive decision-making, improved outage response, and greater transparency for customers. These staffing additions will ensure that customer expectations for safe, reliable, and forward-looking service can be met as Elexicon continues to grow.

Per the OEB's guidance on accounting standards, the transition from on-premises to cloud-based computing solutions has resulted in the bulk of IT investments being treated as OM&A expenses. Cloud-based costs include implementation, licensing, subscriptions, and vendor-managed infrastructure (third-party maintained systems). This change affects several OM&A initiatives to support cyber security and to support system scalability to accommodate growing volume of customer and asset data. These initiatives include, but are not limited to:

- Cyber security program enhancements (e.g., threat monitoring, endpoint protection, zero-trust architecture)
- Cloud-based infrastructure and software deployments
- Data governance and privacy compliance
- IT/OT network segmentation and identity access management
- System upgrades to meet digital utility and customer engagement needs

For costs related to material cloud-implementation projects Elexicon has tracked these costs in the OEB's Cloud Implementation DVA, as discussed in Exhibit 9 – Tab 3 – Schedule 5.

These projects and initiatives required a build-up of internal capability over the historical period as well as spending on third-party experts with the specialized skill sets required to effectively deliver these projects.

During the bridge and forecast period, staff will be added to support the delivery of critical IT operations. These roles will provide internal capabilities in monitoring, responding to potential breaches, and reporting and performance tracking to sustain Elexicon's growing digital environment. Collectively, additional internal resources will strengthen cyber security oversight, program governance, data analytics, system administration, and infrastructure management, ensuring reliable operations, regulatory compliance and improved service performance for customers.

Once Dx NEXT is fully implemented in Q1 2028, costs for the solution (e.g., SAP S/4HANA and SEW) will increase costs within this segment from vetting and submitting vendor tickets, working with the vendor to pinpoint root cause analysis and solution support from a cyber security and infrastructure perspective.

Elexicon anticipates that costs will increase in the forecast period compared to the historical period, due to ongoing higher sustained costs for the maintenance of more sophisticated and comprehensive IT solutions, licensing and subscription costs to support workforce growth in the organization that is forecast for 2027, costs to address emerging cyber security risks, and increased telephony costs.

2.4 Cost Management and Productivity Savings

Upon the merger of legacy utilities into Elexicon, the consolidated utility realized synergies through cost avoidance. The costs for several IT and OT initiatives would have been incurred by both legacy utilities had they remained separate, resulting in duplication of expenses. This includes expenses related to two-way radio network support, Clevest (mobile workforce management), ESRI (GIS), Ebase, [Redacted], Roadpost, Oracle, [Redacted] and Hexagon.

In the post-merger period, Elexicon has realized savings through government programs, negotiated discounts, longer-term licensing agreements and increased volumes that have optimized costs where possible. For example, as Elexicon's shareholders are local government entities, Elexicon qualifies for Government of Ontario pricing to ensure that it secures the lowest costs for licenses and products, including Microsoft licensing. The utility also takes advantage of partnerships with Bell Canada through the National Wireless phone plan to achieve discounts through the Government of Ontario Publicly Funded Organizations initiative and utilizing the Ontario Education Collaborative Marketplace agreement for pre-negotiated discounted pricing for photocopier services, discounted consumables and maintenance

plans through Red X, which provides discounted costs per page of printing. Elexicon regularly reviews the active licenses and subscriptions, consolidating tools as operations evolve to maximize the value of newly adopted solutions that render existing applications redundant. For example, after implementing new tools, the utility eliminated overlapping functionalities, resulting in savings of $177,800 across 2024 and 2025, of which $107,300 in 2024 and $70,500 in 2025.

Elexicon also upgraded several IT processes to provide more efficient service to internal teams. This includes an upgraded internal service help desk for technology support ("service desk") with self-serve options now available for staff including password resets. This has led to reduced service desk ticket volumes, which allows staff to allocate their time to higher-value and more complex projects and critical work. The utility's upgraded service desk platform aligns with Information Technology Infrastructure Library (ITIL) and Information Technology Service Management (ITSM) processes, which enable the utility to be efficient with a smaller team.

Other upgrades to Elexicon's processes over the historical period include the following:

- InTune, a cloud-based endpoint management platform from Microsoft, that manages and secures devices and apps across an organization. This enables IT to enforce policies, secure lost or stolen devices and control user access to corporate data.
- [Redacted], a remote desktop access and remote support tool that can provide real-time support to field or remote staff without physical access to devices, minimizing downtime.
- Smart Deploy for Imaging, an imaging and deployment solution, that helps IT quickly and consistently deploy or reimage laptops and desktops across difference departments, ensuring compliance with company configurations.
- [Redacted], an automated patch management tool for third-party applications, that helps ensure systems remain secure and compliance by reducing the risk of vulnerabilities in outdated software.

Collectively, these tools have modernized Elexicon's endpoint and device management and enhanced scalability by allowing centralized control of hundreds of devices, supporting secure growth as Elexicon's digital footprint and workforce mobility expands. They also strengthen cybersecurity by enforcing consistent access policies and reduce exposure to vulnerabilities—an essential defence against

increasingly sophisticated cyber threats. Operationally, they automate routine tasks such as imaging, updates, and troubleshooting, which reduces manual effort, shortens response times, and minimizes downtime. Together, these investments not only improve day-to-day productivity but also create a future-ready IT environment capable of supporting advanced enterprise applications, remote operations, and evolving cybersecurity requirement, which aligns with the OEB's Operational Effectiveness – Reliability and Cost Efficiency outcomes.[5]

Elexicon manages vendor selection processes to find efficiencies as well. Vendor selection within the department follows Elexicon's policies for competitive processes and multi-quote requirements. Where only single-source options exist within the market, and alternate solutions are not able meet Elexicon's needs, multi-year agreements (Microsoft licensing, Dx NEXT implementation and support) have been secured to gain best pricing over the long term and ensuring cost certainty for more effective business planning.

Finally, by fully adopting the Microsoft M365 E5 license opportunity, Elexicon optimized its cyber security tool set and consolidated multiple functions. Given the capabilities of the fully deployed solution, tools such as Crowdstrike and Proofpoint became redundant, so Elexicon cancelled them to eliminate associated costs while enabling a broader, integrated view of threats and automating a more coordinated response across the utility's entire environment.

2.5 Variance Analysis:

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

[5] Ontario Energy Board's Handbook for Utility Rate Applications dated October 13, 2016, https://www.oeb.ca/sites/default/files/uploads/documents/regulatorycodes/2019-01/Handbook-Utility-Rate-Applications-20161013.pdf

2020 – 2021 Variance Explanation:

Costs increased by $0.52M from 2020 to 2021, primarily due to external consultant expenses related to the large-scale post-merger IT infrastructure consolidation and integration project. This is in addition to a higher allocation of internal resources towards OM&A to improve security posture and increase in end-user hardware and remote access licenses to facilitate remote work during the pandemic as well as additional IT support to manage increased service demands driven by transition to remote work and cyber security enhancements.

2021 - 2022 Variance Explanation:

Costs increased by $0.87M from 2021 to 2022, primarily due to the purchase and deployment of new cyber security and cloud-based solutions and licenses (CrowdStrike, Solar Winds Security Event Management and MaaS360 Mobile Devise Management), licenses for new IT infrastructure investments (VMware) to support business growth, IT Hardware and Software Maintenance and support for segment-specific software such as Genesys. This is in addition to internal staffing increases to support cyber security services, and system and infrastructure administration.

2022 - 2023 Variance Explanation:

Costs increased by $0.74M from 2022 to 2023, primarily due to expenses related to the development of the strategic roadmap, the implementation of ADMS and SCADA technology within the System Control Centre. This is in addition to increases in subscription and licensing fees.

2023 - 2024 Variance Explanation:

Costs increased by $0.36M from 2023 to 2024, primarily due to costs related to the sustainment of new communication technology support to the latest cyber security protections and protocols and the implementation and license fees for new cyber security solution ([Redacted]). This is in addition to staffing level increases to provide a governance function to the segment, including organizational change management, audit coordination and expenses related to support the delivery of critical projects such as the [Redacted] Integrated Operations Centre, two-way radios, strategy and roadmap work support. The 2024 increase also includes additional licenses procured for core software to accommodate new hires

across the company (e.g., M365 and AutoCAD). These increases will be partially offset by cost savings from the cancellation of redundant tools starting in 2024.

2.5.1 2024 - 2027 Variance Explanation:

Costs will increase by $6.82M in 2027, partially due to cloud-based implementation and support costs for SAP S/4HANA and SEW and other tools related to the integration of Dx NEXT implementation, including Titan SFTP, Automate Plus, and Linux Server licenses. Further increases related to supporting end-user hardware life cycle refresh and Windows 11 upgrade, as well as the addition of staff to support evolving cyber security technology requirements and programs. These increases are partially offset by cost savings from the cancellation of additional redundant tools.

2.5.2 2027 - 2031 Variance Explanation:

Costs will increase by $1.13M over the forecast period, primarily due to expenses related to cyber security and AI services (Azure) and the modernization of the communications network for SCADA. This is in addition staffing level increases to support the technology program and cross-training for critical infrastructure position, improvement of cyber security posture and scaling support for a growing workforce, as well as increasing costs for existing subscriptions, licenses and maintenance and support contracts.

3. PEOPLE AND CULTURE

3.1 Description

This segment includes activities related to the creation and administration of human resources (HR) programs, training, and work to align Elexicon's health, safety, and environmental programs with compliance obligations and strategic goals. Over the historical and bridge periods, cost increases were driven by incremental hiring to create sufficient bench strength and coverage for Elexicon's payroll function and to implement the segment's strategic business plan and post-merger culture. Costs were also realized in relation to the transition to remote work during the Covid-19 pandemic, and to address backlogged and increased volumes of training required to be delivered by the utility. Over the forecast period, cost increases are due to ongoing training requirements and support for health and safety programs for Elexicon's growing workforce. Cost investments for employee talent acquisition and talent management

will also be required to ensure that the utility is recruiting and retaining the talent that it needs to support the strategic business plan, including planning for growth and internal leadership development.

This segment includes HR services that support Elexicon's talent objectives and encompass functions such as labour relations and bargaining, talent acquisition and management, compensation and benefits, total compensation administration (i.e. pay, benefits, and pension), as well as training, engagement, and HSE programming. The costs of all certificate and formal training for all employees, both job-specific, safety training, corporate training, and leadership training for manager and supervisor roles is also reflected in this segment's costs. These are discussed in greater detail below.

This segment is responsible for Elexicon's end-to-end employee lifecycle and promoting a safe and engaging culture that is cemented in living Elexicon's beliefs and values through a "live it and lead it" mantra. Metrics are underpinned by the utility's strategic plan. The utility's culture also is reflected in a competitive employee value proposition that includes investments in employee training and growth, policy compliance and adherence, and market competitive total compensation programs. Related activities include strategy setting and implementation so that the utility is in a competitive position to attract and retain talent. This is accomplished through addressing all areas of the full employee lifecycle, focusing on safety, strategic partnerships, creating memorable onboarding experiences, employee training and development, performance management, succession planning, and monitoring of Elexicon's value proposition. As it pertains to performance management, the utility has had success in achieving not only better quality performance discussion but also has bolstered efforts to ensure that all employees are having meaningful conversation about performance. This has provided Elexicon with increased insights for succession planning, recruitment strategies, and identifying skills gaps and development opportunities for employees and/or groups. The utility also has worked on engagement opportunities outside of just the traditional employee surveys as a means to improve communication and alignment with strategic corporate objectives and allow for the utility to receive feedback and the opportunity to continuously improve processes and programs that impact the employee experience. Engagement opportunities include stay and exit interviews, monthly people leader meetings and ELT quarterly visits, regular employee bulletins, townhalls, and employee input channels. HR services uses tools and analytics to provide accurate and timely employee data and track progress on people related metrics and programs.

As a unionized employer, Elexicon also performs specific talent management activities related to the negotiation and administration of the collective bargaining agreement with the Power Workers Union, and manages dispute resolution activities in compliance with applicable labour legislation.

This segment also includes the administration of skilled trades training, as well as the administration and labour expenses associated with corporate-level training. Corporate-level training includes mandatory and compliance training, under the OHSA, across the organization for workforce compliance with applicable legislative and regulatory requirements such as the *Utility Work Protection Code*, *Electrical Utility Safety Rules*, *Occupational Health & Safety Act* to meet Elexicon's obligations to provide occupational health and safety training, accessibility training, and workplace violence and harassment training. The utility has also invested in a partnership to provide psychological safety training to all employees, as well as specific people leader training as an important facet of the employee experience, leadership development, and alignment with the utility's beliefs and behaviours that drive Elexicon's culture.

In relation to mandatory skilled trades and field training, this segment includes the expenses associated with formal apprenticeship training for power line technicians, metering and substation apprentices and system control centre operators, and first aid training for staff. Elexicon uses a training matrix, which was developed in line with utility best practices and the *Electrical Utility Safety Rules*, to determine training programs and schedules for the workforce. In addition to the above compliance training, Elexicon also delivers cyber security training for new hires and ongoing staff in line with Elexicon's obligations under the Ontario Cyber Security Framework.

The utility further implements occupational health and safety measures to prevent employee illness and injuries, investigate near misses, support injured employees, manage short- and long-term disability, and respond to public health issues such as measures related to the Covid-19 pandemic including illness reporting, contract tracing, health screening, vaccine clinics and social distancing measures. This segment delivers environmental protection and compliance programs including administration of spill response training in line with corporate policies and procedures governing the management of environmental factors such as waste, spills, hazards and incidents.

Finally, this segment includes planning and hosting employee relations events including twice-yearly staff town hall meetings, engagement of staff at monthly and quarterly safety meetings to promote Elexicon's strategic plan. These events help develop Elexicon's culture, promote employee satisfaction, and maintain relationships with community organizations within Elexicon's service territory.

Insufficient funding for this segment over the upcoming forecast period risks an inability for Elexicon to attract and retain the talent necessary to execute the utility's strategic business and investment plan. Insufficient funding may also lead to higher turnover, suboptimal training and employee programming, the potential for increased safety and environment related incidents and non-compliance due to inadequate training, higher dispute resolution costs, and potential labour disruptions because of poor labour relations.

3.2 Segment Costs

Table 5:**People and Culture Historical, Bridge and Forecast Costs 2020-2031**[6]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	2.09	3.10	3.08	4.10	4.88	5.51	6.15	6.86	7.14	7.35	7.55	7.72	12.6%
Variance ($M)		1.01	-0.03	1.02	0.78	0.63	0.64	0.71	0.28	0.21	0.20	0.17	
Variance (%)		48.1%	-0.9%	33.3%	19.0%	13.0%	11.6%	11.6%	4.0%	3.0%	2.7%	2.2%	

3.3 Cost Drivers

Costs within this segment are primarily driven by increased labour costs as a result of increased staffing levels required within this segment. There are also increased costs within the segment related to employee programs covering the entire employee lifecycle, talent pipelining, training, development, employee engagement, workplace culture, health, safety, and environmental programming and mandatory training. Over the historical period, cost increases are attributable to the restructuring and augmentation of this segment's function following the merger in 2019. Post merger, a review was completed to assess the strengths, opportunities, and needs within the human resources department. As a result of that review, a four-year strategic business plan to support the merged utility's vision and mission was established, including setting up and delivering upon a unified culture framework. At the heart of the strategic business plan was a focus on transitioning the segment from being a transactional service provider to a strategic

[6] Numbers may not sum due to rounding.

business partner, to support organizational performance, and to scale up a more robust team with expertise in the various specialities covering talent acquisition and management of the full employee lifecycle such as recruitment branding, sourcing, onboarding, performance and development, and employee and labour relations.

The function also required a large technology investment to consolidate five outdated legacy systems into one cloud-based and fully integrated Human Resources Management System. This unified and enhanced HR technology stack increased HR's ability to support business goals in several ways, including centralized and more automated recruitment, talent pipelining, performance and compensation management, time entry, and pay services. The unified system allows the utility to improve and scale upon processes, create efficiencies, and reduce the risk of errors as a result of bringing the HR, pay, benefits, and pension administration together. HR's policies and procedures were also expanded, including building project management and change management into its practices, and developing strategic partnerships and recruitment brand within Elexicon and the broader LDC community to make Elexicon's talent pipeline stronger. The segment also saw the transition of the payroll function from Finance given the high degree of integration between the HR and payroll team.

The onset of COVID-19 in 2020 also impacted costs in this segment during the historical period due to health and safety-related expenses to support remote work and to ensure that where office or field presence was required, that staff were provided with appropriate PPE and other measures necessary to maintain a safe work environment. Costs further increased with the transition to hybrid work, such as providing employees with Covid-19 test kits and the implementation of a new technology application to monitor employee Covid-19 testing compliance associated with Elexicon's Covid-19 policy and case management procedures. The implementation of online training also incurred additional costs. Although the utility's ability to administer online training was limited due to restrictions on resources, confirmation of its vaccine policy, and management of Covid-19 cases that persisted thorough 2021 into 2022, online training was required to meet mandatory safety training requirements.

During this time, the training expenses declined from the corresponding suspended or reduced volume of in-person training due to restrictions on gathering and second-order impacts on resources from the Covid-19 Pandemic. These restrictions initially included restrictions on mandatory training prescribed by

legislation and training for apprenticeships. A one-year extension on mandatory training timelines for training related to Working at Heights (WAH), Joint Health and Safety Committee (JHSC) training, First Aid Training, and any other training legislatively required as per Electrical Utility Safety Rules was provided by the provincial government in 2020 to account for these difficulties in administering in-person training. Elexicon began administering in-person training again in 2022, including catching up on a backlog from the pandemic, and increased internal resources for effective delivery of this training. The total volume of training that Elexicon was required to administer also increased from 2023 onwards, as the utility conducted hiring to increase the workforce size. This hiring included technical positions that required significant training, such as power line technicians and apprentices that require extensive in-person training and related expenses to comply with Elexicon's requirements for these positions. To support this, expenses related to training materials, including legislative documents and, third-party facilitators were incurred, as well as additional staff to administer and deliver the training.

Staffing levels were increased to support a strategic approach to the full employee lifecycle, assist with workforce growth and hire to fill vacancies, and implement talent management including employee skills growth, employee engagement and alignment of employee and corporate objectives. Additionally, the costs in the historical period include costs related to preparing the 2023 GHG benchmark as per Elexicon's commitment to Net Zero.

The HR segment also focused on a strategic resourcing plan to increase staffing level and capabilities within the System Control Centre (SCC), as a result of high turnover and scheduling requirements. To support workforce development and long-term operational strategies within the SCC, the Control Centre segment now internally provides initial, utility-specific training to System Operator Apprentices prior to their transition into MEARIE's formal certificate training program. This segment then administers and expenses the costs associated with each apprentice's participation in the MEARIE program, including certification fees and related training and testing expenses. To maintain operational continuity during the apprenticeship program, which began in the historical period and will continue through the forecast period, external contractors have been engaged through Elexicon's contract with an existing vendor to supplement resourcing needs within the SCC. In addition to the apprenticeship program, this segment also delivered training to support the implementation of new systems within the SCC. During the bridge period,

all SCC operators received training on newly implemented technology systems, and further training will be provided to apprentices throughout the forecast period.

During the bridge and forecast period, Elexicon is increasing staffing levels to prepare for an upcoming audit of the Health, Safety, and Environmental (HSE) Management Systems, which are being developed in alignment with ISO standards, specifically ISO 14001 Environment Systems and 45001 Occupational Health and Safety Systems. The audit will assess the effectiveness, compliance, and continuous improvement of these systems, ensuring they meet internationally recognized best practices.

Over the forecast period, Elexicon's volume of training is also expected to significantly increase to provide subject matter training to support the onboarding of new hires and train them to Elexicon's standards, training across the organization to implement stronger cyber security controls and policies, training of new and existing field staff on technological changes to increase their productivity, including technology for infrared imaging, fault locating, drone technology for vegetation management, and other initiatives. In addition, there is significant trades training that will be required to train and fully license Elexicon's field staff and system operators that are forecast to be hired.

The HR services team will also build on the initial plan to develop a new multi-year- strategic business plan to frame the next planning cycle and support the 2026-2031 strategic business and investment plan for the utility. The strategic pillar of investing in Elexicon's people will require a plan that focuses on attracting and retaining top talent, creating an engaging and positive employee experience, reskilling and upskilling staff to meet the needs of the business and changing technologies, and leadership training that aligns with succession plans to ensure that there is a strong talent pipeline for growth and workforce renewal.

3.4 Cost Management and Productivity Savings

Following the merger, Elexicon generated synergies from consolidating legacy utility functions, such as community safety programs and bi-annual OEB Public Safety Surveys and administering them as a single larger entity. Elexicon also consolidated redundant software licenses for the utility's health and safety database and merged the benefits administration and labour bargaining functions.

The implementation of Elexicon's new HRMS platform over the historical period also led to significant process efficiencies. The new platform replaced manual HR services and certain in-person training with

self-serve and mobile capability and provided data and reporting functions as well as user-friendly online training options. This platform allowed existing staff to focus on the expanded responsibilities for this segment introduced through the strategic business plan.

This system also enabled better recruitment, performance management, and workforce management by improving access to information and providing useful reporting on key workforce metrics. Elexicon's legacy recruitment process required printing, scanning and uploading application materials. It was decentralized, required manual sharing of permissions, time intensive and did not provide centralized records. Under the cloud-based system, candidate applications and screening all occur centrally. This has saved time for each posted position and has enabled Elexicon to hire for select positions without lengthy process delays and in some cases without requiring a new posting. The platform also enables personalized training development with a tight turnaround time, and instantaneous delivery of company policies and procedures for employees to simultaneously read and acknowledge. The software also provides visibility into performance and workforce management for employees, providing lines of sight for succession planning and leadership training purposes that support the proactive retention of employees.

The transition to hybrid and remote work environments because of the Covid-19 pandemic also allowed Elexicon to generate productivity savings by moving some training online. This improved the utility's productivity by offering a flexible self-service model that enabled training to be implemented on a short time frame during times when field work is unavailable due to weather or other conditions. The cost of administering training online is also lower in-person due to savings on accommodation for third party facilitators and streamlined delivery that reduces labour costs. Elexicon also developed in-house awareness-based training over this period that it deployed in coordination with the implementation of new processes at the utility. This has enabled the utility to alert employees about new initiatives as they occur, creating smoother rollouts and equipping them with the knowledge to take advantage of new technologies and processes more quickly. One example is the development of an in-house training for System Operator Apprentices working within Elexicon's control centre. This program accelerated the knowledge acquisition of System Operator Apprentices through structured training exercises that expose the apprentices to a variety of real-world work situations, increasing their productivity at an earlier stage of apprenticeship.

Over the forecast period, the segment will also continue to focus on improving processes using data and integrating HR data across the business to assist Elexicon with decision-making. This includes a transition to SAP Success Factors, Employee Central and Employee Pay as part of the utility's Dx NEXT project. The data used by these teams is highly organized and its experience migrating software platforms will position it well to make this transition. Furthermore, the segment has lessons learned and experience on where further integration and efficiencies may be made with the implementation of the new programs that will be available to them and may have enhanced features, interfaces, or capabilities that the existing HRMS does not provided. The People and Culture segment expects that Dx NEXT will enable it to further enhance workflows, provide more automation of call management processes for building and deploying overtime lists, and provide more flexibility to further integrate HR data and tools across other segments of Elexicon's business in line with the ongoing strategy to embed HR services as a strategic partner to other departments. Dx NEXT will also centralize the administration of online training delivery at the utility. This will eliminate fees required by other online training platforms and providers for Elexicon to deliver the training and will streamline the process of creating and hosting new training modules.

3.5 Variance Analysis:

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 - 2021 Variance Explanation

Costs increased by $1.01M from 2020 to 2021, primarily due to expenses related to accommodating remote work and transition to hybrid work environments in response to the Covid-19 pandemic. These increases were partially offset from a temporary suspension of in-person training due to remote work for most of 2020 and early 2021.

2021 - 2022 Variance Explanation

There is no material variance during this period.

2022 - 2023 Variance Explanation

Costs increased by $1.02M from 2022 to 2023, primarily due to the addition of staff to support the health, safety and environment function and a higher allocation of previously capitalized costs to this segment. These increases are in addition to the return of in-person training, external resources to support the System Operator apprenticeship program and consultants to initiate the HR strategic planning and the Elexicon One Culture framework. These increases were partially offset from ending the contract for the application to monitor Covid-19 testing.

2023 - 2024 Variance Explanation

Costs increased by $0.78M from 2023 to 2024, primarily due to the first full-year impact of 2023 drivers, including on-cycle and backlogged in-person training, external resources supporting the System Operator apprenticeship program, and a higher allocation of previously capitalized costs to this segment. Additional drivers include increased staffing to support HR strategic planning and Elexicon's One Culture framework, the addition of a Health and Safety specialist, and expenses related to the 2023 GHG benchmark.

3.5.1 2024 - 2027 Variance Explanation

Costs will increase by $1.98M during this period, primarily due to expenses related to support the development of health, safety, and environmental management systems aligned with ISO standards and increased activity from consultants supporting strategic planning and Elexicon's One Culture framework, reflecting additional effort in the final year of a three-year contract. This is in addition to increases in corporate and IT training requirements aligned with the growing workforce, and enhanced employee engagement initiatives.

3.5.2 2027 - 2031 Variance Explanation

Costs are expected to increase steadily over the forecast period, with a total increase of $0.86M. This is primarily driven by the continued impact of expenses related to training Elexicon's growing workforce, and external resources to support the development of the next planning cycle.

4. FINANCE

4.1 Description

Elexicon's Finance segment supports the utility's day-to-day and strategic operations through the management of Elexicon's financial capital planning and reporting processes, project accounting, audit, treasury and corporate tax services, through delivery of financial analysis to support operational decision-making across Elexicon and providing key strategic leadership through stakeholder relationship management. The costs of this segment represent the OM&A portion of this critical work.

Cost increases over the historical and bridge periods are due to increased requirements for resources to manage growth in Elexicon's gross capital additions, and to support requests from the business and regulatory requirements. Cost increases during the forecast period are required to address significant growth in capital and external demand recoverable work, further increases in support for business units' financial analysis, to support debt issuance activities and requirements, and an increasingly complex reporting and regulatory environment.

Elexicon's Finance segment serves a keystone function in the utility's financial capital planning and management reporting processes. This includes preparation of the annual and long-term operating and capital expenditures plans and the provision of accounting, treasury and corporate tax services to support Elexicon's internal operations and external reporting obligations. Elexicon's obligations include financial reporting in accordance with International Financial Reporting Standards ("IFRS"), OEB's Electricity Record Keeping Requirements ("RRR"), regulatory, tax and other compliance, cash management and credit rating requirements. The segment additionally monitors and implements internal controls to prevent errors, fraud and ensure financial integrity. The Finance segment also supports the execution of the utility's capital program by managing vendor accounts, capital and recoverable project accounting. These include payment processing, bad debt assessment and collection and invoicing for capital and recoverable project and claims management.

In addition to these operational and compliance functions, the Finance segment also provides financial strategic support to Elexicon's business units through the performance of financial analysis and provision of information to support departments' day to day and strategic operational decision making, leading

business planning activities, and through the forecasting of emerging economic issues and growth opportunities to leadership and stakeholders.

Without sufficient funding for the Finance segment over the forecast period, Elexicon will have inadequate resources to manage financial processing for capital work at the utility, which may lead to the delayed execution of Elexicon's capital investment plans. Insufficient resources could also increase the risk of non-compliance with tax, regulatory and audit requirements, as well as result in oversight risk over financial planning and forecasting activities. Insufficient resourcing would leave less capacity for Elexicon to produce high quality financial analysis for day to day and strategic decision making across business units. Finally, insufficient resources may delay or limit Elexicon's ability to develop the treasury and debt issuance functions, which will impact the utility's ability to borrow and short- and long-term financial performance.

4.2 Segment Costs

Table 6: Finance Segment Historical, Bridge and Forecast Costs 2020-2031[7]

	Actual					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	3.43	3.67	3.92	3.52	3.59	4.12	4.69	5.25	5.53	5.97	6.33	6.47	5.9%
Variance ($M)		0.24	0.25	-0.40	0.07	0.53	0.57	0.56	0.29	0.44	0.36	0.14	
Variance (%)		7.1%	6.8%	-10.2%	1.9%	14.8%	13.9%	11.9%	5.5%	7.9%	6.0%	2.3%	

4.3 Cost Drivers

This segment is primarily comprised of internal labour and external consulting expenses.

As a newly merged utility, the Finance segment was required to perform additional work involved in consolidating legacy financial systems and reporting processes. In addition, support to internal segments for business planning and fiscal month-end reporting required incremental effort during the historical period as segments across the company were facing challenges since the merger, such as prioritizing increasing workloads under constrained budgets and staffing transitions, including retirements and new hires across various levels. To maintain service levels, additional staff were hired to support essential roles and ensure continuity of core financial activities as workload increased. However, this segment operated

[7] Numbers may not sum due to rounding.

under resource constraints throughout the historical period and incurred significant expense to retain external consultants to provide project management assistance and fill a temporary leadership gap, which ensured continuity and financial oversight during this period.

During the forecast period, resources will be added to support (a) expanded scope and complexity of capital projects and external demand recoverable work at the utility, (b) increased financial support and analysis requirements across internal segments, (c) an increasingly complex reporting and regulatory environment, and (d) cashflow management, forecasting and debt issuance activities and requirements. These drivers are discussed below.

4.3.1 Growth of Capital and External Demand Recoverable Projects

Population growth and high rates of development in Elexicon's service territory have increased the capital investment requirements and the volume of externally driven recoverable projects. The growth experienced since the merger is expected to continue at a higher pace going forward as municipalities increase developments and require Elexicon to invest in projects to build and upgrade infrastructure services, to support the growth. Elexicon will also be required to accommodate external demand work involved with the development including substation isolations, relocations, and temporary services. The increase in capital investments and externally driven recoverable projects directly impacts the volume of transactions finance staff are required to process. Additional staff will be needed to support increasing Finance involvement from project initiation to completion to derecognize, capitalize, review, and analyze, as well as day to day responsibilities including but not limited to the following: setting up projects, determining customer contributions, collecting and reporting on relevant costs, reconciliations, invoicing and collection, communicating with customers for invoicing, payment processing, providing analysis and reporting to business units, project close out and determining and reporting on financial impacts by running relevant financial processes. There is also significant collaboration with the Program Delivery Group, including providing data for their tracking, monitoring, and performance reporting to support ongoing oversight and progress measurement, such as monthly KPIs and scorecards.

4.3.2 Increased Business Unit Support

Over the forecast period, Elexicon is transitioning the finance function through a service delivery model to increase business units' financial visibility and capabilities, with the objective of equipping the business

with detailed monthly analysis of the finances, labour analysis, forecasting and budgeting capabilities, and business case metrics, including financial and operational data required to evaluate, validate, and monitor business cases throughout their lifecycle. This transition responds to a growing number of internal demand for financial planning, reporting, and analysis across divisions, departments, and at the senior leadership level, as well as a need for finance to work collaboratively with internal stakeholders in making informed decisions through data, analysis, dashboards, trending, and benchmarking. As Elexicon scales its organization, this model will accommodate an increasing number of departments requiring direct support, participation in weekly and monthly meetings, and alignment with business planning requirements. To enable this model, the utility has planned to increase staffing to deploy dedicated financial analysts to support business units to enable the Finance segment to deliver these services effectively in support of a proactive and data-driven approach to decision-making, both within individual business segments and at the executive level.

4.3.3 Complexity of Work and Regulatory Environment

The Finance segment requires an expanded team of professionals to adequately address the demands of a growing utility in an increasingly complex and evolving environment. This includes managing a significant increase in workload volume, which brings more tasks and greater diversity in responsibilities, adapting to changes in accounting standards, such as a significant update to the regulatory accounting standard effective January 2029, and addressing added complexity from factors like the capital allocation model and potential new deferral and variance accounts. These needs are evolving alongside broader challenges such as navigating the energy transition, supporting high-growth residential and industrial development, and responding to an active policy landscape driven by the regulator and the Province of Ontario. This segment must also ensure timely and accurate internal and external reporting under heightened audit and regulatory expectations while supporting strategic investment decisions in a dynamic and highly regulated market, and meeting external financial and regulatory disclosure requirements, such as managing credit rating agency activities. To meet these requirements, Elexicon plans to increase staffing levels to ensure the finance segment has the resources necessary to ensure continued compliance with evolving regulatory standards and maintain financial integrity and agility in the rapidly changing utility landscape.

4.3.4 Treasury

Elexicon currently relies on a bank line of credit to support debt financing needs. As part of the financing strategy, the organization is planning to access the external debt market. This shift will better support long-term capital investments and align with industry-standard financing practices. Access to the external debt market will be critical to the execution of the Elexicon strategy and to maintain uninterrupted operations in the future given the unprecedented growth and the changing regulatory landscape. External debt access requires adherence to certain timelines for quarterly and annual financial reporting in addition to incremental compliance and other information disclosures. This transition requires additional resources to support regulatory compliance and reporting obligations. To enable this, Elexicon needs to build a robust treasury function to manage and forecast cashflow, manage credit ratings and related metrics, maintain bank and debtor relationships and to secure adequate capital to fund investment and operational requirements.

The financial reporting and tax function requires sufficient depth of resources to address new IFRS pronouncements, specifically the prospective IFRS regulatory assets and regulatory liabilities standard (which will replace interim standard, IFRS 14) and IFRS 18 Presentation and Disclosure in Financial Statements. These regulations will require significant implementation efforts and will have ongoing impacts on the financial processes and controls. Requirements for tax related assessment for transactions, compliance and audit requirements has significantly increased the need to supplement the expertise in this area. Although not yet mandatory in Ontario, Environmental, Social, and Governance ("ESG") reporting is emerging as a standard expectation and will introduce additional requirements that may become necessary for accessing external debt markets in the future.

4.4 Cost Management and Productivity Savings

Elexicon's finance function realized synergies from the merger by eliminating duplicate audit requirements that would have been performed by each legacy utility and streamlining financial reporting processes. The function further consolidated bank accounts to reduce associated fees and simplified tax compliance to reduce the cost of managing multiple tax filings and obligations.

The utility has invested in other productivity improvements through the historical rate period, including process improvements and automation of capital expenditure reporting, including the automation of importing invoices and capital budgeting.

Over the forecast period, Elexicon's Dx NEXT ERP project (see Appendix A to this schedule) will be implemented and will drive productivity improvements in finance segment. Through these technology investments, the finance segment will be able to limit additional planned hiring in the forecast period. While Finance will need to add additional staff in the 2027 to 2031 period to accommodate a larger and more complex workload, the capabilities provided by Dx NEXT will enable Elexicon to avoid the need for six positions that would otherwise have been required during this period. This project will help standardize and automate parts of the capital projects planning and asset management integration by providing a fully integrated system from record to report, automating elements of the accounts payable controls process, and improving management and audit reporting data and analytics. These features will reduce the time required to close capital jobs and capitalize assets, enable better and faster integration of departmental plans resulting in improved analysis and reporting.

4.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

<u>2020 - 2021 Variance Explanation:</u>

Costs increased by $0.24M from 2020 to 2021, primarily due to additional staff to support activities related to the merger and external consulting expenses to provide project assistance.

<u>2021 - 2022 Variance Explanation:</u>

Costs increased by $0.25M from 2021 to 2022, primarily due to ongoing external consulting expenses to provide project assistance.

2022 - 2023 Variance Explanation:

Costs decreased by $0.40M from 2022 to 2023, primarily due to the elimination of external consulting expenses following the completion of Finance projects, and higher allocation of costs towards capital and demand recoverable projects.

2023 - 2024 Variance Explanation:

There are no material variances for this period.

4.5.1 2024 - 2027 Variance Explanation:

Costs will increase by $1.66M during this period, primarily due to the addition of staff to establish the treasury function within this segment to address debt issuance requirements and required improvements in the speed and accuracy of closing books for internal and external reporting purposes. The additional staff will also address incremental workload of processing asset derecognition, asset capitalization, project review and analysis due to volume of capital investments and external demand recoverable projects. The increase also reflects lower labour capitalization, as resources were temporarily redirected toward regulatory support, such as the incremental capital module ("ICM") filed as part Elexicon's 2026 rate application.

4.5.2 2027 - 2031 Variance Explanation:

Costs are expected to increase by $1.23M during this period, primarily due to the addition of staff to respond to growing internal demands from divisions, departments and at a corporate level for financial reporting, planning and analysis, and for the increasing workload due to the expansion of capital and external demand recoverable projects. This increase will support the shift toward more strategic financial decision-making within each segment and at the executive level, while also addressing the greater complexity of work, particularly related to debt funding, and evolving regulatory requirements.

5. PROCUREMENT AND FACILITIES

5.1 Description

Elexicon's Procurement and Facilities segment is responsible for the day-to-day operations associated with procurement, materials management, and facilities management and security at the utility. Cost variances

in this segment over the historical and bridge periods are due to the switch to remote work during the pandemic and changes in calculation methodologies to burden rates. Over the forecast period, cost increases are attributable to ensuring a more robust physical site security program that focuses on the purchase and installation of security technology, as well as for monitoring services at key locations and properties.

Elexicon's procurement team is responsible for setting policies and procedures for the responsible and cost-effective purchase of goods and services. They are also responsible for managing the purchasing processes and warehousing operations supporting Elexicon's capital and operating programs. Key objectives include ensuring the timely and cost-efficient procurement of services, materials, and equipment, maintaining adequate inventory for efficient work execution, and optimizing material handling costs. Procurement activities include managing the inventory of materials and equipment required for reactive work resulting from adverse weather or other unexpected events and setting minimum and maximum inventory levels for each location each year based on historical usage. Activities also include strategic sourcing activities such as identifying reputable and reliable suppliers, overseeing their performance to ensure compliance with contractual obligations, and issuing purchase orders for each agreement.

The procurement team collaborates with different areas of the organization to manage the competitive bidding and evaluation process for selecting appropriate suppliers. The team is making investments to monitor supplier performance against service level agreements and conducts quarterly reviews for key suppliers. The utility's ERP (Enterprise Resource Planning) system calculates reorder points, automatically generating purchase orders as inventory levels decrease. Elexicon uses a [Redacted].

This segment also includes activities to maintain Elexicon's facilities, including workspace and property maintenance and security services to ensure employees can perform their duties in a safe and well-maintained environment. The team's objective is to ensure all locations comply with legislative and regulatory standards for safety, accessibility, and emergency preparedness. As of 2025, Elexicon owns or operates 2 office locations, 5 operations centres and 64 sub-stations. The condition of these buildings and stations vary widely based on their age and prior maintenance activities. Each property has unique features that require preventative, corrective and reactive maintenance.

Preventative maintenance involves routine inspections to ensure equipment, systems, and components operate safely and efficiently while adhering to manufacturers' recommended schedules and regulatory maintenance standards. Corrective maintenance addresses any issues identified during preventative inspections, resolving deficiencies promptly to prevent equipment failure. Reactive maintenance handles unexpected equipment failures identified outside of the preventative cycle, typically reported by facilities staff or other Elexicon employees.

This segment also includes the costs for repairs and maintenance completed by Elexicon employees as well as those for third-party service providers that support the maintenance of the buildings which include summer and winter grounds maintenance, HVAC maintenance, janitorial services, waste removal, electrical services and security monitoring. [Redacted]. Additionally, utilities account for a large portion of costs within this segment.

Insufficient funding for this segment may reduce the procurement team’s ability to procure goods in a timely, targeted and cost-effective manner due to a reduced ability to manage lead times and negotiate favourable pricing, which will impact the cost and schedule of planned capital work. This also increases the risk of errors in inventory management resulting in lost, damaged or insufficient items. Insufficient funding may also reduce the facilities team’s ability to perform maintenance, increasing the likelihood of reliance on expensive reactive maintenance work and leading to deteriorating facilities conditions. Where facilities investment is concerned, lack of investment in security technology and monitoring exposes Elexicon to the ever-looming threat of theft and property damage cost, safety, and environmental liabilities that far exceed the investment being considered.

5.2 Segment Costs

Table 7: Procurement and Facilities Segment Historical, Bridge and Forecast Costs 2020-2031[8]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	1.77	0.78	1.31	1.21	1.17	1.05	1.26	2.18	2.28	2.36	2.45	2.54	3.4%
Variance ($M)		-0.98	0.53	-0.10	-0.05	-0.12	0.21	0.92	0.10	0.08	0.09	0.09	
Variance (%)		-55.8%	68.1%	-7.5%	-4.0%	-10.1%	20.3%	72.8%	4.6%	3.6%	3.8%	3.7%	

5.3 Cost Drivers

This segment oversees the OM&A portion of Elexicon's procurement and facilities operations. Costs within this segment remain generally stable, with fluctuations due to the range in nature of both urgent and non-urgent repairs to facilities, including reactive maintenance and planned improvements such as security technology installations and monitoring for long-term operational needs. Most of the work is outsourced so changes in contractor pricing also impact overall costs. Elexicon's buildings are aging and require ongoing maintenance. Over the historical period, Elexicon has maintained a steady volume of facilities maintenance work out until 2025.

The utility has improved security measures over the historical period in response to increased theft, trespassing, and vandalism. Security technology and monitoring investment has been completed at the [Redacted] in 2025. These locations include [Redacted]. The investments have proven effective as the utility has not experienced a break in or theft at these locations since being put into operation. As part of the long-term security plan, the utility will expand security technology installations and monitoring services at key locations and properties in order to protect assets from theft and damage.

This long-term security plan will enhance safety, security, and operational oversight. This investment strengthens Elexicon's ability to deter theft, vandalism, and unauthorized access, while providing critical security recordings to support incident investigations and reduce operational disruptions. The system will also improve employee and visitor safety by monitoring [Redacted], enabling quicker response to accidents or suspicious activity. It also supports operational efficiency by helping track deliveries, monitor compliance with safety protocols, and reduce liability exposure. From an insurance perspective, this

[8] Numbers may not sum due to rounding.

infrastructure significantly enhances Elexicon's risk management capabilities. High-quality video documentation allows for more accurate and timely incident reporting, which in turn supports faster resolution of insurance claims. By reducing ambiguity and providing clear evidence, we expect to streamline the claims process, minimize disputes, and potentially lower administrative costs. Additionally, the improved security posture may lead to reduced premiums and better insurability across our portfolio of properties. This initiative reflects our commitment to protecting people, assets, and operations while delivering long-term value across the organization.

During the bridge period, the utility plans to insource certain maintenance activities to replace contracted services. This change is expected to improve turnaround times for maintenance while maintaining, and potentially reducing, overall costs. The insourcing also addresses increased operational needs, including cleaning services, addressing higher waste management volumes, and facility service requests due to usage that is expected from Elexicon's expanding workforce, which will remain within the existing building footprint over the forecast period. This approach will also defer capital investments related to relocating or constructing new facilities but contributes to higher facility operating costs.

To support the rise in critical repairs and replacements for aging assets, the Procurement segment also increased staffing levels in the bridge period to manage the inventory levels needed to meet growing operational needs and longer lead times for key equipment. For example, lead times for switchgear assets have extended significantly, with orders now placed 65 weeks in advance, compared to 40 weeks in 2024, reflecting the need for earlier planning and greater inventory oversight.

5.4 Cost Management and Productivity Savings

This segment employs an open, fair and transparent competitive bidding process for outsourced work that encourages vendors to offer their best pricing and quality of service and ensures Elexicon is not overpaying by comparing multiple bids. This segment also ensures vendors are fulfilling their contractual obligations and deliver work in accordance with the requirements established by Elexicon. This segment will also benefit from the implementation of Elexicon's capital investment plan, which includes certain measures to optimize the asset management strategy to replace aging equipment, such as incandescent lightbulbs with energy efficient LED lighting at end of life, as well as HVAC upgrades to more energy efficiency equipment, which is expected to reduce expenses related to facilities maintenance.

In addition, this team implemented measures to improve productivity in warehouses including barcode technology to automate the manual issuing and receiving of material, resetting inventory stocking levels based on tracked usage to optimize stocking, and ordering long lead time items sufficiently in advance to ensure project timelines are met. These long lead times are tracked on an ongoing basis and adjusted accordingly.

5.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 - 2021 Variance Explanation:

Costs decreased by $0.98M from 2020 to 2021, primarily due to a revision to burdens based on updated methodology for accounting purposes, resulting in the significant year-over-year reduction from 2020 to 2021. Excluding the accounting change, costs decreased by $0.26M from 2020 to 2021. This reduction is primarily due to the timing of the ERP consolidation for managing facilities maintenance, including invoicing activities. The 2020 amount reflects the closing balance from the legacy system rather than a full year of expenses. As a result, the 2020 amount is higher than a typical annual cost, whereas the 2021 amount represents a full year of expenses, making it a reduction when compared to the 2020 amount.

2021 - 2022 Variance Explanation:

Costs increased by $0.53M from 2021 to 2022, primarily due to revisions to burdens based on updated methodology, resulting in the significant year-over-year increase from 2021 to 2022. Excluding the accounting change, there are no material variances during this period.

2022 - 2023 Variance Explanation:

Costs decreased by $0.10M from 2022 to 2023, primarily due to revisions to burdens based on updated methodology, resulting in the significant year-over-year increase from 2022 to 2023. Excluding the accounting change, there are no material variances during this period.

2023 - 2024 Variance Explanation:

There are no material variances from 2023 to 2024.

5.5.1 2024 - 2027 Variance Explanation:

Costs will increase by $1.01M during this period, primarily due to the installation, activation, and monitoring services for security technology investments at key locations and properties, and due to the addition of staff to support procurement and facilities operations.

5.5.2 2027 - 2031 Variance Explanation:

Costs are expected to increase by $0.36M during this period, primarily due to annual contracted increases for security monitoring.

6. REGULATORY AFFAIRS

6.1 Description

The Regulatory Affairs segment includes regulatory applications, regulatory accounting, and policy and compliance functions that together enable Elexicon to meet obligations in accordance with being a rate-regulated monopoly. This segment also includes costs for funding Elexicon's Low Income Energy Assistance program (LEAP), which is administered by the Collections segment. Over the historical period, Elexicon established a dedicated regulatory affairs function which became independent from the Finance department in 2022 to address the growing volume and complexity of regulatory obligations. This organizational change was made to ensure appropriate resourcing and focus on regulatory compliance, policy implementation, and the increasing complexity of filings and stakeholder engagement.

Cost increases over this time were driven by staffing requirements to lead rate applications, provide support for OEB consultations, ensure regulatory compliance, deliver stakeholder engagement, and manage broad-based customer communications. Additional cost pressures included increased funding requirements for the Low-Income Energy Assistance Program (LEAP) under the OEB's rules implemented

in 2024. Over the forecast period, expected cost increases will be driven by amortized costs for this rebasing application as well as incremental work from a growing capital work program, a growing customer base, and continued high levels of regulatory activity in the sector. The Regulatory One-Time costs for this rebasing application and OEB Cost Assessment fees are also included in this segment.

Work performed in the Regulatory Affairs segment includes leading the development and administration of Elexicon's rate applications and implementation of OEB decisions and orders. It also includes aligning Elexicon's business to produce regulatory reporting, detailed continuity schedules for rate applications, comply with obligations to the Ministry of Energy, IESO and regulatory requirements and instruments including the Distribution System Code and the Affiliate Relationships code. The Regulatory Affairs segment further provides internal support, training and advice to business units in service of mitigating risks associated with changing requirements and ensuring regulatory considerations inform decision-making. Examples include assisting Elexicon's connections team with DER process requirements and interpretations of the DSC rules regarding connections, supporting the Finance segment with completion of financial RRR filings, annual audit, and the tracking and recording of regulatory assets, collaborating with the Metering and Wholesale Settlement segment on the IESO monthly settlement process and related reporting, and supporting amendments to Elexicon's Conditions of Service.

Insufficient funding for the regulatory affairs segment would risk Elexicon's ability to produce timely and accurate rate filings, its capacity to meaningfully participate in OEB initiatives and implement resulting directions or policies in line with OEB expectations, expertise required to ensure compliance with regulatory and legislative obligations, ability to advocate for customers and stakeholders, and the ability to meet LEAP funding obligations. Elexicon would have difficulty funding the internal positions requested, compromising the capacity to support internal stakeholders and increasing the volume and cost of required external consulting support.

6.2 Segment Costs

In Table 8 below provides the costs associated with the Regulatory Affairs segment for the historical, bridge and forecast periods.

Table 8: Regulatory Affairs Segment Historical, Bridge and Forecast Costs 2020-2031[9]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Regulatory Costs ($M)	0.70	0.86	0.61	2.19	1.48	1.41	1.84	2.05	2.32	2.38	2.44	2.50	12.2%
Variance ($M)		0.16	-0.25	1.58	-0.71	-0.06	0.42	0.21	0.28	0.05	0.06	0.06	
Variance (%)		22.5%	-29.3%	261.0%	-32.6%	-4.2%	30.0%	11.3%	13.5%	2.3%	2.6%	2.4%	
OEB Cost Assessments ($M)	0.69	0.67	0.74	0.84	0.97	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3.5%
Variance ($M)		-0.02	0.08	0.09	0.13	0.04	0.00	0.00	0.00	0.00	0.00	0.00	
Variance (%)		-3.0%	11.3%	12.2%	15.7%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
LEAP ($M)	0.09	0.09	0.09	0.09	0.24	0.32	0.32	0.33	0.34	0.34	0.35	0.36	13.6%
Variance ($M)		0.00	0.00	0.00	0.15	0.08	0.00	0.01	0.01	0.01	0.01	0.01	
Variance (%)		1.1%	-0.6%	0.0%	171.9%	34.2%	0.0%	1.9%	2.0%	2.0%	2.0%	2.0%	
Regulatory One-Time Costs ($M)								1.27	1.27	1.27	1.27	1.27	
Segment Total Costs ($M)	1.48	1.62	1.44	3.12	2.69	2.74	3.17	4.65	4.93	4.99	5.06	5.12	12.0%
Variance ($M)		0.14	-0.18	1.68	-0.43	0.06	0.42	1.48	0.28	0.06	0.07	0.06	
Variance (%)		9.3%	-10.9%	116.3%	-13.8%	2.1%	15.5%	46.8%	6.1%	1.2%	1.4%	1.3%	

Table 9 below provides the portion of Regulatory Affairs segment costs presented in Table 1 that are recorded in Group 2 variance accounts. This includes Account 1518 for retail service cost variances, Account 1548 for service transaction request variances, and Account 1508 sub-accounts for OEB cost assessments and LEAP EFA funding. Further details on these accounts and their treatment are provided in Exhibit 9 – Tab 3 – Schedule 2.

Table 9: Regulatory Affairs Segment - Costs Tracked in Group 2 Variance Accounts

Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
1518 and 1548 - Retail Cost Variance Accounts Retail and Service Transaction Requests (STR) ($M)	-0.10	-0.01			-0.01		0.00
1508 Other Regulatory Asset – Sub-Account OEB Cost Assessment ($M)	-0.22	-0.20	-0.28	-0.37	-0.71	0.01	-0.43
1508 Other Regulatory Asset – Sub Account LEAP EFA Funding ($M)					-0.18	-0.24	-0.24

[9] Numbers may not sum due to rounding.

6.3 Cost Drivers

6.3.1 Regulatory Affairs

Costs in the Regulatory Affairs segment primarily consist of labour, consulting, and external legal expenses related to the areas listed above, as well as OEB cost assessments and LEAP funding costs.

In the post-merger period, Elexicon faced a growing volume and complexity of regulatory and policy obligations applicable to Ontario's local distribution companies, reflecting an expanded role for distributors in supporting Ontarians and advancing provincial policy objectives. The OEB, IESO, and the Province of Ontario collectively set regulatory requirements and policy directions that have increased the volume of consultations, policy statements, updates to rules and codes, and initiatives over this period including: direction on cyber security requirements, new requirements for locates dictated by the *Getting Ontario Connected* Act, the Green Button initiative, the Optional Enhanced and Ultra-Low Overnight Time of Use Rates, the Ontario Electricity Support Program & LEAP, the Market Renewal Program, Distribution System Code changes related to housing expansions, Distributed Energy Resources and Electric Vehicle connections processes, and enhanced reliability reporting and benchmarking from the Reliability and Power Quality Review that have substantially increased regulatory affairs activities. In particular, the OEB's policy agenda and consultations with distributors are expected to remain highly active and may even increase in scope during the forecast period, as further described in Exhibit 4 - Tab 1 - Schedule 1.

In addition to the regulatory initiatives described above, Elexicon's business growth has created further demands on the Regulatory Affairs segment. Beyond the incremental regulatory and policy work listed above, the utility's expanding capital investment program and growing customer base have increased the scope and volume of ongoing regulatory activities. A Vice President role was established to oversee Elexicon's regulatory affairs and stakeholder relations functions. Increased complexity and unprecedented growth necessitated more regulatory applications with greater complexity and engagement, increased interaction with stakeholders, and enhanced internal expertise to respond to and implement an increasing number of OEB policy objectives (e.g. Cost Allocation Model for expansions, EVCCP, capacity mapping, RPQR, VASH). Elexicon files annual applications under the Incentive Rate-Setting Mechanism (IRM). Two applications within the historical period also required significant effort and resulted in material expenses for this segment. In 2021, Elexicon submitted an IRM application that included an Incremental Capital

Module (ICM) request for the Seaton Transformer Station and a proposed Earnings Sharing Mechanism (ESM) plan. The 2022 application for 2023 rates was even more extensive, including ICM funding requests for two major capital projects that required external legal and consulting expertise. Similarly, Elexicon filed an application in 2025 that included two ICM requests and a disposition of Group 2 deferral and variance accounts.

The ongoing rate applications and increasing volume and complexity of regulatory activities necessitated additional permanent internal resources, external consulting expertise, and legal support to ensure compliance with applicable requirements and implement policy and program changes.

The preparation of this Custom IR application is a significant regulatory undertaking and represents Elexicon's first rebasing as a merged utility. The process has required detailed financial modelling, multi-year forecasts, and building comprehensive evidence to demonstrate compliance with OEB requirements for cost efficiency, reliability, and customer value. The process also required extensive customer engagement and internal expertise to coordinate with multiple segments, as well as legal counsel, expert witnesses, and external specialized consultants. Following the initial filing, the regulatory affairs function will continue to manage interrogatory responses, technical conferences, settlement discussions, and oral hearings. The one-time costs associated with this rebasing application are also included in this segment. Per section 2.4.3.4, of Chapter 2 of the Filing Requirements, Elexicon intends to recover these one-time costs over the five-year forecast period. These costs are shown on an amortized basis in OEB Appendix 2-M, provided as an Excel file as Attachment 1 to this schedule.

The heightened levels of work and complexity in the policy and compliance function, driven by the need to comply with the regulatory frameworks, policy, codes, and regulations established by the OEB, IESO, and the Province will also require additional internal staff and access to external legal and consulting services over the forecast period. To cope with increased volumes of work, by 2028, the Regulatory Affairs segment will increase to support this critical work.

6.3.2 OEB Cost Assessment Fees

Elexicon is required to pay the OEB for a portion of the assessed costs of its operations as a condition of Elexicon's license to distribute electricity. Elexicon's OEB Cost Assessments increased significantly during

the historical period, as a result of an OEB update to the cost assessment model and increased OEB operating expenses. Elexicon's forecast assessment costs are based on 2025 forecast costs. Analysis of historical OEB cost assessments shows an unpredictable trend of significant increases since 2022, as illustrated in Table 9 above. Given the difficulty in forecasting these assessments accurately, Elexicon proposes to continue using Account 1508 OEB Other Regulatory Assets - Sub-Account - OEB Cost Assessment beyond the 2027 rebasing year. Ongoing use aligns with principles of regulatory prudence and transparency and will allow Elexicon to manage fluctuations (see Exhibit 9 - Tab 3 - Schedule 5).

6.3.3 Low Income Energy Assistance Program (LEAP) Funding Costs

Elexicon's LEAP costs grew over the historical period, with a significant increase occurring in 2024 from higher customer need and new OEB funding rules. LEAP costs were relatively low and steady during the beginning of the historical period due to Covid-19 financial relief measures for customers, including the extended disconnection moratorium and other temporary financial assistance programs. Financial need has risen across Elexicon's customer base over the course of the historical period as measurable by the increase in the number of LEAP-eligible customers. The OEB's changes to the program in 2024[10] expanded eligibility to align with the newly expanded Ontario Electricity Support Program ("OESP") thresholds, increased to grant amounts to reflect inflationary changes, and expanded the pool of available funding so that all eligible applicants receive the grant. These measures significantly expanded Elexicon's funding requirements for LEAP. The additional costs incurred due to the policy and program changes noted above have been tracked in a variance account, see Exhibit 9 - Tab 3 - Schedule 5 for details on the 2025 and 2026 related variances due to increased need for LEAP support.

As per section 2.4.3.5 of the Chapter 2 Filing Requirements, LEAP funding is set at 0.12% of a distributor's forecast service revenue requirement, as approved by the OEB. Based on this funding calculation, using the proposed 2027 distribution revenue requirement, Elexicon estimates the permitted funding to be embedded in rates is $0.18M. Elexicon has assessed this funding level to be insufficient for the forecast period especially given the growth in the customer base during the forecast period, which is expected to place further demand on the program. Based on observed trends, Elexicon anticipates that demand for LEAP funding will remain elevated throughout the forecast period and will continue to surpass the levels

[10] Ontario Energy Board, Letter in EB-2023-0135, (February 12, 2024).

that have historically been embedded in rates. To address this, Elexicon determined the 2025 projected funding requirement to be $0.32M, which was derived by annualizing the monthly funding observed in 2024 after the OEB expanded LEAP eligibility and adjusting for inflation. Elexicon has included this amount in the segment's 2025 OM&A, with inflationary increases applied to each subsequent year through 2031 to ensure sufficient and sustainable program funding through to 2031.

6.4 Cost Management and Productivity Savings

As discussed in Exhibit 1 - Tab 4 - Schedule 2, the merger of Whitby Hydro and Veridian Connections generated synergies by reducing the costs associated with multiple rate filings. Given the growth in both service territories, it is expected that, had the utilities remained separate, they would have each built up their regulatory capabilities and sought expert and consultant support to prepare for multiple ICM and rebasing applications to manage their access and renewal portfolios. This would have resulted in duplicative spending to develop asset condition assessment reporting, station load forecasting, DSP preparation processes, as well as the regulatory costs required to defend such projects. As a combined utility, Elexicon can produce higher quality, more detailed asset planning outputs, and share regulatory and legal expertise resources.

Elexicon has generated productivity savings in the historical period that it expects to sustain throughout the forecast period. These include collaborations with other utilities on engagements and consultations to reduce time spent on advocacy and stakeholdering while ensuring interests are adequately represented. From 2020 to 2024, the preparation and management of regulatory applications for Z-factors, ICMs, and other regulatory filings has been supported heavily by external experts to compensate for a lean internal team. As the volume of work associated with applications fluctuated, using external consultants was a more cost-effective approach for execution of this work, given the specialized expertise required.

Over the bridge years into the forecast period, the implementation of Elexicon's Dx NEXT project is expected to drive productivity savings in the team's regulatory accounting and reporting functions by reducing the manual processes associated with Ontario Energy Rebate reporting, monthly IESO settlement preparation, and the tracking and reporting of unbilled revenue. For example, under Elexicon's legacy billing systems, the process to estimate unbilled revenue takes approximately 9-10 hours per month, with more hours needed if discrepancies are detected, and requires running an antiquated software script on

the final day of each month to complete this process. The upgrade to a cloud-based customer information system that is fully integrated into an ERP is anticipated to significantly reduce the time required with these existing manual processes. These expected efficiencies are forecast to reduce the number of new positions required to adequately execute core responsibilities within this segment. The regulatory accounting function will reallocate this time to tracking new deferral and variance accounts, producing annual updates for its Custom IR, as well as supporting the new RRR items introduced in 2025 that will be mandatory.

6.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 - 2021 Variance Explanation:

Costs increased by $0.14M from 2020 to 2021, primarily driven by expenses related to the preparation and submission of an IRM application that included an ICM request.

2021 - 2022 Variance Explanation:

Costs decreased by $0.18M from 2021 to 2022, primarily due to labour turnover that remained vacant until 2023. These decreases were partially offset by an increase in OEB Cost Assessment amounts.

2022 - 2023 Variance Explanation:

Costs increased by approximately $1.68M from 2022 to 2023, primarily due to legal and consulting expenses to support the EB-2022-0024 proceeding requesting ICM funding for two capital projects. The increase also reflects the addition of a Vice President role to oversee the regulatory affairs and stakeholder relations functions.

2023 - 2024 Variance Explanation:

Costs decreased by $0.43M from 2023 to 2024, primarily due to stabilization following the significant expenses incurred in 2023. This decrease was partially offset from the addition of staff to support the regulatory affairs function, as well as an increase in LEAP funding and the OEB Cost Assessment.

6.5.1 2024-2027 Variance Explanation:

Costs will increase by $1.96M over bridge period, primarily due to the start of recovery for one-time costs for this rebasing application, which will be amortized evenly over five years beginning in 2027, as well as expenses related to Elexicon's 2026 ICM application and the permanent allocation of staff hired to support the rebasing application who will transition to the regulatory affairs function following its completion.

6.5.2 2027-2032 Variance Explanation:

Costs are expected to increase by $0.48M over forecast period, primarily due to the addition of staff to support the regulatory compliance and policy function.

7. STAKEHOLDER RELATIONS

7.1 Description

Elexicon's Stakeholder Relations segment supports the utility's internal engagement with employees, change management, and external relationships with customers and stakeholders by developing messaging and communications for internal and external use, maintaining key relationships with stakeholders and municipalities, participation in policy work with various levels of government, and operation of the utility's website and social media channels. This segment was established in the historical period, and costs are primarily attributable to hiring required to support core functions, as well as costs to redevelop Elexicon's website. While this segment has insourced core functions during the historical period, it continues to strategically retain select specialized external consultants for third-party expertise, particularly to align with government policies to support Elexicon's customers. Over the forecast period, cost increases in this segment are expected to increase to support a growing workload from continued high levels of engagement and policy activity with municipalities and the Ministry of Energy and a growing number of extreme weather events requiring more customer communication, as supported by the Ontario Energy Board's minimum requirements for communicating with customers during widespread and prolonged power outages.

The Stakeholder Relations segment is responsible for preparing and delivering communications to customers in line with OEB requirements relating to outages, safety, billing, financial relief, rates, services and general electricity information. These communications take several forms including proactive communications through customer newsletters, bi-annual community reports and bill inserts, and crisis communications during unplanned outages. This segment also operates Elexicon's customized content management system to manage the utility's social media presence across multiple platforms including X, Instagram and LinkedIn, and manages the corporate website including web development, programming, graphic design and maintenance tasks. In 2024, Elexicon increased its LinkedIn followers by 85% and its engagements on X by 4,603%. Average monthly web traffic on Elexicon's website increased from 4,659 in 2019 to 112,734 in 2025.

The Stakeholder Relations segment maintains key relationships with officials across all levels of government including local representatives from all ten municipalities served, industry and shareholders through industry associations and media events for major announcements, community events and workshops, and the implementation of compliance plans. The segment helps advance policy work through responses to consultations facilitated by the Ministry of Energy, the IESO, and submissions through the Environmental Registry of Ontario (ERO) and Ontario's Regulatory Registry (ORR) to represent the interests of Elexicon and its customers before provincial decisionmakers.

This segment also supports the development of communications and messaging within Elexicon's business divisions by drafting materials (e.g. notices, letters, presentations), monitoring sector developments, assisting with planned communications for required capital investments and major initiatives like Dx NEXT, and supporting in emergency situations such as major storms to facilitate coordination between internal teams and impacted communities. This segment is also responsible for a bi-weekly newsletter that is read by an average of 80% of employees every issue, and for supporting internal communications to Elexicon's employees, as well as employee engagement events (e.g. town halls).

The segment also produces Elexicon's external corporate reports such as the Annual Report and Corporate, Environmental and Social Responsibility (CESR) Report. It also facilitates communication with communities within Elexicon's service territory through the preparation of twice annual Community Reports that provide stakeholders, communities and customers with information and updates on corporate initiatives

and key projects, system reliability and improvements, customer service metrics, and other valuable information about how Elexicon impacts their area.

Insufficient funding for the Stakeholder Relations segment over the upcoming rate period risks Elexicon's ability to communicate with customers and meet their expectations in a timely, responsive and accurate manner due to insufficient staff and resources for enhancing and maintaining modern communication channels like social media, SMS texts and a robust website. Elexicon's ability to provide timely and accurate information about new programs and to engage with customers using surveys, community outreach and feedback channels may be reduced. Finally, Elexicon's ability to advocate on behalf of the utility and customers and to enable proactive infrastructure planning through stakeholdering with municipalities, developers, and different levels of government may be compromised without sufficient resources for engagement, which could compromise the implementation of community-enabling investments and result in negative outcomes for customers.

7.2 Segment Costs

Table 10: Stakeholder Relations Segment Historical, Bridge and Forecast Costs 2020-2031[11]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	0.40	0.90	1.41	1.21	1.34	1.46	1.51	1.71	1.93	2.18	2.23	2.28	17.1%
Variance ($M)		0.50	0.51	-0.20	0.13	0.12	0.05	0.20	0.23	0.25	0.05	0.05	
Variance (%)		124.8%	56.1%	-14.2%	10.6%	8.8%	3.6%	13.1%	13.4%	12.7%	2.5%	2.2%	

7.3 Cost Drivers

Increased regulatory requirements and incremental obligations to customers since the merger have increased the volume and complexity of Elexicon's stakeholder relations work. Prior to the merger, Elexicon's legacy utilities outsourced much of their communications and customer engagement functions on an ad-hoc basis, and had a small, two-person internal team to perform basic public affairs and stakeholder engagement activities. This exposed the organization to risks related to customer satisfaction and limited relationships with key stakeholders including the media and municipal governments.

[11] Numbers may not sum due to rounding.

As a part of the merger, this segment was responsible for the development of Elexicon's stakeholder and corporate brand strategy, including social media strategy, brand development, brand images and brand guidelines to ensure alignment across all communications with customers and stakeholders. This segment also managed the content, design and regulatory compliance of the newly formed utility's external website and the consolidation of other online customer interfaces, such as outage maps and social media profile. The onset of the Covid-19 pandemic increased the need to enhance online communications to keep customers informed and provide critical information about financial assistance programs and other available support measures, communicate about the suspension of planned work and certain connections-related activities, and communicate about and the utility's efforts to keep its employees, customers and communities safe.

Aside from the pandemic response, Elexicon also increased the volume of stakeholder relations work in response to emerging drivers. These drivers include evolving customer preferences for more instantaneous communication from utilities as the emergence of social media channels impacted expectations for the speed of information delivery. The switch to remote and hybrid work across a majority of sectors, as well as the transition to electricity for heating and transportation, has made outages more impactful for customers and increased expectations regarding communications. The need for faster and better communication from Elexicon has also been driven by a rise in major weather events. The utility's Stakeholder Relations segment has grown to provide customers with critical information about weather and outages as more major events occur. The amendments made by the OEB to the DSC as of 2025 have increased the requirements for communicating with customers during widespread power interruptions following severe weather events.[12] This requires more interaction between the Stakeholder Relations team and the System Control Centre to ensure that timelines are being met for communicating with customers. Stakeholder Relations maintains the website as well as social media channels to fulfill these compliance obligations. Elexicon's website goes beyond the outage map and also includes dedicated web

[12] As of May 2025, the DSC states that "A distributor shall make available to customers, through one of the means of communication identified in section 4.9.4, an estimated time of restoration of service as quickly as possible and in any event no more than 4 hours after completion of a damage assessment related to the impact of a severe weather event on the distributor's system." The DSC also now states that "A distributor shall maintain at least one method of communicating with customers at all times during a severe weather event, including at least one of the following: the distributor's website; the distributor's social media channel; email; text messaging; telephone line; or radio broadcast."

pages for updates during widespread outages after severe weather, as well as customer surveys to evaluate the effectiveness of communications.

In response to growing demands, faster timelines and the added complexity of communications, Elexicon transitioned from relying on outsourcing to establishing dedicated internal resources. The Stakeholder Relations segment hired specialists to perform this work, which included activities such as staff relations design work, production of customer newsletters and other customer products, social media and video content, and website updates and maintenance. This has enabled faster updates and improved the quality and quantity of work performed. Bringing this function in house provided greater opportunity to be responsive to customers, leading to more customers following Elexicon's online accounts. Elexicon's social media and public relations specialist, hired to replace the work performed by an external vendor, has worked to increase Elexicon's social media presence, and delivered a scalable solution to meet evolving requirements. Elexicon's LinkedIn followers increased by 85% from 2023 to 2024, and its engagements on X/Twitter increased by 4,603% in one year (2023-2024). Elexicon also increased its average monthly web traffic from 4,659 visitors per month in 2019 to 112,734 in 2025.

In addition to changing customer expectations about communication, the work performed by Elexicon's stakeholder relations team also changed in response to rapid growth in Elexicon's service territory and the transformation of the utility sector more broadly. The communities that Elexicon serves are experiencing elevated levels of economic, residential and commercial development, population growth and investment from industry. This pace of growth has required Elexicon to maintain close communications with municipal and business stakeholders to ensure that the utility can support this development, a task that has become even more essential as supply chains for essential distribution equipment are subject to lower availability and require longer lead times to plan. This rapid growth is taking place alongside change in the utility sector driven by increasing policy activities at the federal, provincial and municipal levels. This requires increased activity and advocacy from Elexicon to ensure that policy changes consider the needs and preferences of Elexicon's customers. Finally, this sector evolution is also driving change within the utility that has required the stakeholder relations segment to support a robust internal change management process.

Post-merger, Elexicon addressed these new business drivers by leveraging expert third-party consultants with experience in change management and communications strategies to design a new, comprehensive stakeholdering strategy for the utility. The work was then transitioned to Elexicon's internal team as of 2022.

During the historical period, the stakeholder team added resources to perform a range of essential activities. With the larger team, Elexicon also had the capacity to develop and execute a municipal stakeholder engagement strategy in 2023 that established regular touchpoints with key staff from municipalities served by Elexicon (e.g. mayors and Chief Administrative Officers) over the 2023-2024 period and going forward. Frequent meetings with stakeholders have allowed for earlier discussion and resolution of issues, a better understanding of planned community growth and greater information sharing regarding grid and community investments.

The Stakeholder Relations segment has also supported an increased level of policy activity from government consultations impacting the organization to advocate for Elexicon's customers over this same period. Elexicon also regularly participates on councils for industry associations such as the Electricity Distributors Association, and Electricity Canada, to engage in strategic conversations and stay informed about best practices and trends in the sector.

During the forecast period, staff will be added to support several new initiatives. Elexicon plans to expand and evolve its stakeholder engagement approach with the objective of improving coordination with municipalities and key stakeholders in support of growing residential and commercial development. This segment will further provide support to resolve issues and challenges as Elexicon connects new customers in alignment with the capital investment plan. The additional staff will also support the internal change management for strategic initiatives such as the implementation of Dx NEXT and future strategic initiatives to implement Elexicon's corporate strategy. They will also support the adoption of new tools introduced through the implementation of Dx NEXT for customer communications. As online communications continue to evolve and customer expectations increase, Dx NEXT will enable Elexicon's communication channels to expand and enhance real time customer interaction, such as SMS text messaging service notifications during power outages. This will allow Elexicon to continue to evolve and meet growing expectations regarding communications during outage events.

7.4 Cost Management and Productivity Savings

Over the historical period, Elexicon insourced core work that had previously been outsourced to specialized vendors in response to growing service demands. This includes internal and external communications, social media, website and public policy. Without the transition to dedicated internal resources, the costs for external support would have significantly increased as the expanding scope of service requirements would have continued to be billed at a premium. The stakeholder relations segment hired specialists to perform this work, which included activities such as staff relations design work, production of customer newsletters and other customer products, social media and video content, and website updates and maintenance. Elexicon transitioned from outsourcing web development and graphic design to internal resources to allow for a greater ability to respond to customer and internal needs, consistent messaging across all channels, and a scalable approach to meet evolving sector and policy needs. For example, this includes the ability to add and update content on Elexicon's website and social media quickly, especially during widespread outages, increasing the level of customer communication.

During the forecast period, Elexicon's Dx NEXT project is expected to improve the utility's integration with the outage map, and to enable the team to amplify messaging on safety, energy savings and financial programs delivered through the customer portal as part of the project.

7.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

<u>2020 - 2021 Variance Explanation:</u>

Costs increased by $0.50M from 2020 to 2021, primarily due to external support for Elexicon's corporate brand and stakeholder strategy, website development and social media presence. This is in addition to adding headcount to manage staff focused on social media and public affairs and policy.

<u>2021 - 2022 Variance Explanation:</u>

Costs increased by $0.51M from 2021 to 2022, due to addition to internal resources hired as part of insourcing core functions, including brand, social media, writing and communications and other related services. These increases were partially offset from reduction in external support for core activities.

2022 - 2023 Variance Explanation:

Costs decreased by $0.20M from 2022 to 2023, primarily due to stabilization following significant spending in 2022 and due to key vacancies carried through 2023.

2023 - 2024 Variance Explanation:

Costs increased by $0.13M from 2023 to 2024, primarily due to the filling of two vacancies from previous years. These increases were partially offset from reductions in external support for the respective core activities.

7.5.1 2024 - 2027 Variance Explanation:

Costs will increase by $0.37M in this period, primarily due to expenses related to enhanced municipal and stakeholder engagement that began in 2025.

7.5.2 2027 - 2031 Variance Explanation:

Costs are expected to increase by $0.58M, primarily due to additional staff that will be added to support increased communication requirements for outages, continued levels of heightened policy activity in the sector, ongoing change management as well as the expansion of Elexicon's municipal stakeholder engagement program to support growth in the service areas.

8. LEGAL AND CORPORATE SECRETARIAT

8.1 Description

This segment delivers professional, expert, advisory and governance services to ensure Elexicon's alignment with legal and regulatory obligations and works directly with individual segments at Elexicon to provide guidance and facilitate specialized processes. Several functions reside within this segment, including legal services, privacy, information management, enterprise risk management, insurance administration, internal audit and governance. Over the historical and bridge periods, costs in this segment increased as Elexicon developed the necessary sophistication and capacity to operate as a

merged utility of increased scale and fulfil legal, cyber security, governance and privacy obligations within an increasingly complex and demanding operating landscape. Forecast cost increases over the upcoming forecast period are attributable to further growing work volumes, obligations and risk mitigation measures requiring additional resources.

Elexicon's internal legal services team resides within this segment, providing timely, accessible and specialized professional legal advice to ensure that Elexicon complies with legal and regulatory obligations. This segment was crucial to Elexicon's organizational development as a merged utility by providing support for legal and regulatory compliance, strategic growth, and risk management with cost-effective, internal expertise, and oversight of external legal counsel. The legal services function facilitates the drafting, negotiation and execution of contracts, conducts legal due diligence, advises on complex operational and governance matters, and manages litigation and dispute resolution.

Elexicon's privacy function resides within this segment, working within the organization to support the protection of personal information and cyber security in line with Elexicon's obligations through the implementation of privacy policies, tailored privacy training, a reference library of support material, reviews of initiatives and technology to ensure compliance with privacy obligations, processing freedom of information requests, and the escalation and resolution of privacy complaints. The privacy program leads compliance efforts with privacy-related aspects of the Ontario Cyber Security Framework.

Elexicon's information management function resides within this segment, driving the adoption of best practices for managing data, information and records across the utility, and ensuring critical information remains accessible to support business operations and meet the expectations of customers and stakeholders. This work addresses legislative and regulatory requirements, including compliance with the Ontario Cyber Security Framework, the OEB's Mandatory Record Retention Period Policy, and a range of other legislated retention rules. The function administers a complex retention schedule to ensure departments fulfill relevant legal and operational retention requirements, develops and maintains relevant policies and procedures, curates a comprehensive library of custom training and reference materials, and oversees a storage program for both physical and digital records. It collaborates closely with the IT function to integrate sound information governance into the technology ecosystem, while fostering a culture of accountability and excellence in documentation and data management.

Elexicon's enterprise risk management function also resides within this segment, working to identify, prioritize, monitor, and mitigate risks to the organization in line with the Ontario Cyber Security Framework and industry best practices. To this end, this function develops relevant policies, procedures and materials, provides direction on structured approaches to establishing appropriate risk tolerances, as well as risk identification, assessment and mitigation, and leads a culture of risk awareness.

Elexicon's insurance function resides within this segment, working to ensure Elexicon has appropriate insurance coverage to mitigate liabilities and potential losses. Elexicon administers this program by standardizing the claims process and other insurance-related matters across the business, actively managing claims, and performing annual insurance renewal.

Elexicon's internal audit function is led from within this segment, delivering audit services in alignment with the utility's governance and compliance obligations. It further reviews internal operations to find opportunities for efficiency and mitigate fraud risks. The program is administered by an independent third party with deep expertise in the utilities sector. This approach leverages their extensive knowledge, ensures objectivity and integrity, and provides scalable solutions. Unlike other functions within the segment that are handled internally, Internal Audit stands out as a unique case. For a utility of Elexicon's size, maintaining a high-quality audit function with the necessary staffing and specialized expertise in-house would not be cost-effective.

Elexicon's governance team, including the Office of the CEO, resides within this segment. The governance function provides executive leadership and strategic direction for Elexicon internally to staff and governance committees, and accountability externally to stakeholders, shareholders and the Elexicon Energy Board of Directors. This team administers corporate governance activities including establishing corporate oversight and management policies, workplans, charters, procedures, and projects to streamline governance operations, as well as scheduling, preparing for and holding board and committee meetings. It further delivers accurate and timely information to shareholder municipalities in accordance with Elexicon's corporate obligations.

Without adequate funding for this segment, Elexicon and its customers may be exposed to negative financial, operational, or reputational consequences, including as a result of inadequately managed enterprise, legal, and governance risks, insurance shortfalls, or other liabilities arising from non-

compliance with requirements like the Ontario Cyber Security Framework and privacy legislation, or other unaddressed risks to the organization. These would in turn expose the utility to greater litigation claims, financial penalties, and reputational impacts. These risks might arise from insufficient review and negotiation of contracts, an inability to meet mandatory timelines for offers to connect, failures to comply with legal and regulatory requirements due to insufficient resources, inadequate management of privacy issues or records and data at a time when the utility is increasing reliance on technology solutions and has incremental new obligations in these areas, risks from suboptimal management of insurance claims, and risks from an insufficiently mature enterprise risk management program. Insufficient funding additionally carries a risk of Elexicon being unable to meet customer and stakeholder expectations, to provide enterprise leadership during a period of rapid growth, and to support the utility's growth and key initiatives.

8.2 Segment Costs

Table 11: **Legal and Corporate Secretariat Segment Historical, Bridge and Forecast Costs 2020-2031**[13]

	Historical					Bridge		Forecast					
Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**CAGR**
Segment Costs ($M)	2.55	3.03	3.42	3.58	3.54	4.97	5.89	6.89	7.38	8.32	8.72	9.13	12.3%
Variance ($M)		0.48	0.39	0.15	-0.04	1.43	0.92	1.00	0.50	0.94	0.39	0.41	
Variance (%)		18.6%	13.0%	4.5%	-1.1%	40.6%	18.5%	16.9%	7.2%	12.7%	4.7%	4.7%	

8.3 Cost Drivers

The functions in this segment did not exist within the legacy utilities prior to merger. Post-merger, Elexicon recognized the need to establish dedicated internal expertise in legal, privacy and information management to effectively address post-merger integration requirements, provide adequate insurance coverage for the growing asset base, meet the evolving complexity of legal and regulatory requirements, and administer increasingly sophisticated privacy and information management to support the transition to cloud-based infrastructure. Elexicon also identified the importance of a coordinated risk management program to provide aligned company-wide support across all segments. Over the historical period, the

[13] Numbers may not sum due to rounding.

utility recruited an internal team of highly qualified experts into key leadership and operational roles across each function. The costs for this segment are primarily associated with internal resources and prudent use of external supports required to deliver its functions, as well as insurance premiums.

During the historical and bridge period, municipal development and customer growth in Elexicon's service area increased the demand for legal contract reviews and management of increasingly complex infrastructure development and customer connections under strict timelines. During these periods, the Ontario Cyber Security Framework introduced new and increasingly mature requirements around privacy, information management, and enterprise risk management ("ERM"). These functions were developed to address those requirements, as well as other obligations including cyber and information security risks around personal and sensitive information, stakeholder expectations around the management of information, preparation for digital transformation and the accompanying data governance requirements, and the necessity to understand and manage growing risk exposure posed by an expanding asset base and increasingly developed service area that may expose Elexicon and its customers to risk. Further legislative and regulatory developments and continuing digital transformation across all areas of the business have continued to increase the volume and intricacy of work within each function. This includes an increase in privacy impact assessments and activities to address the higher volume of data requiring governance, while supporting staff efficiency and compliance with applicable regulation and best practices. The functions in this segment employ cross-functional collaboration to effectively support other segments, for example the information management function's partnership with IT on the Modern Workplace project in this Schedule at Section 2.1.7.

Elexicon's increasingly sophisticated and complex environment, coupled with the growing customer and asset base have also led to similarly more complex insurance programs and increased directors' fees. In addition to the increased volume of insurance claims, in part due to increased incidence of theft across the industry, the utility has a growing risk profile from strategic, technological and operational changes, and inflation in rates due to external factors like increased claims from other insured parties. Elexicon has seen cost benefits from dedicated attention to the relationship with the insurer, leading to a better understanding of Elexicon's unique insurance requirements and more smooth resolution of claims for better outcomes on recouping costs associated with incidents. However, insurance premiums have

continued to rise over the historical and bridge periods, given industry trends and the insurer's business model. Elexicon periodically conducts full-scale reviews of insurance coverage to strategically select the most appropriate insurance program for the utility's profile, and to ensure appropriate coverage. Governance activities to address the merged utility's new circumstances have also required additional attention from the Board of Directors and Office of the CEO to respond to new pressures, such as Covid-19, supply chain constraints, and a growing customer base relying on aging infrastructure. As a result, directors' fees increased due to a greater number of board, standing, and ad hoc committee meetings required to support key strategic initiatives and projects. Despite these increases, the merged entity has achieved incremental cost savings by streamlining governance under a single board and single CEO's office, enabling Elexicon to respond more efficiently.

During the forecast period, Elexicon will hire additional legal staff to meet accelerating demand for legal advice and services, as pressures experienced in the historical and bridge periods continue, including continued growth in Elexicon's customer base and associated expansion of capital projects. The additional legal capacity will be essential to managing the growing workload and increasing complexity of emerging challenges.

To support continued growth in operational demands, both continued from the historical and bridge periods and novel developments, Elexicon will add staff to the privacy, information management, ERM, insurance and governance functions.

An additional internal resource will be shared between the privacy and information management functions. This resource will support the protection of sensitive and personal information, including managing the increasing volume of privacy and data risk assessments, facilitating advanced privacy-enhancing technologies, and leading organization-wide training and awareness on relevant privacy issues. This resource will also contribute to the information management function, ensuring robust oversight of data and information as Elexicon advances its digital transformation through initiatives such as Dx Next and the Modern Workplace Initiative. The added support for these functions will be essential to maintaining compliance and organizational readiness for anticipated legislative and regulatory developments in privacy, artificial intelligence, and data governance, such as Bill 194.

The ERM function will similarly expand with one additional resource to address the growing scope of risk management activities. This includes cyber security requirements and internal technological, strategic and operational initiatives, such as Dx NEXT and financing strategies. This resource will also support the trending increase in workload related to Elexicon's insurance program and maintain a constructive relationship with the insurer.

Governance costs are also expected to rise to provide oversight over the incremental funding required to manage upcoming debt financing, potential equity injections and debenture issuances. These activities will introduce new corporate filing, training, regulatory and legislative obligations. Additional ad-hoc committees are anticipated to align industry developments, such as Distributed Energy Resources, and Elexicon-specific challenges, such as rapid growth within the utility's service territory, implementing Elexicon's corporate strategy and capital investment plans.

Collectively, these changes reflect Elexicon's proactive response to a rapidly evolving business environment and its commitment to advancing strategic priorities. Staff will be added to support the implementation and ongoing administration of these initiatives to ensure continuity and operational efficiency.

These cost increases are in addition to expected steady rises in costs related to insurance premiums and the cost of the functions' programs, including physical record storage and prudent use of external consultants. Insurance premiums are expected to continue to increase above inflation as Elexicon's customer and asset base both grow, the utility's infrastructure ages, and claim rates increase across all insured parties. Physical record storage costs are anticipated to rise in the near-term above inflation but are expected to decline over the medium-term as records reach retention thresholds and electronic records and processes increasingly replace physical files. The use of external consultants will remain a strategic tool to support major projects and respond to external pressures, including regulatory directives. Given the organization's continued transformation and increasing complexities of the operating environment, program costs may rise above inflation to ensure Elexicon continues to receive the necessary expertise and mitigate risks associated with inadequate management of these functions.

8.4 Cost Management and Productivity Savings

Without the merger, each of Elexicon's legacy utilities would have been required to recruit internal resources or retain external consultants to deliver these functions. As a larger combined utility, Elexicon has been able to manage these new requirements with a lean resourcing complement that primarily relies on internal resources over external consultants to ensure accountability and align the segment with Elexicon's corporate strategy. Elexicon also experienced synergy from the merger savings by combining its MEARIE insurance premiums. Elexicon further generated savings through operation of a single Board with a lower number of directors than between the two legacy Boards, thus incurring lower administrative costs from Board administrators.

This segment employed productivity measures over the historical period to spend prudently and operate efficiently. It has avoided costs by reducing reliance on expensive external resources. For example, the privacy function internally delivered 29 consultations in 2024 and 33 by October 2025, thus avoiding spending on expensive external resources. Similarly, the internal legal counsel limits the need for more costly external legal services. Teams within the function have also generated templates, precedent documents, and internal advice documents and procedures on relevant topics to deliver advice efficiently, build internal expertise, and ensure streamlined, efficient processes. The segment expects that these practices and savings are sustainable.

Over the forecast period, this segment anticipates that the vendor management system being implemented in 2027 as part of the Dx NEXT project will improve the internal team's productivity by streamlining procurement and contract compliance, enabling risk assessments and vetting processes, and facilitating standard forms and documentation. Dx NEXT (See Appendix A to this schedule) and projects like the Modern Workplace Initiative (See Section 2.1.7 above) will automate certain aspects of information governance and remove time-consuming, manual administration associated with record retention and destruction. These measures will improve productivity by significantly reducing administrative work, will improve organizational access to important information resources that enable effective compliance, and will lower data storage costs. The Dx NEXT project will also improve enterprise risk reporting by improving quality and reliability of critical business data.

8.5 Variance Analysis

Explanations for material variances for this segment are provided below. The impact of inflation is included in the segment costs, however, variance explanations exclude inflation, as it is a common cost driver affecting all segments. A summary of inflation is set out in Exhibit 1 – Tab 5 – Schedule 2. Information pertaining to customer growth is presented in Exhibit 3 – Tab 1 – Schedule 1, and a detailed analysis of workforce and compensation planning is provided in Exhibit 4 – Tab 2 – Schedule 1.

2020 - 2021 Variance Explanation:

Costs increased by $0.48M from 2020 to 2021, primarily due to significant legal consulting incurred immediately following the merger to support integration activities and ensure compliance with regulatory and contractual obligations, as well as recruitment for the dual role of General Counsel & Corporate Secretary and providing support to the development of the enterprise risk management program, as part of the establishment of this segment. These increases were partially offset by merger savings from the consolidation of the Board, as well as insurance plans and corporate memberships, such as EDA and CEA.

2021 - 2022 Variance Explanation:

Costs increased by $0.39M from 2021 to 2022, primarily due to continued expenses related to the corporate strategy development and increases for existing corporate memberships. This is in addition to staff added mid-year to support the legal function as part of establishing this segment.

2022 - 2023 Variance Explanation:

Costs increased by $0.15M from 2022 to 2023, primarily due to additional staff to support the functions of privacy, information management, enterprise risk management, and insurance. This is in addition to the full year of expense for support to the legal function that were only partially incurred in 2022. These increases were offset from significantly reducing reliance on external consultants and improved efficiency through standardized internal processes.

2023 - 2024 Variance Explanation:

There was no material variance during this period.

8.5.1 2024 - 2027 Variance Explanation:

Costs will increase by $3.35M during this period, primarily due to the addition of staff to support functions across the segment. This includes governance, program administration and legal services, as well as increased activity to support Elexicon's corporate strategy. This is in addition to continued increases in insurance premiums for coverage of Elexicon's larger and more complex asset base.

8.5.2 2027 - 2031 Variance Explanation:

Costs are expected to increase by $2.24M during this period, primarily due to the increases related to insurance premiums, as well as additional staff to support legal services, privacy, information management, ERM, insurance and governance functions. The additional staff will support the various functions to manage increased volume and expanded scope and complexity of work, driven by customer growth and advancing digital transformation. This is in addition to steady increases in internal audit expenses and the cost and effort to manage the retention schedule and storage of remaining physical records.

9. LIST OF ATTACHMENTS

- Appendix A: Dx NEXT Project Summary
- Appendix A, Attachment 1: Dx NEXT Project Summary, Business Case
- Attachment 1 (Excel): OEB Appendix 2-M Regulatory Costs Schedule

EXHIBIT 4 - TAB 1 - SCHEDULE 6: APPENDIX A
“DX NEXT PROJECT SUMMARY”

APPENDIX A – DX NEXT PROJECT SUMMARY

1. EXECUTIVE SUMMARY

The Dx NEXT (Distribution NEXT) project is a foundational, multi-year cloud-based transformation initiative designed to modernize Elexicon's core business systems, strengthen cyber security, and enable scalable operations to meet the rapid growth in one of the province's fastest-expanding service territories. A detailed business case for this investment was approved by Elexicon's board of directors in December of 2024 and is attached to this schedule as Appendix A. This project summary details the need for this investment, anticipated benefits, options considered, costs, and Elexicon's execution approach.

Unsupported legacy systems present material cyber security, reliability, and operational risks, lack the scalability to meet rapid growth, and hinder regulatory compliance. Continuing to invest in aging infrastructure would be cost-inefficient and fail to resolve core capability gaps. Through a phased implementation over three years, Elexicon will obtain a cloud-based Customer and Enterprise Resource Platform ("ERP") to address urgent operational risks and position the utility for scalable growth and higher productivity. The chosen solution is an integrated, cloud-based architecture built on SAP S/4HANA, SAP IS-U, and Smart Energy Water CX/WX. This solution will be supported by a strong data foundation and delivered by an experienced implementation partner, Capgemini.

The total costs for the implementation of this project are forecast to be $42M. Given the cloud-based nature of this platform, such costs are not capitalizable. Elexicon has tracked the actual and forecast implementation costs for 2025 and 2026 in the Cloud Computing Implementation deferral account and is proposing the costs scheduled to be incurred in 2027 to complete the implementation be added to those amounts and recovered over a ten-year period commencing in 2027. This ten-year recovery period aligns the expected duration of the investment's value with the recovery of costs, thus reducing rates in 2027, and ensuring intergenerational equity across ratepayers.

The Dx NEXT project is a key investment in Elexicon's core business infrastructure and will reduce business continuity risk, streamline workflows, improve asset visibility, and enhance customer self-service.

Standardized processes and centralized data will support scalability, enable future automation, and control long-term costs while improving transparency, efficiency, and service quality.

The implementation of Dx NEXT is forecasted to reduce OM&A expenditures from 2027 to 2031 by $21.05M, as captured in Table 1, below. On a yearly basis, such savings amount to $4.21M, which offsets the proposed deferred implementation costs (total costs of $42M spread over ten years starting in 2027).

Table 1: OM&A Cost Savings Forecast from Dx NEXT Implementation

OM&A Cost	Description	2027 to 2031
Customer Care – labour ($M)	Labour efficiencies and avoided hiring in billing, customer care, collections.	8.12
Customer Care – non-labour ($M)	Reduced postage and printing.	5.29
Finance – labour ($M)	Labour efficiencies and avoided hiring.	2.42
Software Costs ($M)	Decommissioning and removal of legacy applications.	5.22
Total ($M)		**21.05**
Average Annual Savings (2027 to 2031) ($M)		4.21
Deferred Implementation Costs (2027 to 2036) ($M)[1]		4.20

Dx NEXT will align people, processes, and technologies so that Elexicon is positioned to deliver on its capital work program and enhance customer experience. This project is a prudent, forward-looking investment that will strengthen cyber security, enable operational scalability, and deliver sustained value to customers and the system—fully aligned with the OEB's expectations for secure, cost-effective, and reliable service delivery.

2. PROJECT DESCRIPTION

The Dx NEXT project is a strategic initiative to replace Elexicon Energy's legacy systems with an industry standard integrated Customer and Enterprise Resource Planning ("ERP") cloud-based solution. The current systems are comprised of outdated customized infrastructure that requires costly maintenance, limits

[1] Before carrying charges applied.

functional performance and hampers operational efficiency. Moreover, these end-of-life and unsupported applications present a significant cyber security risk.

The implementation of this foundational cloud technology investment through Dx NEXT is a three-year project that began in 2025. Dx NEXT replaces aging, legacy systems that support critical business functions with modern, scalable solutions to mitigate the risk of business interruption and ensure that Elexicon is equipped to meet the increasing demands of a rapidly growing customer base. By integrating core business functions, Dx NEXT will enable the effective execution of scaled work programs and projects required to sustain, modernize, and expand Elexicon's grid infrastructure in service of its customers and communities.

To ensure a fair, transparent, and comprehensive procurement of its ERP solution, Elexicon conducted a formal RFP (Request for Proposal) process in 2024, with active participation from representatives across all functional areas. This cross-functional collaboration ensured the RFP reflected Elexicon's operational, technical, and strategic requirements, and resulted in a cost-competitive solution that will deliver value for ratepayers. As a result of the RFP, Elexicon selected Capgemini as its implementation partner.

Throughout the RFP process, Elexicon engaged audit support to review the process and confirm alignment with industry best practices. The auditor evaluated both the RFP content and the scope of work, with formal attestations issued to support due diligence and final contract execution.

2.1 Overview of Technical Solution

The Dx NEXT solution integrates the stable and pre-built SAP S/4HANA core with SAP Service Cloud and Fiori Applications; and Smart Energy Water's (SEW) Customer Experience (CX) and Workforce Experience (WX) modules. Figure 1 below provides a view of the anticipated future state architecture.

Table 2 illustrates the software applications to be fully implemented by Q1 2028.

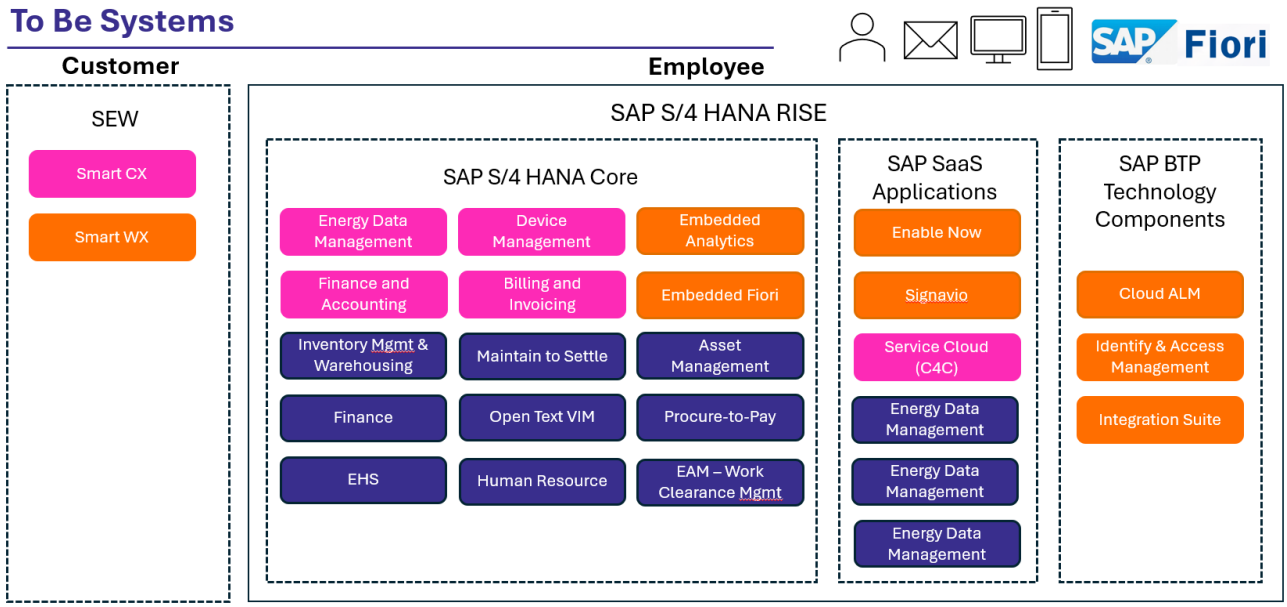
Table 2: Software Applications to be implemented by Q1 2028

Customer Experience Applications	SEW – Customer Experience Platform
	SEW – Field Workforce Management (Meter Shop)
	SAP – Customer Information System
	SAP – Energy Data Management
Core ERP Applications	SAP – S/4 HANA (Asset + Finance)
	SEW – Field Workforce Management (Construction, Maintenance and Trouble)
	SAP – Success Factors (Human Resources)
	SAP – ARIBA (Supply Chain + Procurement)

The Dx NEXT solution architecture contains a combination of services deployed on cloud applications:

- Infrastructure as a Service (IaaS) in Microsoft Azure, Platform as a Service (PaaS) deployed hosted by SAP in Microsoft Azure Platform, and Software as a Service (SaaS).
- The Customer Solution includes a combination of SAP IS-U (SAP's specialized module for managing utility-specific business processes, that integrates with core ERP functions) along with the SEW CX product suite to support business functions such as meter reading, meter data management, scheduling, billing, invoicing accounting, customer service, and integration to customer relations management.
- The Core ERP solution comprises of a combination of SAP IS-U, SAP ERP Success Factors, SEW Digital Customer Experience ("SEW CX"), and SEW's Digital Workforce Experience ("SEW WX") product suites, which are all cloud-based solutions, and meets a majority of in-scope functionalities out-of-the-box.

Figure 1: Future State Architecture



2.2 Delivery and Support of the Dx NEXT Project

After an extensive RFP process, Elexicon engaged Capgemini, a globally recognized implementation partner with extensive enterprise system experience, to lead the delivery of Dx NEXT. Capgemini is responsible for end-to-end delivery, including solution implementation, licensing, contract management, and ongoing application support. This integrated approach ensures accountability, reduces coordination risk, and secures long-term value for ratepayers.

2.3 Features of Service Agreement

The holistic nature of Elexicon's arrangement with Capgemini provides:

- Access to secure, standardized solutions that meet technical and cyber security requirements.
- A single accountable partner responsible for both licensing and implementation.
- Competitive pricing and procurement efficiencies through bundled contracts. To protect ratepayers, Elexicon negotiated a fixed cost arrangement to support and sustain the solution for a ten-year term.

2.4 Implementation and Governance Benefits

By consolidating delivery under one accountable partner, Elexicon ensures:

- Reduced duplication – eliminating overlapping roles and governance overhead.
- Faster issue resolution – clear accountability avoids disputes and delays.
- Risk mitigation – fewer integration hand-offs lower the chance of schedule overruns and cost escalation.
- Lifecycle cost control – built-in service levels and accountability reduce long-term operating costs.

Implementing a modern ERP system requires specialized skills and dedicated focus that exceed Elexicon's in-house capabilities. To ensure a successful outcome, minimize risk, and maintain continuity of core services, it was necessary to select an implementation partner with the required expertise in ERP delivery within the utility sector. This consideration informed its selection of the implementation partner (Capgemini), as well as the pacing of the implementation phases of the project. This structure reflects prudent planning, ensuring the ERP solution is delivered efficiently and in alignment with customer-focused outcomes.

2.5 Sustainment and Ongoing Support

Capgemini will provide sustainment services following implementation, including:

- Ongoing support, maintenance, and updates to keep the system secure, functional, and compliant with evolving business needs.
- Accountability for service levels, reinforced through oversight practices that track performance against contractual expectations, and promote transparency.
- Accountability for licensing obligations, maintenance, performance (including availability), and continued integration of all solution components.

System performance, cost control, and customer value will be maintained long after implementation is complete because Elexicon has secured locked-in service levels and support commitments. These terms ensure that the Elexicon benefits from predictable costs, sustained system performance, and consistent customer value well beyond the implementation phase. By securing these terms upfront, the agreement

minimizes future volatility, protects ratepayers from escalating support expenses, and guarantees ongoing access to expert resources needed to keep the ERP platform stable, secure, and optimized.

3. PURPOSE OF DX NEXT

Elexicon faces two large challenges: contending with a significant cyber risk due to end-of-life systems that are no longer supported and serving a fast-growing service territory which requires significant investments. The manual processes across the utility need to be digitized and automated to enable Elexicon to efficiently and effectively execute the higher levels of work that are necessary to meet growing customer demand, and address critical system risks impacting reliability performance.

3.1 Key Challenges: Technology Risk

Elexicon's legacy systems have:

- End-of-life applications that no longer receive vendor-issued security patches, compliance updates, or technical support. This significantly increases cyber risk, leaving critical systems exposed to evolving threats and reducing the ability to meet regulatory expectations for secure operations.
- Lack of integration across systems that impairs real-time data flow, limits visibility into operations, and reduces ability to respond effectively to outages, asset failures, or customer service needs.
- Unsupported platforms that are inherently unstable, more vulnerable to intrusion, and costly to maintain, all of which compromise the reliability of essential business processes.
- Manual, non-automated processes that can impact service timelines and accuracy performance and require greater operational effort and coordination (for example, the current billing process is highly customized, and requires manual batch processing).

3.2 Key Challenges: Ability to Scale a Growing Work Program

Elexicon's legacy systems are increasingly impeding its ability to plan and scale operations in line with the accelerating growth and assets in need of replacement across its service territory. These systems lack the integration, automation, and visibility required to effectively manage rising volumes of customer connections, capital work, and day-to-day operational activity. Prior to Dx NEXT implementation, Elexicon

was poised to face increasing difficulty in maintaining service levels and operational performance without disproportionate increases in manual effort and cost.

Key challenges include:

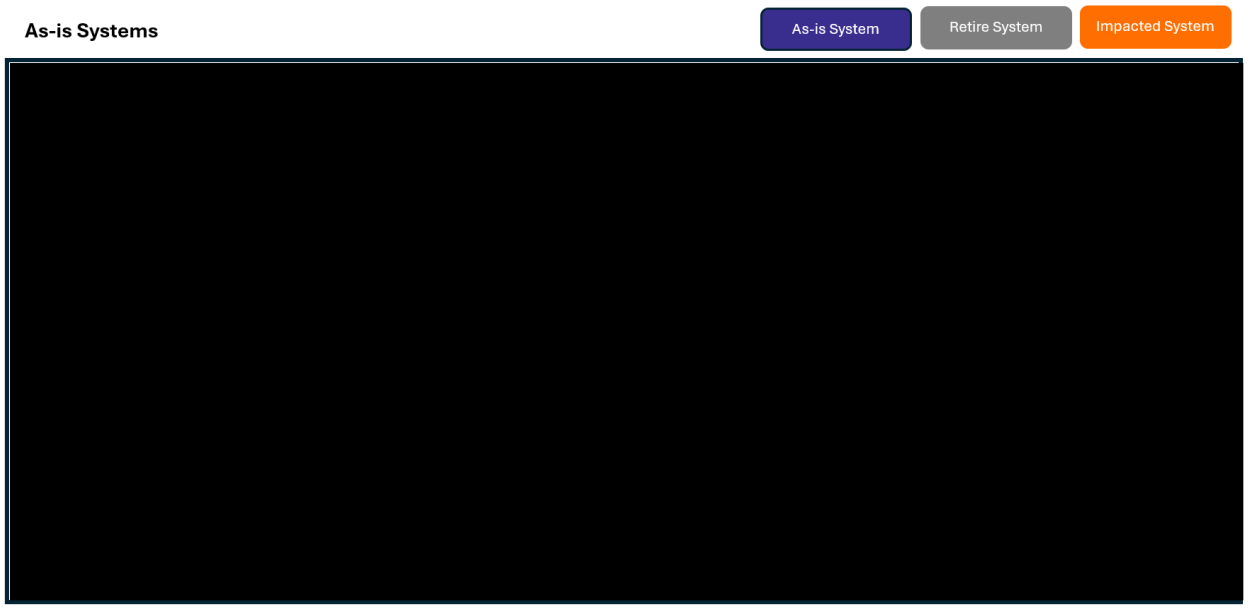
- **Customer Connections and Service Orders**: The absence of a modern, unified platform limits the ability to efficiently intake, plan, schedule, and execute new customer connections. This leads to delays and hinders project coordination and communication both internally and with external stakeholders.
- **Capital Project Planning and Execution**: Without integrated tools for capital planning, work prioritization, and resource allocation, the ability to scale capital work programs will be exceptionally challenging. By automating workflows and enabling data-driven prioritization, a new ERP system allows Elexicon to manage growth in the capital program without proportionally increasing staffing levels. Dependencies are flagged in real time, and schedules across related projects can be adjusted to minimize idle time. This means that as Elexicon's capital work plan grows, additional capital work can be executed without the proportionate growth in staffing, as resources can be utilized more efficiently.
- **Vendor Management, Sourcing, and Procurement**: Current systems lack coordination across procurement functions, required manual processes to coordinate vendor selection, contract management, and material sourcing.
- **Materials Management and Supply Chain**: Fragmented tools and manual tracking impair inventory visibility and material forecasting, which in turn affects construction and maintenance timelines, especially as supply chains grow more complex.
- **Field Work Planning, Scheduling, and Dispatching**: Without real-time, integrated scheduling capabilities, optimizing field workforce deployment is challenging. This limits responsiveness, drives up operational costs, and can delay customer or capital work completion

3.3 Overview of Discovery Work – Assessing Challenges

To determine how to address the challenges and risks identified, Elexicon undertook an enterprise-wide technology and business process assessment in 2023 to identify opportunities for improvement across the

organization. The review focused on understanding current limitations, aligning emerging business needs with strategic objectives, and evaluating how digital capabilities could support long-term performance and reliability. As a recently amalgamated utility responding to electrification trends, customer growth, and infrastructure renewal requirements, Elexicon identified that its legacy and fragmented systems posed material risks to operational continuity and service quality. The technical architecture in Figure 2, below, represents Elexicon's system landscape as of 2023. It highlights several end-of-life and unsupported platforms, which reinforced the need for a modern, integrated digital foundation.

Figure 2: Elexicon's Technical Architecture as of 2023



Per Figure 2, an "As-is System" will continue to operate alongside the new solution, while an "Impacted System" will require some degree of modification/integration to operate in a future state. A "Retired System" will be decommissioned or no longer used, as part of the Dx NEXT solution.

3.3.1 Independent Validation and Alignment with Priorities of Customer-Focused and Operational Effectiveness

To ensure Elexicon's replacement solution was aligned with industry practices, an independent third-party consultant (IBM) was engaged in 2023 to validate internal findings and assess the appropriateness of the

potential adoption of an ERP solution. This engagement served as an objective review of the scope, urgency, and nature of Elexicon's digital modernization needs.

A cross-functional team of 38 staff collaborated with IBM to map approximately 120 utility business processes, evaluate the existing application landscape, and benchmark future-state solutions. The review concluded that 94% of processes aligned with standard "out-of-the-box" ERP capabilities—supporting an efficient and low-customization implementation path. This assessment confirmed that most legacy core applications, many of which were on-premises and were nearing end-of-life, requiring frequent upgrades to meet cyber security and reliability expectations, needed to be addressed. Not only were individual applications posing business risk, but the lack of integration of existing applications and data greatly inhibited Elexicon's ability to execute a larger work program. IBM's review affirmed Elexicon's internal analysis that Elexicon needs to address core capabilities to resolve critical risks, including the ability to meter, bill and serve its customers, and the ability to manage and construct the infrastructure needed to serve customers.

Based on these findings, in 2024, Elexicon launched a Request for Proposal (RFP) for the design, implementation, and managed support of an integrated, technology platform.

Table 3: Summary of Legacy Systems

Legacy System	Purpose and functional Limitations	Key Risk
Tableau	Data Visualization Tool	Lack of integration
[Redacted]	Customer Portal	Cyber security risk (uses legacy code)
[Redacted]	Customer information and billing software	End of Life. This software is no longer supported from the vendor -including security patching, issue resolution. This results in an operational risk, including security vulnerabilities, compliance issues, reliability issues (including regular downtime), and lack of vendor support resources to resolve issues. Significant customized manual processes required for billing data extraction, settlements and bill presentment.

Legacy System	Purpose and functional Limitations	Key Risk
[Redacted]	Utilities Mobile Workforce Management ("MWFM"), [Redacted] allows service order information to flow from the office to the field and back, resulting in a real-time flow of service-order data.	End of Life. No support from the vendor -including security patching, issue resolution. This results in an operational risk, including security vulnerabilities, compliance issues, reliability issues (including regular downtime), and lack of vendor support.
Kinetiq	Wholesale and retail settlement system	Integration limitations
Aegysis	Server monitoring	Tied to unsupported applications
Clevest mobile Workforce Management	System designed to optimize field operations through real-time scheduling, dispatching and tracking of field personnel	Reliability challenges, requires significant customization, challenges with support, difficult to integrate with ERP systems.
Hexagon/Intergraph	Software solutions that facilitate the collection and analysis of asset condition data for informed decision-making (Asset Condition Data)	Heavily customized and challenging to support.
[Redacted]	A solution used for financials	End of life in 2029 and will no longer be supported.
[Redacted]	Performance management tool used to support budgeting, forecasting	Integration issues.
[Redacted]	A human capital management platform that combines HR, payroll, benefits, workforce management, and talent management	Application limitations, integrations required.

4. COSTS

4.1 Project Cost Overview

The total cost of implementation is $42.00M from 2025 to 2027, per Table 4, below. Table 5 below provides a description of the cost components and estimated amounts for each component.

Table 4: Dx NEXT One-time Implementation Costs – Total for 2025 to 2027 ($M)

2025	2026	2027	Total
15.64	6.87	19.49	42.00

Table 5: Detailed Cost Description by Year and by Project Component (2025-2027)[2]

Project Cost Component	Description of Component	2025 Forecast ($M)	2026 Forecast ($M)	2027 Forecast ($M)
Design	Covers all costs during the design phase. Includes activities related to the planning and design of the ERP solution (e.g., SAP S/4HANA and SEW). Includes licensing/hosting subscription costs for the solution (e.g., SAP S/4HANA and SEW) and consulting costs associated with the design phase of the ERP solution related to: - Business process mapping and solution blueprinting - Requirements gathering workshops and fit-gap analysis - High-level data migration planning - Integration planning with 3rd party systems (e.g., Green Button, Genesys, MDMR, banks)	[Redacted]	[Redacted]	[Redacted]

[2] Numbers have been rounded.

Project Cost Component	Description of Component	2025 Forecast ($M)	2026 Forecast ($M)	2027 Forecast ($M)
Build	Covers all costs in the Build Phase. Activities related to the configuration, development, and testing of the ERP solution (e.g., SAP S/4HANA and SEW). Includes ongoing licensing/hosting subscription costs and consulting costs related to: - System configuration and functional development - Interface development and third-party system integration - Data migration execution and validation - Functional, integration testing - Costs also include costs to integrate with 3rd party tools (e.g. green button, Genesys, banks, MDMR, etc.) - Development of training materials, communication and change management.	[Redacted]	[Redacted]	[Redacted]
Testing	Covers costs in the Testing Phase of the project. All activities related to testing and validating the ERP solution (e.g., SAP S/4HANA and SEW) to ensure it meets business and technical requirements. Includes costs related to: - Test planning, script development, and execution - Functional, system integration testing, and end-to-end business process testing - User acceptance testing (UAT) preparation and execution - Penetration Testing - Issue tracking, resolution, and defect re-testing - Training of end users and subject matter experts	[Redacted]	[Redacted]	[Redacted]
Go Live and Transitional Support Costs	Covers all activities required to prepare for and support the initial deployment of the ERP solution (e.g., SAP S/4HANA and SEW). Includes consulting and support costs related to: - Cutover execution - Final data migration and validation - Deployment of production environments and system readiness checks - Hypercare support post go-live to stabilize operations - Knowledge transfer and support transition to operational teams - Consulting/advisory partner support during go-live and stabilization	[Redacted]	[Redacted]	[Redacted]

Project Cost Component	Description of Component	2025 Forecast ($M)	2026 Forecast ($M)	2027 Forecast ($M)
Data Foundation	Covers activities to assess, define, and prepare Elexicon's core data for ERP implementation. Includes efforts related to: - Assessment of current-state data across key systems and identification of data quality issues - Design of future-state master data model aligned to SAP leading practices - Data mapping, cleansing, and enrichment for transition to S/4HANA - Establishment of standardized data structures to support finance, HR, asset management, and supply chain - Development of the data strategy to align legacy data with ERP requirements - Documentation of findings and preparation of the data migration scope for the Core ERP implementation - Process analysis and standardization adopting standard utility model	[Redacted]	[Redacted]	[Redacted]
Total		**15.65**	**6.87**	**19.49**

4.2 Cost Recovery

As discussed in Exhibit 9 - Tab 3 - Schedule 5, Elexicon is tracking the implementation costs related to Dx NEXT in the Cloud Computing Implementation Costs Deferral Account, which was established by the OEB in 2023. Although this account is only meant to capture cloud implementation transition costs incurred in the period prior to the utility's rebasing, given the integrated and multi-year nature of the Dx Next project spanning both rate periods, Elexicon requests OEB approval to track the entire project cost in this account. Given benefits of the Dx NEXT project will accrue for several years after the implementation phase, the period of cost recovery should align with the length of the period of the service contract. Elexicon is proposing recovery of all implementation costs be spread over ten years through rate riders commencing in 2027 (see Exhibit 9 - Tab 3 - Schedule 5).

5. OPTIONS ANALYSIS

5.1 Competitive and Comprehensive Vendor Selection Process

Given the risks and deficiencies associated with the legacy systems, a "do nothing" approach was not viable. Elexicon undertook a comprehensive assessment of delivery options for a cloud-based ERP in advance of the competitive Request for Proposal (RFP) process. The RFP process was structured to ensure meaningful evaluation of available proposed solutions, with particular consideration of implementation timelines, delivery models, and long-term value. This approach ensured the solution and vendor partner selected align with the needs of the organization, and mitigated implementation risks.

5.2 RFP Design and Oversight

The RFP was conducted in 2024 with input from all major functional areas to ensure requirements were fully represented. The RFP and the functional requirements were deliberately system/application agnostic to promote the broadest possible solution proposals. Contracting expertise was provided by external legal counsel and third-party process review support was acquired, attesting that the process was fair, compliant with procurement requirements, and aligned with industry best practices. Proposals were evaluated against clear criteria: solution completeness, ability to execute, and commercial terms.

5.3 Market Response and Options Considered

Elexicon received four comprehensive proposals from experienced vendors. While the RFP was technology agnostic, all proposed solutions were based on SAP S/4HANA and Smart Energy Water (SEW) platforms, all of which were cloud-based, which provide an industry standard solution that enhance operational efficiency, and customer engagement and comply with cyber security requirements. While the technology platforms were consistent across proposals, vendors differed in their delivery models and commercial structures. Submissions included models that offered software licensing, implementation services, and support under a single accountable partner. This approach also provided significant pricing advantages and [Redacted].

5.3.1 Vendor Selection Criteria

Each of the proposals received for the Dx NEXT program were evaluated by a cross-functional team of 15 subject-matter experts using a structured, weighted scoring framework. The assessment was guided by three key criteria:

1. **Completeness of Solution**

   Each functional area evaluated whether the proponent's proposed capabilities and solution design met Elexicon's business, technical, and regulatory requirements.

2. **Ability to Execute**

   A qualitative assessment of each proponent's capacity to successfully deliver the program, including supplier qualifications, proposed project team, delivery methodology, data conversion approach, testing strategy, change management and training framework, security posture, software hosting model, and integration with legacy systems.

3. **Commercial Terms**

   Assessed by the Procurement team, this component evaluated total cost of ownership, including one-time implementation costs and ongoing operating costs. It also included adherence to Elexicon's contractual requirements.

Given the scale, complexity, and strategic importance of Dx NEXT, it was essential that the selected partner demonstrate deep knowledge of utility business practices and a clear understanding of how the envisioned solution would enable improved operational efficiency and customer outcomes. Capgemini—an established global leader in smart-meter and utility IT systems—brings extensive sector experience, proven delivery methodologies, and insights gained from similar utility transformations worldwide. Their blend of local expertise and industry-leading practices reduces implementation risk, strengthens solution design, and enables Elexicon to leverage lessons learned from comparable projects.

Following this comprehensive evaluation, Elexicon selected Capgemini as the implementation partner, as their proposal provided a cost effective, complete and capable solution to meet the utility's business needs and deliver long-term value for customers and ratepayers. Capgemini's solution provided the best value for ratepayers.

5.4 Implementation Approach

As described above, Elexicon carefully evaluated multiple execution models for delivering a greenfield cloud-based Enterprise Resource Planning (ERP) system. Figure 3 below illustrates these options.

Figure 3: Options Analysis – Implementation Approach and Timeline

	Option 1	Option 2	Option 3	Option 4	Option 5
DRIVER	Accelerated Big Bang	Evolve the Core and Enable Rebasing *PACED*	Readiness + Rebasing + Risk Optimized *PACED*	Evolve the Core & Enable Rebasing *CONSTRAINED*	Capacity and Change Readiness *CONSTRAINED*
Program Portfolio Considerations (Rebasing)	◑	◕	◕	◑	◔
Resource Capacity (Availability) & Cost Optimization	◕	◕	◕	◑	○
Risk Aversity (Operational & Business Disruption)	○	◑	◕	◕	●
Pain-Point Alleviation & Speed to Benefits	●	◕	◔	◔	○
Change Readiness	○	◕	●	◑	○
Technology – Legacy Investment Avoidance	●	◕	◕	◔	○
Improvement and Innovation	*Dx NEXT is an initiative around elevating capabilities core to the Utility and will become an enabler of Innovation.*				
			Preferred Option		

5.4.1 Options Analysis

Option 1: 16-Month Delivery (Single Go-Live – "Accelerated Big Bang"): This option would implement all ERP systems at once in a compressed 16-month schedule, requiring significant, simultaneous business involvement across the organization. While this approach accelerates delivery, it presents a high degree of deployment and operational risk, as any go-live issues would impact all critical business functions at the same time.

Option 2: 20-Month Delivery ("Evolve the Core and Enable Rebasing"): This pacing option would extend the implementation to 20 months, allowing for a more balanced and focused use of internal and external resources. It would likely reduce scheduling pressure and supports a more manageable transition, resulting in reasonable project costs while still delivering the ERP solution within an efficient timeframe.

Option 3: 36-Month Delivery (Two-Phase Implementation with Customer First – "Readiness + Rebasing + Risk Optimized"): This option delivers the ERP solution over 36 months, with a phased approach that prioritizes the Customer Information System (CIS) first (and addresses a key cyber risk), followed by remaining ERP functions. It enables a focused allocation of internal resources, limits schedule overlap, and reduces delivery risk compared to a single go live. Implementing the CIS early provides timely benefits, including improved billing scalability, reduced manual interfaces, enhanced cyber security by retiring the highest-risk legacy system first, and a better customer experience through modernized digital tools.

Option 4: 36-Month Delivery (Extended Overlap Minimization – "Evolve the Core and Enable Rebasing – Constrained"): This option also spans 36 months but significantly limits resource overlap to further de-risk implementation activities, resulting in a more gradual pace. However, the extended schedule increases overall project costs and delays the realization of customer and operational benefits. In addition, this approach presents challenges in securing key financial resources due to competing priorities, including preparation for Elexicon's rebasing application, making execution and coordination more difficult.

Option 5: 33-Month Delivery (Five-Phase Implementation – "Capacity and Change Readiness – Constrained"): This option would extend the delivery to 33 months with five separate go-lives, breaking the work into smaller functional deployments to minimize individual business risk. However, the significantly longer schedule substantially increases project costs and delays the realization of benefits for customers and the organization. The slow pace of change increases the likelihood of program fatigue and turnover within the project team, posing risks to continuity and alignment of solution design throughout the program lifecycle.

Table 6: Options Analysis Summary Table

OPTION 1	OPTION 2	OPTION 3	OPTION 4	OPTION 5
COST				
Reasonable cost due to focused effort	Reasonable cost due to focused resource effort	Reasonable cost due to focused resource effort	Increased cost due to resource constraints.	High cost due to extended duration
RESOURCING				
Resource capacity a concern as this option assumes unconstrained business support. Deployment risk is high as this impacts all business operations at once.	Resourcing capacity of some concern given requirements of business to meet timeline.	Minimizes some overlap with competing priorities to account for resource constraints.	Focusing on Finance and Asset Management first, puts resourcing at risk with competing strategic priorities.	Capacity constraints less pronounced than Options 1 and 2, moderate capacity alleviated over Options 3 and 4, but high risk of turnover within project team.
BENEFITS				
Faster attainment of process efficiencies. Brings early benefits and addresses ability for billing engine to scale with growth, removing manual interfaces, readiness, eliminates largest cyber security risk. Attainment of operational and financial process efficiencies.	Attainment of benefits similar to Option 1, delays most pressing cyber security risks.	Advances benefits related to customer information system: improved billing, ability to scale, reduction of manual processes, and addresses most urgent cyber risk.	Attainment of benefits similar to Option 3, but delays most pressing cyber security risks.	Benefits slow to materialize and protracted duration risks program fatigue, turnover, disruption. Focused functionality per 'go-live' minimizes some business risk (fewer systems implemented at each go-live).
FEASIBILITY				
Limited. Elexicon not staffed to handle intense deployment. Simultaneous go-live would require all major systems to transition at once, significantly elevating operational risk due to the scope, interdependencies, and concentrated	Limited. Elexicon not staffed to handle concentrated deployment. Unable to deliver other competing priorities. Risk: Medium	Attainable. Less capacity constraints. Risk: Low to Medium	Attainable, but with added costs. Risk: Medium	Attainable, but with added costs. Risk: Medium

change across the organization. Unable to deliver other competing priorities. Risk: High				

1

2 5.4.2 Timeline and Approach – Key Considerations

3 As noted in Figure 3, and Table 6, a "big bang" approach, where all core business functions and systems
4 are replaced at once, was considered (Option 1). This approach was ultimately rejected due to its
5 significant execution risks, operational demands, and incompatibility with current organizational and
6 resource capacity. This type of implementation would have required intensive, organization-wide
7 transformation over a compressed timeline during a period in which Elexicon was already managing
8 multiple strategic priorities, including its first rebasing application as a merged utility, foundational data
9 remediation, and growing capital delivery requirements. Moreover, such an approach would have
10 introduced a single point of failure, heightening the risk of disruption to billing, financial reporting,
11 procurement, and customer service.

12 For a utility of Elexicon's size and scale, these risks were deemed unacceptably high. Instead, Elexicon
13 adopted a deliberate, phased approach, beginning with the implementation of a modern, cloud-based,
14 Customer Information System (CIS). This decision was grounded in an urgent need to address cybersecurity
15 vulnerabilities and operational fragility in the legacy CIS, which could no longer [Redacted], or integration
16 with enterprise-grade controls.

17 Deferring this investment would have exposed Elexicon to material risks—[Redacted] – directly affecting
18 revenue, compliance, and customer trust. The phased strategy enables it to mitigate those risks early while
19 preparing for the broader cloud-based ERP implementation through staged readiness efforts, including
20 data governance, business process design, and change management. This approach reflects sound
21 planning, reduces systemic risk, and supports a stable, scalable foundation aligned with the OEB's
22 expectations for prudent investment, secure operations, and cost-effective service to customers.

6. PROJECT EXECUTION

The implementation of Elexicon's cloud-based CIS/ERP will be executed over three distinct phases. The order of the phases was determined by the degree of risk of existing infrastructure to be replaced, the readiness of the business, and the availability of internal resources.

Figure 4 below illustrates the implementation phases and the key components of those phases.

Figure 4: Dx NEXT Implementation Phases

Implementation Phase	1 Customer	2 Utility Data Foundation	3 CORE ERP
Year of Implementation	**2025**	**2026**	**2027**
Components	• SEW – Customer Experience Platform • SEW – Field Workforce Management (Meter Shop) • SAP – Customer Information System • SAP – Energy Data Management	• Asset Definition (Policies and Standards) • Asset Location Data Migration • Asset Condition Data Migration • Power System Network Model Migration • Elexicon Asset Hierarchy	• SAP – S/4 HANA (Asset and Finance) • SEW – Field Workforce Management (Construction, Maintenance and Trouble) • SAP – Success Factors • SAP – ARIBA (Supply Chain and Procurement)

6.1 Phase One: Customer Components

The Customer Phase (Phase One) addresses the areas with the most urgent cyber risks, integrates customer data systems, reduces manual processes, enhances direct customer interactions and uses data to improve decision-making.

Expected Outcomes: [Redacted]. Significantly increased operational efficiencies, transparency and data-driven decision making.

- **Security:** [Redacted].
- **Service Optimization:** Assess and enhance customer service operations. Implement a customer portal along with mobile workforce management tools and apps to improve service accessibility and user experience. Seamlessly integrate new and existing technologies to streamline customer service processes and enhance efficiency.
- **Data and Analytics**: Develop capabilities in business intelligence and performance metrics to drive strategic decisions. Establish a comprehensive data governance framework that ensures data integrity and security, supporting reliable analytics.

6.2 Phase Two: Utility Data Foundation

Given the criticality of accurate and useable data for successful implementation of an ERP system, as noted, Phase Two entails the designing, constructing, and cleansing of key data components prior to the commencement of the Core ERP implementation phase. Elexicon must ensure data is useful, well-constructed and compatible with a modern platform, otherwise, poor data would jeopardize the timeline of Phase Three (Core implementation) with delays and unforeseen implementation costs. This essential implementation step requires significant internal resources and will be conducted over the course of 2026.

This phase will start with an initial data assessment to understand current data and to define the data strategy. The phase will then focus on defining data global standards and target structures followed by data design, gap analysis, transformation and building data structures. The final proof of concept data will be loaded in the vendor's 'sandbox system' for design and testing.

Expected Outcomes: Phase Two will establish industry standard data structures for Finance, Human Resources and Asset Management while addressing related integrations to Production Operations, and Supply Chain data that are enabled through the solution.

6.3 Phase Three: Core ERP Implementation

Phase Three is the implementation of the core ERP which integrates operational areas, including, Asset Management, Program Delivery, Construction and Engineering, as well as Finance and Supply Chain Management. This phase will also integrate the functionalities for HR/Payroll, Health, Safety and Environment (HSE).

Expected Outcomes: Streamlined operations and improved efficiency across finance, and procurement, and improved capital planning and prioritization within the Elexicon's asset planning function. Provides ability to scale and execute Elexicon's work program and realize productivity gains related to service and maintenance costs. Elexicon will also be able to improve the deployment of its field workforce and improve safety practices.

6.3.1 Summary of Key Outcomes in Phase Three

Area	Key Outcomes
Asset Management, Program Delivery, Construction and Engineering	• Manage and optimize service delivery and construction resources and utility network operations. • Enhance mobile workforce management tools and maintain productive assets.
Finance	• Streamline financial operations as reporting, planning, accounting, project billing and treasury operations by reducing manual processes, avoiding errors, and automating reporting.
Supply Chain Management	• Optimize material planning, requisitioning, and supplier management. • Implement strategic sourcing and contract management enhancements.
Human Resources	• Automate recruitment, onboarding, payroll, performance management, and talent management processes. Provide an effective workforce management and learning management systems.
Health, Safety and Environment ("HSE")	• Implement comprehensive HSE management systems, risk assessments, training management, and emergency preparedness • Develop sustainability data management and incident management protocols

6.4 Timing of Implementation

The Phases of Dx NEXT were determined by the urgency of replacement based on the risk profile of legacy systems. Elexicon decided to prioritize implementation of the Customer component due to known security risks. The current CIS environment presented [Redacted] that could not be adequately mitigated within the constraints of the legacy platform. Key risks included: security vulnerabilities, [Redacted], and operational fragility (increasing the likelihood of system downtime or manual workarounds). Elexicon assessed the consequences of deferring this investment and concluded it [Redacted] which would directly affect Elexicon's ability to collect revenue and erode customer trust. [Redacted].

6.5 Data Foundation Phase – Purpose & Impact

The adoption of a cloud-based ERP solution through Dx NEXT is considered a "greenfield" implementation, as it is the introduction of a new integrated platform, not the replacement of a pre-existing on-premises platform. As such, the data foundation on which the ERP operates needs to be identified, cleansed, standardized, and migrated from legacy systems to ensure the ERP can operate as intended. Elexicon's greenfield ERP implementation timeline has been designed to include sufficient time for foundational data preparation activities. Given that the new system is being built from the ground up, significant effort is required to prepare the data to ensure accuracy, integrity, and usability in the new environment. This work is essential not only to support core business functions such as billing, financial reporting, and asset management, but also to enable future automation, analytics, and regulatory compliance. The inclusion of this data foundation phase in 2026 mitigates implementation risk, such as potential costly re-work associated with data quality issues, and positions Elexicon for long-term success with a modern, integrated solution.

The timing of the second and third phases was guided by the Utility's need to ensure scalable tools were in place to support growth. The existing legacy systems did not provide the scalability required to manage the expanding capital work program, making the phased investment in a modern ERP essential to meeting future business demands. The proposed capital work program (2027 to 2031) is forecasted to increase significantly over the next five years, and the ability to scale to meet the demands of the program are critical.

In evaluating the timelines for the second and third phases of the project, Elexicon also considered resourcing capacity across key areas of the business to ensure that the implementation could be successfully carried out. Internal subject matter experts from Finance, Asset Planning, System Engineering, and Distribution Operations are essential for the design, configuration, and testing of the new solutions, as well as for establishing the data foundation and core ERP. These same resources are also committed to supporting early rebasing application activities in 2025 and part of 2026. To balance these priorities and maintain delivery quality, Phases Two and Three were scheduled for 2026 and 2027, respectively.

6.6 Change Management and Training

Within each phase of the Dx NEXT project, the successful implementation of a greenfield Enterprise Resource Planning (ERP) system relies not only on the underlying technology but also on the ability of the organization to adopt and sustain new processes and ways of working. To that end, change management and end-user training are critical success factors and integral components of Elexicon's ERP strategy.

This transformation represents a significant departure from legacy systems and long-standing business practices. Without structured change management and targeted training, Elexicon would face increased risk of adoption failure, operational disruption, and the potential loss of institutional knowledge. Proactive engagement with staff, clear communication of the business rationale, and hands-on support throughout the transition are required to ensure employees are equipped and confident to operate in the new environment. Change management efforts include stakeholder readiness assessments, communications, business process documentation, and feedback loops to support continuous improvement. Training will focus on role-based learning, embedded support tools, and post-implementation reinforcement to build organizational capability and maximize the return on this investment. These activities will ensure that Elexicon can fully realize efficiency, reliability, and scalability benefits of the ERP system—ultimately delivering better value to ratepayers.

7. BENEFITS OF DX NEXT

7.1 Overview of Project Benefits

In its business case (provided as an attachment to this schedule), Elexicon assessed all quantifiable benefits from Dx NEXT implementation over a ten-year period to align with the service term arrangement with Capgemini. Through this exercise, Elexicon identified benefits from both costs saved, as well as productivity, and evaluated the project's impact on both OM&A spending and capital work execution. In deciding whether to proceed with the project, it was essential to assess all benefits over the anticipated life of the service contract. The full sum of estimated benefits over the ten-year period is captured in the project business case, attached to this Appendix.

7.2 OM&A Savings – 2027 to 2031

In terms of OM&A costs savings specific to the rate term (2027 to 2031) Elexicon determined that the planned workforce requirements of Finance and Customer Experience could be reduced through the implementation of a modern CIS/ERP. Elexicon also identified reductions in non-labour OM&A through reduced billing costs, and the cost savings from the decommissioning of legacy systems. These OM&A savings (captured in Table 7 below, and in the summary section at the outset of this Appendix) are specific to the Customer Experience, Finance, and Technology segments of Elexicon's OM&A programs and have already been factored into the forecast OM&A spending outlined in Exhibit 4 - Tab 1 - Schedule 1.

Table 7: OM&A Cost Savings from Dx NEXT Implementation

OM&A Cost	Description	2027 to 2031
Customer Care – labour ($M)	Labour efficiencies and avoided hiring in billing, customer care, collections (18 FTE)	8.12
Customer Care – non-labour ($M)	Reduced postage and printing.	5.29
Finance – labour ($M)	Labour efficiencies and avoided hiring (6 FTE)	2.42
Software Costs ($M)	Decommissioning and removal of legacy applications.	5.22
Total ($M)		**21.05**

In evaluating the business case for Dx NEXT, Elexicon estimated all possible benefits by modelling costs and savings over a 10-year timeframe to align with the service term with Capgemini.

7.3 Project Benefits by Function Area

Customer Experience: The implementation of the Dx NEXT solution will deliver measurable improvements in customer service while reducing long-term operating costs (detailed in the Customer Care Program, see Ex. 4-1-5). By integrating back-end processes with customer-facing tools, Elexicon will unlock efficiencies that support greater customer self-service, including e-billing, online account management, and digital requests. These enhancements drive productivity by reducing manual interventions and enabling customers to resolve routine matters more quickly. As digital adoption increases, higher enrolment in e-billing will further streamline billing operations, creating digital conversion efficiencies. If Elexicon was to

maintain its legacy systems, it would have required the addition of 18 full-time positions to ensure continued customer operations. With Dx NEXT, the customer care program can manage an increasing customer base with minimal headcount additions over the 2027 to 2031 period. Overall, these productivity gains will translate into decreased OM&A costs, providing ratepayer value while enhancing service quality.

Asset Management and Distribution Operations: the Dx NEXT program will modernize how Elexicon plans, schedules, and executes its core field and asset management activities. By moving away from paper-based processes to integrated digital workflows, staff will be able to receive and complete work assignments more efficiently, while supervisors can optimize scheduling and resource allocation. Enhanced planning capabilities will improve predictability of contracted work volumes, allowing Elexicon to optimized use of per-unit pricing models that deliver greater cost certainty and efficiency. These process improvements will directly reduce overtime costs and eliminate the need for one additional future headcount to support the expanded work program. In parallel, improved oversight of subcontracted work and materials procurement is expected to result in more competitive subcontractor costs and materials spend. Taken together, these gains will enhance operational productivity and ensure that Elexicon's capital work program is delivered more efficiently.

Supply Chain and Procurement: Elexicon will gain integrated tools that strengthen procurement oversight and enhance competitive sourcing practices. Features such as automated three-way matching of purchase orders, receipts, and invoices will reduce errors, enhance compliance, and enable spending controls. By improving visibility into both direct and indirect categories of spend, procurement staff will be better positioned to negotiate favourable terms, enforce contract compliance, and optimize supplier performance. These improvements are expected to incur savings for sourcing and buying. Collectively, these benefits will increase accountability in purchasing practices and deliver sustained value for ratepayers through more efficient use of resources.

Information Technology: Elexicon will streamline its technology environment by replacing a fragmented mix of legacy applications with standard SAP functionality. This rationalization of the application landscape will significantly reduce the number of systems requiring support, while eliminating reliance on unsupported and end-of-life technologies that increase cyber risk and operational fragility. By

consolidating onto a modern, integrated platform, Elexicon will achieve an approximately 30% reduction in the number of applications currently maintained, lowering complexity and improving long-term sustainability. These efficiencies will improve system reliability, and create a secure, future-ready foundation to support ongoing business growth. In terms of cost savings, through the introduction of Dx NEXT, and the subsequent decommissioning of legacy applications, Elexicon estimates costs saved are approximately $5.2M over the 2027 to 2031 period.

Finance: the Dx NEXT program will transform Elexicon's financial management capabilities by automating key processes and integrating functions that are currently fragmented. Capital project planning will be seamlessly connected with asset management, enabling more accurate forecasting, tracking, and reporting of capital work. A fully integrated "record to report" process will improve data integrity and accelerate financial close cycles, while automation of accounts payable will reduce manual effort and errors. Together, these improvements will allow Finance and Accounting to meet the demands of a growing work program and customer base without the need to hire six additional staff. This avoidance of future headcount will reduce OM&A spend while ensuring that financial operations remain accurate, efficient, and scalable.

7.4 Project Benefits Related to Capital Productivity

In evaluating the benefits Dx NEXT confers to Elexicon's capital work program, Elexicon assumed benefits would not be fully realized until one-year following the Core ERP implementation, (i.e. 2029), as new systems require process-reengineering and adjustment to work methods. As the system is scheduled to go-live in late 2027, or early 2028, the productivity associated with the system will start to accrue over 2028 and continue to ramp up over the 2029 to 2031 period. The productivity benefits associated with capital expenditures flow from improved work management, greater visibility of anticipated volumes of contracted work which enable improved negotiating terms for subcontractor spend, as well as better tools to enhance procurement processes and competitive sourcing. Holistically, Dx NEXT will positively impact nearly all function areas and key processes across Elexicon's day-to-day operations. In sum, Dx NEXT will:

- Reduce Elexicon's business continuity risks that may arise from system and infrastructure failures related to unsupported legacy systems.

- Contribute to maintaining a robust cyber security posture.
- Improve employee satisfaction and effectiveness through streamlined, less cumbersome processes and better tools, standardized business processes, user interfaces, data management and systems integration.
    - Eliminate and reduce paper-based work, as well as manual reporting, reconciliation, compliance, and regulatory reporting.
    - Integrate workflows across finance, billing, market settlement, procurement, work and maintenance planning, inventory management and supply chain.
    - Digitize records and eliminate paper-based processes to improve training, build institutional memory, reduce lost productivity on employee turnover, and also reduce mistakes that cause delays and inefficiencies.
- Build a foundation to support future process automation opportunities and associated productivity gains and efficiencies; and,
- Provide Elexicon with greater flexibility to innovate and modernize its business processes in alignment with its strategic objectives and outcomes.
- Enable Elexicon's investment plan by making it possible to scale planning and operations to execute an unprecedented volume of work to meet the load growth and customer demand expected over the next decade.
- Provide better visibility of the entire asset lifecycle so Elexicon prioritizes work and reduces operational risks.
- Ensure training and certification tracking as part of work planning to ensure that resources with the right skills and certifications are dispatched to a job, thereby improving operational efficiency and protecting the health and safety of employees and contractors.
- Improve reporting and compliance, unlock the ability to track productivity, as well as improved management and audit reporting.
- Provide a centralized procurement system to improve sourcing compliance and vendor management.

EXHIBIT 4 - TAB 1 - SCHEDULE 6: APPENDIX A – ATTACHMENT 1
"DX NEXT PROJECT SUMMARY – BUSINESS CASE"

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Dx NEXT Business Case

December 23, 2024

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1. Executive Summary

Program Name	Total 10-year Cost
Dx NEXT	$ 61.6 million

The Dx NEXT program is a strategic initiative to replace Elexicon Energy's legacy systems with an industry standard integrated Customer and Enterprise Resource Planning ("ERP") cloud-based solution. The current systems are characterized by outdated infrastructure that are highly customized, require high-cost maintenance, and result in significant operational inefficiencies. Moreover, these end-of-life and unsupported applications present an extreme cyber risk.

Elexicon serves one of the fastest growing service territories in the province and needs to adopt an aggressive system investment plan over the next seven years. Manual processes limit Elexicon's ability to plan and execute a growing work program to meet demand. Dx NEXT will allow Elexicon to mitigate the critical security risks, and meet the increasing needs of its customers, system, and service territory.

The Dx NEXT Program will deploy a solution that integrates SAP's S/4HANA industry standard utility ("**SAP IS-U**") ERP platform with Smart Energy Waters ("**SEW**") customer experience technologies to improve operational efficiency and futureproof our technology infrastructure. The implementation is aimed at standardizing processes across Elexicon, implementing operational efficiencies, improving customer interactions, and ensuring scalability and agility to meet future industry demands and challenges.

To realize these benefits, manage project costs, and avoid reliability and cyber security risks, Elexicon plans to implement the envisioned ERP solution, combining SAP S/4HANA IS-U and SEW. The program will be rolled out from 2025 to 2029, and will be delivered in four phases, each designed to build on the successes of the previous phase and ensure a smooth transition to a modernized operational framework.



Given the criticality of the systems to Elexicon Energy's day-to-day operations, the maintenance of system reliability, and business continuity, initiating Dx NEXT program in 2025 is necessary to support current and future business processes in an efficient and effective manner.

Elexicon concluded following its request for proposal ("RFP") process that SAP's S/4HANA private cloud system integrated with SEW is the preferred option to implement. This solution provides Elexicon Energy with a fully supported system until at least 2040. The system offers enhanced stability, reliability, and maintenance capabilities, alongside functionalities that boost efficiency and modernize business processes in line with the utility's strategic objectives and outcomes.

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2. Project Overview

2.1. Context

Elexicon stands at a pivotal moment driven by rapid customer growth, evolving market demands, and the imperative for operational excellence. The utility sector's landscape is transforming, underscored by the urgent push towards decarbonization, electrification, and the integration of distributed energy resources. As Elexicon is experiencing rapid residential and commercial growth, the demand for electricity is increasing. However, Elexicon's ability to scale and innovate is constrained by existing operational challenges.

Elexicon is experiencing challenges managing outdated systems which place disproportionate burdens on staff. As a part of this project, Elexicon seeks to optimize its current business processes based on industry standards to support its people and processes both now and in the future.

The 'Dx NEXT' program is a multi-year set of foundational initiatives that will deliver cost effective and modern business solutions to support the needs and expected growth of its current distribution system. Elexicon is repositioning and realigning its people, processes, and technology to enable a bright and connected future for its customers. Guiding principles of the Dx NEXT program are:

- High performance through standardization in recording and reporting, driving consistency and reliability of information.
- A single source of truth for process execution by providing access to reliable data for information and reporting.
- Reorganize work around new processes rather than designing new processes around existing work methods. New processes may include new delivery methods.
- Integrated operations enabling collaboration internally across lines of business and externally with customers and partners.
- Shifting effort from past/reconciliation activities to more future looking strategic activities.
- Provide opportunities for Elexicon employees to build skills, learn and provide input

The need to adopt a solution that not only addresses Elexicon's current risks and inefficiencies but is also scalable to accommodate future growth and technological advancements in the energy sector, resulted in the Dx NEXT program. The objective of this initiative is to fundamentally transform Elexicon's operational backbone, making it agile, reducing operational risks, and to fulfill Elexicon's commitment to delivering safe and reliable energy. The end goal for Dx NEXT is to adopt standard, industry leading operating models, business processes and solution platforms that will:

- Reduce operational risk and administrative burden

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- Maximize business performance
- Position Elexicon for future growth
- Create a fresh start for adopting the "Elexicon way"
- Create improved productivity through clear accountabilities and seamless end to end, integrated processes

Dx NEXT is a technology solution with standard industry processes to support:

1. Customer Experience
2. Asset Management, Program Delivery, Construction and Engineering (including Distribution Operations, Manage Assets, and Capital Projects)
3. Supply Chain Management
4. Finance
5. Information Technology
6. Human Resources
7. Payroll Time and Attendance
8. Data Analytics
9. Health, Safety and Environment
10. Information Management.

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2.2. Background

In 2019, Veridian Corporation and Whitby Hydro joined forces to build Elexicon Energy. The merged entity inherited legacy systems across various platforms that are no longer supported and technology that has reached the end of its life posing cyber security risks to the organization. After extensive internal investigation of pain points, risks, and an enterprise-wide needs assessment, the Dx NEXT project was established to transform Elexicon's organization, processes and systems to be agile, reduce operational risk and to organize effectively to execute on its promise to deliver safe and reliable energy to their communities. The legacy utilities, as they were in 2017, with less impending cyber risk, and limited growth trajectories, were not of the size and complexity to warrant an ERP investment. However, as a merged entity that is now preparing for electrification, commercial growth, and dealing with aging infrastructure, the lack of cohesive and modern systems poses significant challenges to Elexicon's ability to serves our customers.

In 2023, the Dx NEXT project team was assembled to complete a detailed Discovery Engagement with IBM which took six months to complete and involved 38 participants in the organization.

During this discovery phase approximately 120 processes were reviewed, and it was determined that for 94% of the processes, Elexicon could adopt the standard enabled process. Approximately 66% of Elexicon's core technological infrastructure resides on-prem. Several of these systems are approaching or have reached the end of their lifecycle. Elexicon prioritizes regular system upgrades to incorporate the latest software advancements, typically staying one version behind to ensure a balance between stability and modern features. This approach often requires the adoption of cloud-based technologies. SAP was used as a credible reference technology solution to as it is adopted widely in the Utilities industry, and was used to assess processes, estimate implementation timeframes, costs and benefits associated with the transformation provide a baseline for the Business Value Case.

Based on the findings of Discovery Engagement, Elexicon received approval to initiate a comprehensive request for proposal ("RFP") process, seeking the design, implementation and ongoing provision of industry leading standard operating models and business processes enabled through an integrated technology platform. It was anticipated that the integrated technology platform would be a cloud-based solution, significantly reducing Elexicon's on-prem footprint, and enhancing its security posture.

Many utilities that initially implemented on-premise ERP solutions in the early 2000's are now incurring additional costs to upgrade or migrate to S/4HANA on the cloud as existing systems are reaching end of life and support. Elexicon, by entering the ERP space at a later stage, is benefiting on this timing by directly adopting a cloud-based ERP solution using a "greenfield' approach avoiding initial on prem ERP implementation costs many other utilities experienced.

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Elexicon began the search for a partner who could support the following:

A full architecture Solution with all corresponding software licenses procured through the Proponent on a [redacted]:

- Comprehensive integration of all system components for seamless functionality.
- [redacted] software licensing agreement ensuring consistency and support.
- Strategic procurement from a single vendor to streamline operations.
- [redacted] commitment, securing future operations and software updates.
- Full-system support and maintenance included for the duration of the term.
- Secure, reliable, and scalable hosting services.

One-time professional services to implement the Solution:

- Expert setup and configuration tailored to business processes.
- Streamlined implementation process for rapid deployment using a phased approach.
- Knowledge transfer and complete and robust training for staff on new system features.
- Quality assurance checks to ensure optimal system performance from day one.
- Transition Management to coordinate the transfer of knowledge of the in-scope applications ongoing support Services

Application Management Services on a 10-year (5+5) term:

- 10-year comprehensive AMS for sustained system performance and reliability.
- Annual maintenance to ensure continuous, efficient operations.
- Comprehensive monitoring and reporting on system health and performance.
- Regular system upgrades to incorporate the latest software advancements.
- Timely security fixes to mitigate risks and protect data integrity.
- Professional system administration for optimized system functionality.
- A block of hours for minor system modifications and enhancements.
- On-demand professional services to meet evolving business requirements.
- Flexibility with off-ramp options for changing service strategies as necessary.
- Comprehensive Solution support and incident management services.

While Elexicon maintained an open stance towards all technology platforms, issuing a software-agnostic RFP, there were non-negotiable, overriding principles that proponents were required to include in their submissions:

- Price certainty, Elexicon wants a partner that can provide pricing for all components of the solution including implementation costs, software and ongoing services with [redacted] pricing to provide price protection was important for Elexicon and in turn our customers.

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- Incorporating a "Lean Elexicon" model in the proposed solutions to support Elexicon's lean structure.
- "Accountability wrap", taking from the Lean Elexicon structure, we need to have a partner that can not only design, build, implement the solution for us but also support it for the long term, one partner we trust and rely on to be accountable for all aspects of the solution.

Considering the overriding principles, required capabilities and a thorough RFP evaluation process, Capgemini with the SAP IS-U (SAP Utilities) S/4HANA and SEW recommended solution were selected by the evaluation team. These platforms are recognized for their robust capabilities in streamlining enterprise operations and elevating customer experiences. SAP IS-U suite is adopted by 80% of Utilities, hence is mature, integrated, scalable, well supported, and future proof. It was important to balance functional fit-for-purpose and total cost of ownership of the solution.

It is essential that Dx NEXT program partner has in depth knowledge of current and evolving utility business practices and outcomes, and how the envisioned solution enables these business outcomes. Capgemini is the world leader in IT systems for electricity meters, or "smart meters," and provides thought leadership and industry experience to these segments in countries all over the world. They have a long history of collaborating with utilities clients and creating partnerships that help boost the quality of solutions.

Capgemini's team brings both local expertise and utility industry knowledge as well as lessons learned from other utilities which can be leveraged Dx Next project. The evaluation team felt the Capgemini solution, methodology and experience in the industry was the right fit for Elexicon's Dx NEXT program.

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3. Solution

3.1. Solution Overview

The Dx NEXT program represents a step change towards becoming the Utility-of-the-Future. This transformational program positions Elexicon for a fresh start by leaving behind fragmented legacy systems and processes that impede productivity, accountability, and seamless customer experiences. Elexicon requires a purpose-built solution that is designed to simplify, automate, and optimize processes that will help drive down or eliminate costs, improve customer and employee experiences, and enable better regulatory compliance. Most importantly, by taking an out-of-the box approach, a scalable solution that incorporates industry best practices and creates the foundation for future growth and expansion of services. It is designed to help Elexicon meet its business objectives and create new value, today and into the future.



The recommended solution will be designed to support Elexicon's four strategic pillars: Customer Centricity, Operational Excellence, Economic Development, and Strategic Investment. The solution will help Elexicon achieve desired business outcomes, such as:

- Improved customer interactions and higher customer satisfaction
- Simplified processes and streamlined operations
- Operational efficiencies and cost savings
- Enhanced data management and data-driven decision-making
- Enhanced employee experience
- Improved safety standards and protocols

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The cloud-based solution comprises of a combination of SAP IS-U, SAP ERP, SEW CX, and SEW WX product suites which meet most of the in-scope functionalities out-of-the-box.

- SAP IS-U suite is adopted by 80% of Utilities, hence is mature, integrated, scalable, well supported, and future proof.
- SEW CX complements the SAP solution core by bringing advanced customer portal capabilities, thereby enabling a differentiated customer experience.
- SEW WX brings work observability capabilities to enable field work planning and management and drive crew productivity and customer satisfaction.

3.2. Phased Approach

The Dx NEXT implementation timelines needed to balance the requirement to retire legacy systems with other constraints and parallel activities to avoid over-taxing internal resources. After careful consideration it was decided a phased approach for the program should be adopted. The Dx NEXT implementations will take place in three phases over the course of a three-year period. The timing of the implementations were prioritized based on the level of urgency, availability of resources.

Implementation Phase	1 Customer	2 Utility Data Foundation	3 CORE ERP
			
Components	• SEW – Customer Experience Platform • SEW – Field Workforce Management (Meter Shop) • SAP – Customer Information System • SAP – Energy Data Management	• Asset Definition (Policies & Standards) • Asset Location Data Migration • Asset Condition Data Migration • Power System Network Model Migration • Elexicon Asset Hierarchy	• SAP – S/4 HANA (Asset + Finance) • SEW – Field Workforce Management (Construction, Maintenance and Trouble) • SAP – Success Factors • SAP – ARIBA (Supply Chain + Procurement)

Throughout the three implementation phases the team will focus on specific business objectives and outcomes as detailed below.

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Phase 1: Customer Solution

Customer experience is the focus of the first phase, where the objective is to address urgent cyber risks, integrate customer data systems, reduce manual process, and ultimately, to enhance direct customer interactions and use data to improve decision-making. The customer solution implementation phase sets the course for the long-term success of the program, and it's critical to incorporate the right principles from the start.

Key Components:

Customer Experience

- Security: [redacted]
- Service Optimization: Assess and enhance customer service operations to improve overall satisfaction.
- Digital Access Enhancements: Implement a customer portal along with mobile workforce management tools and apps to improve service accessibility and user experience.
- Seamlessly integrate new and existing technologies to streamline customer service processes and enhance efficiency.

Data and Analytics

- Develop capabilities in business intelligence and performance metrics to drive strategic decisions.
- Establish a comprehensive data governance framework that ensures data integrity and security, supporting reliable analytics.

The Customer Solution includes a combination of SAP IS-U along with SEW CX product suites to support business functions such as meter reading, meter data management, scheduling, billing, invoicing, accounting, customer service, and integration to customer relations management. Technical Components of the solution include:

- SEW – Customer Experience Platform
- SEW – Field Workforce Management (Meter Shop)
- SAP – Customer Information System
- SAP – Energy Data Management

A high-level description of key components in the 'to-be' application architecture of the Customer Solution is highlighted in table below:

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Application Name	Description
Smart Energy Water (SEW) CX and WX	The following components of Smart Energy Water (SEW) including: ▪ Smart CX is a Digital Customer Experience Platform designed for the unique needs of utility companies. ▪ Smart WX is a Digital Workforce Experience (WX) Platform.
SAP S/4 HANA Utilities	SAP S/4 HANA Utilities, including the following modules / components: ▪ Energy Data Management ▪ Device Management ▪ Billing & Invoicing ▪ Finance & Contract Accounting ▪ Embedded Analytics ▪ Embedded Fiori
SAP SaaS Application	The following lists of SAP SaaS applications, including: ▪ Signavio a software suite to design, analyze and improve business processes and to manage process changes. In addition, Signavio makes it possible to monitor the success of process adjustments in the long term. ▪ Enable Now is a digital adoption solution covering knowledge transfer and training content creation designed to help organizations quickly and efficiently onboard and train their employees on SAP software and other enterprise applications. ▪ SAP Service Cloud (C4C) is a software as a service (SaaS) platform for sales and service. The platform is composed of SAP Cloud for Sales and SAP Cloud for Service, which are marketed as separate services by SAP.
SAP Business Technology Platform (BTP) Technology Components	List of SAP BTP Technology Components, including: ▪ Cloud ALM: an application lifecycle management offering for cloud-centric customers that provides capabilities for implementation and operations of SAP and non-SAP cloud solutions. ▪ Integration consists of - Cloud Integration - Enterprise Messaging - API Management ▪ Identity and Access management is the collective name of a set of tools that allows you to manage user access to Firori apps and specify what users can do and see in the apps. It enables single sign-on across SAP applications, and further enables Fiori user access management and specify what users can do and see in the Fiori applications.

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Expected Outcomes:

Reduction of severe cyber security risks [redacted] Significantly increased operational efficiencies, transparency and data-driven decision-making.

Phase 2: Utility Data Foundation

Data is one of the most critical components of any project and is the foundation of what an ERP implementation is built on. As part of Dx NEXT Phase II, we have decided to focus on the design, construct and cleansing of key data components prior to the commencement of the Core ERP implementation phase. Devoting insufficient time to ensuring data is useful, well-constructed and compatible with a modern platform could jeopardize the success of Phase III implementation and lead to additional unforeseen implementation costs. This is an essential implementation step that requires significant internal resources.

Utility Data Foundation phase will start with an initial Data assessment to understand our current data to Define the Data Strategy. The phase will then focus on defining Data Global Standards & Target Structures which will lead into more detailed activities such as data design, gap analysis, transformation and building data structures and finally proof of concept data loads in the sandbox system.

Key Components:

- Legal Entity Consolidation & Company Codes
- Chart of Accounts (IFRS and Regulatory)
- Profit & Cost Centres
- Fixed Asset Classes
- Functional Location & Maintenance Work Centres
- Equipment Master
- Material Master
- Assemblies and Maintenance Bill ff Materials
- Maintenance Strategies
- Preventive Maintenance- Maintenance Task List, Maintenance Items and Plans
- Measurement Points
- Enterprise Asset Hierarchy
- Employee Master

Expected Outcomes:

Utility foundation phase intends to establish industry standard data structures for Finance, Human Resources and Asset Management while addressing related integrations to Production Operations, and Supply Chain data that are enabled through the solution.

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Phase 3: Core Solution

Core ERP objective is to complete the implementation of the ERP by integrating core operational areas including Asset Management, Program Delivery, Construction and Engineering, as well as Finance and Supply Chain Management. This phase will also integrate the functionalities for HR/Payroll, Health, Safety and Environment (HSE).

Key Components:

Asset Management, Program Delivery, Construction and Engineering:

- Manage and optimize service delivery and constructions resources and utility network operations.
- Enhance mobile workforce management tools and maintain productive assets.

Finance:

- Streamline financial operations such as reporting, planning, accounting, tax management, project billing and treasury operations.

Supply Chain Management:

- Optimize material planning, requisitioning, and supplier management.
- Implement strategic sourcing and contract management enhancements.

Human Resources:

- Automate recruitment, onboarding, payroll, performance management, and talent management processes.
- Provide an effective workforce management and learning management systems.

Health, Safety and Environment:

- Implement comprehensive HSE management systems, including risk assessments, training management, and emergency preparedness.
- Develop sustainability data management and incident management protocols.

The Core ERP solution comprises of a combination of SAP IS-U, SAP ERP SSF, SEW Digital Customer Experience ("SEW CX"), and SEW's Digital Workforce Experience ("SEW WX") product suites and meets a majority of in-scope functionalities out-of-the-box. Technical Components of the solution include:

- SAP – S/4HANA (Asset + Finance)
- SEW – Field Workforce Management (Construction, Maintenance and Trouble)
- SAP – Success Factors
- SAP – ARIBA (Supply Chain + Procurement)

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A high-level description of key components in the 'to-be' application architecture of Core ERP is highlighted in table below:

Application Name	Description
SAP S/4 HANA Core	SAP S/4 HANA Digital core including the following: ▪ Inventory Management and Warehousing ▪ Maintain to Settle (Project System) ▪ Enterprise Asset Management (EAM) ▪ Core Finance including SAC Planning and VIM by OpenText ▪ Procure-to-pay ▪ Environment, Health & Safety ▪ Human Resource ▪ Vendor Invoice Management ▪ Embedded Analytics ▪ Embedded Fiori Apps
SAP SaaS Application	SAP SaaS applications, including: ▪ SuccessFactors is SAP's cloud-based Human Capital Management (HCM) suite that streamlines HR functions, including recruiting, learning, and performance management, to improve employee experience and productivity. Employee Central, a core module within SuccessFactors, serves as a centralized employee database that manages essential HR data, payroll, and organizational structures. Together, they provide an integrated approach to managing the employee lifecycle from recruitment to retirement. ▪ The Ariba Vendor Contract module enables organizations to manage vendor contracts throughout their lifecycle, from creation to renewal, ensuring compliance and tracking key terms. This module streamlines contract management, enhances transparency, and reduces procurement risks by centralizing all vendor-related agreements. ▪ SAP Datasphere (formerly SAP Data Warehouse Cloud) is a cloud-based data management and analytics solution that integrates, manages, and analyzes data from various sources within an organization. It enables businesses to create a unified data layer for insights by combining structured and unstructured data from SAP and non-SAP systems. Datasphere provides tools for data modeling, virtualization, and governance, making it easy for business users to access and use data for informed decision-making.

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Application Name	Description
	▪ Signavio a software suite to design, analyze and improve business processes and to manage process changes. In addition, Signavio makes it possible to monitor the success of process adjustments in the long term. ▪ Enable Now is a digital adoption solution covering knowledge transfer and training content creation designed to help organizations quickly and efficiently onboard and train their employees on SAP software and other enterprise applications.
SAP Business Technology Platform (BTP) Technology Components	Following is a list of SAP BTP Technology Components, including: ▪ Cloud ALM: an application lifecycle management offering for cloud-centric customers that provides capabilities for implementation and operations of SAP and non-SAP cloud solutions. ▪ Integration consists of - Cloud Integration - Enterprise Messaging - API Management ▪ Identity and Access management is the collective name of a set of tools that allows you to manage user access to Firori apps and specify what users can do and see in the apps. It enables single sign-on across SAP applications, and further enables Fiori user access management and specify what users can do and see in the Fiori applications.

Expected Outcomes: Streamlined operations, reduced costs, and improved efficiency across asset management, finance, and procurement. Ability to scale and execute Elexicon's work program and realize productivity gains related to service and maintenance costs. Improved capital planning and prioritization. Elexicon will also be able to enhance better manage its workforce and improve our safety practices.

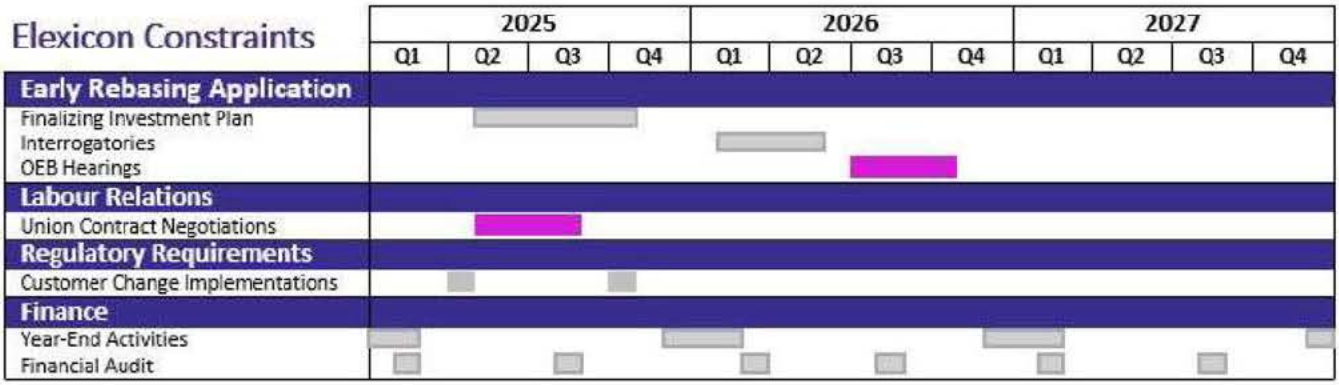
S/4HANA would enable and inform these foundational building blocks that would help Elexicon unlock significant efficiencies and further their transformational goals across WAM and SCM functions.

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4. Implementation Timelines and Key Considerations

4.1. Constraints and Parallel Activities

Ensuring smooth project execution amidst multiple competing priorities is crucial to the DX Next Program. Below are the parallel activities expected to constrain internal resources and our strategies to mitigate them. The Dx NEXT implementation timelines were developed to accommodate Elexicon's early rebasing application and other key activities, such as bargaining:



Attention to potential project overlaps and resource allocation is paramount and will need to be monitored. Key areas of focus include:

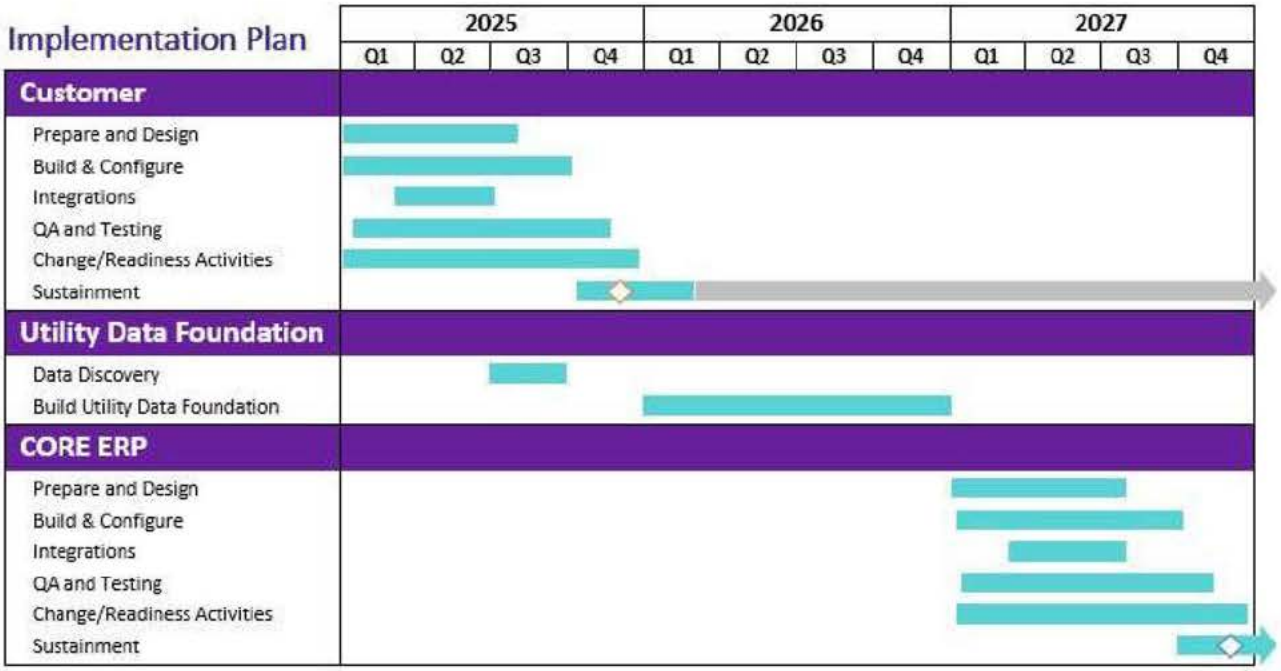
- **Managing carefully to avoid project collisions**
  - ✓ Multiple "critical" initiatives are occurring at the same time as the Dx NEXT implementation phases I & II.
  - ✓ Careful resource planning is required to ensure that resources are focused on the priority activities
  - ✓ Backfill resources where possible

- **Project continuity in the event of a work stoppage**
  - ✓ As the project mobilizes, a comprehensive continuity plan will be developed

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4.2. Implementation Plan

After consideration of parallel activities and key constraints, a phased rollout strategy has been adopted for all phases of the Dx NEXT project. The implementation of the Customer, Utility Data Foundation and CORE ERP will take place over a 3-year period with the following high level implementation plan:



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5. Technical Architecture

5.1. Current State Architecture

The current architecture detailed in the figure below illustrates Elexicon's existing technological infrastructure, highlighting the outdated and unsupported systems presently in use. This visualization emphasizes the necessity for a technology solution, which replaces obsolete systems with advanced solutions to enhance operational efficiency, mitigate risk, and support future growth/scalability.

This figure illustrates the current system architecture marked by several challenges. Pain points were identified where the existing platform, or tool is:

- at end-of-life, no longer supported
- not integrated or incapable of being integrated other tools or systems,
- operating on an unsupported platform (e.g. older versions of Windows),
- not industry standard
- manual process
-



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5.2. Deployment Architecture Overview

The deployment architecture contains a combination of legacy applications deployed on premise/cloud and new applications below:

- Infrastructure as a Service (IaaS) in Microsoft Azure,
- Platform as a Service (PaaS) deployed in either Microsoft Azure or SAP Cloud Platform
- Software as a Service (SaaS)

Cloud-based ERP Adoption

Elexicon has opted for the cloud-based version of an ERP due the strategic advantages offered by cloud technologies, including scalability, flexibility, and cost-efficiency. Specifically, SAP has indicated a strategic shift towards supporting cloud-based solutions more robustly, with a gradual reduction in the emphasis of on-premise solutions. This trend is driven by the broader industry move towards cloud services, ensuring better compatibility with evolving technologies and enhanced support. It is still possible to obtain an on-premise version of SAP ERP; however, the long-term support and updates for such deployments are expected to be limited as cloud solutions continue to become the norm.

Adoption of an on-premise solution was out of scope for Elexicon due to several factors:

- Technical limitations and higher maintenance costs associated with on-premise solutions.
- Strategic alignment with industry trends towards cloud solutions, ensuring future-proofing and better integration with other cloud-based services.
- Resource allocation, as cloud solutions typically require less in-house management and maintenance effort, as Elexicon IT does not have the capacity and allows the to focus on more strategic initiatives.
- Opting for a cloud solution provides access to superior cyber measures offering robust security protocols managed by dedicated cyber security teams, continuous compliance updates, and the ability to dynamically scale security resources offering a level of protection often challenging with on-premise solutions.

5.3. System Capacity and Scalability

The IT solution will be built on virtual machines, with the majority built within Microsoft Azure as Infrastructure as a Service (IaaS), a cloud-based platform. The virtual machines will be sized based on the advanced sizing exercise carried out by SAP. This virtualization of infrastructure will provide a flexible, and scalable architecture with minimum disruption as the system grows. As the system grows, the virtual machines and systems will be resized using the standard capability of VM Ware and Microsoft Azure. In addition to the system resizing capability, an archiving

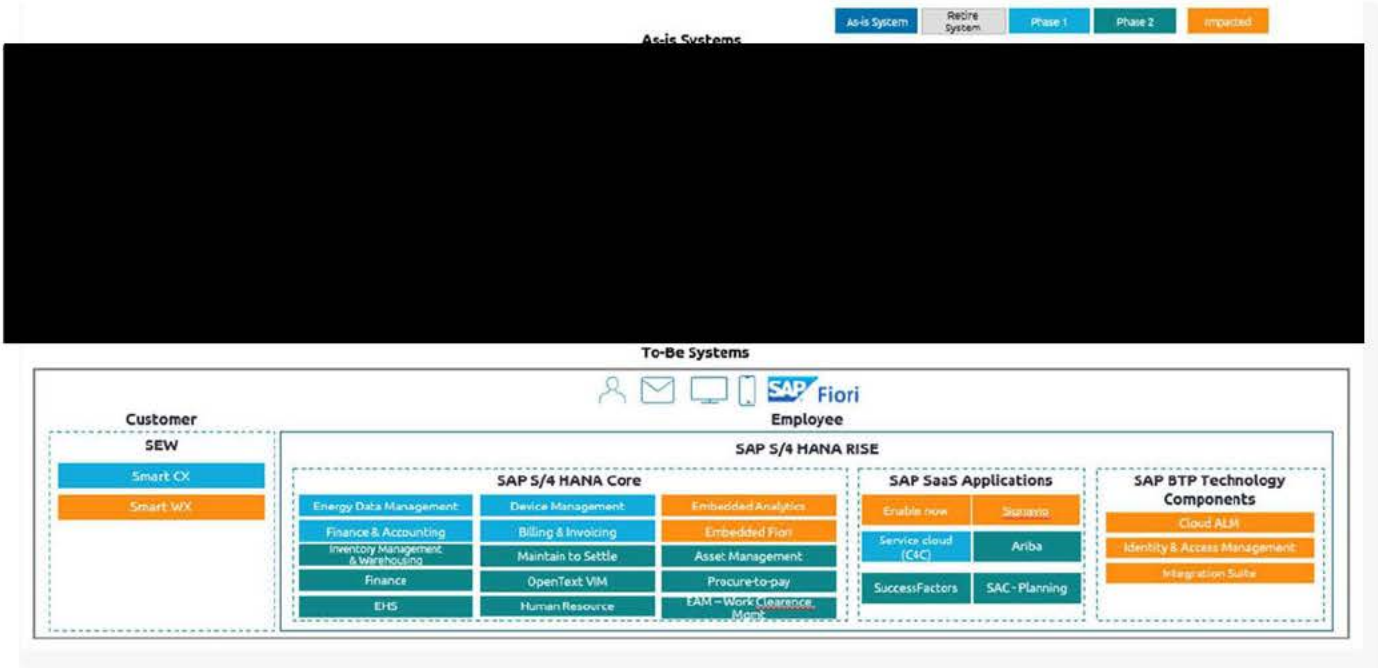
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strategy has been developed to manage ongoing system capacity. In addition, the solution will be balanced across two locations (Microsoft Availability zones) to provide a HA/DR solution.

The solutions security architecture is in alignment with Elexicon's requirement and the Cloud Security Framework to create a secured environment for the critical applications and systems

5.4. Future State Architecture – Cloud-based Solution

The solution integrates the stable and pre-built SAP S/4HANA core with SAP Service Cloud and Firori Applications; and SEW CX, BX, WX Modules:



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5.5. Cloud Security

As a part of overall commitment to Cloud Security, SAP has developed the Integrated Information Security Management System (IISMS) framework. The IISMS framework is based on SAP's corporate quality and security policy as well as the corporate security standards and guidelines relating to information security and business continuity. This IISMS Framework was adapted to SAP Cloud Security Services as SAP Cloud Security framework (CS). SAP's security, process and compliance team conducts technical security audits to validate that security concepts have been implemented successfully and to safeguard the usage of newly developed tools.

Metrics	Description
Secure by Default	Cloud Services and Systems are delivered secure by default, which are compliant to SAP Cloud Security Requirements
End-to-End Security	Security Compliance is achieved over the whole stack: ▪ Network Security ▪ Database Security ▪ Virtualization Security ▪ Operating Systems Security ▪ SAP Application Security
Certifications and Standards	▪ SOC 1 ▪ SOC 2 Type II ▪ ISO27001 ▪ ISO9000 ▪ ISO22301 ▪ ISO27017 ▪ ISO27018
Transparency and Reporting	▪ SAP provides the customer via the Customer Portal near real-time Security KPIs of Cloud Systems ▪ SAP provides the Internal Security KPI reporting to the Managers and selected employees using an automated solution to ensure transparency of the current security situation

Given Elexicon's IT infrastructure was noted as a significant pain point due to being unsupported or end-of-life, unable to be integrated with other software, or no longer fit for purpose, the appropriateness of an ERP became apparent. Many of the existing applications are inherently problematic because they are not integrated with related programs (for example, [redacted]). The inefficiencies of current processes are due to the manual, and un-integrated nature of our IT ecosystem.

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6. Financial Analysis

6.1. Overview

Through a competitive RFP process Elexicon was able to secure pricing [redacted] covering all implementation costs, including licenses, as well as ongoing application management service/support costs.

Costs for the Dx NEXT project include all internal and external expenses associated with the implementation including licensing and hosting costs as well as subsequent ongoing support costs [redacted]

6.2. Business Value Case

While the key rational for implementing Dx NEXT is to ensure operational continuity of our critical systems and to enable Elexicon to deliver on our work program to meet growing demand, it also standardizes and improves efficiency of current processes. In evaluating the business case for Dx NEXT, a payback return on investment ("ROI") and internal rate of return ("IRR") calculations were performed with the following assumptions:

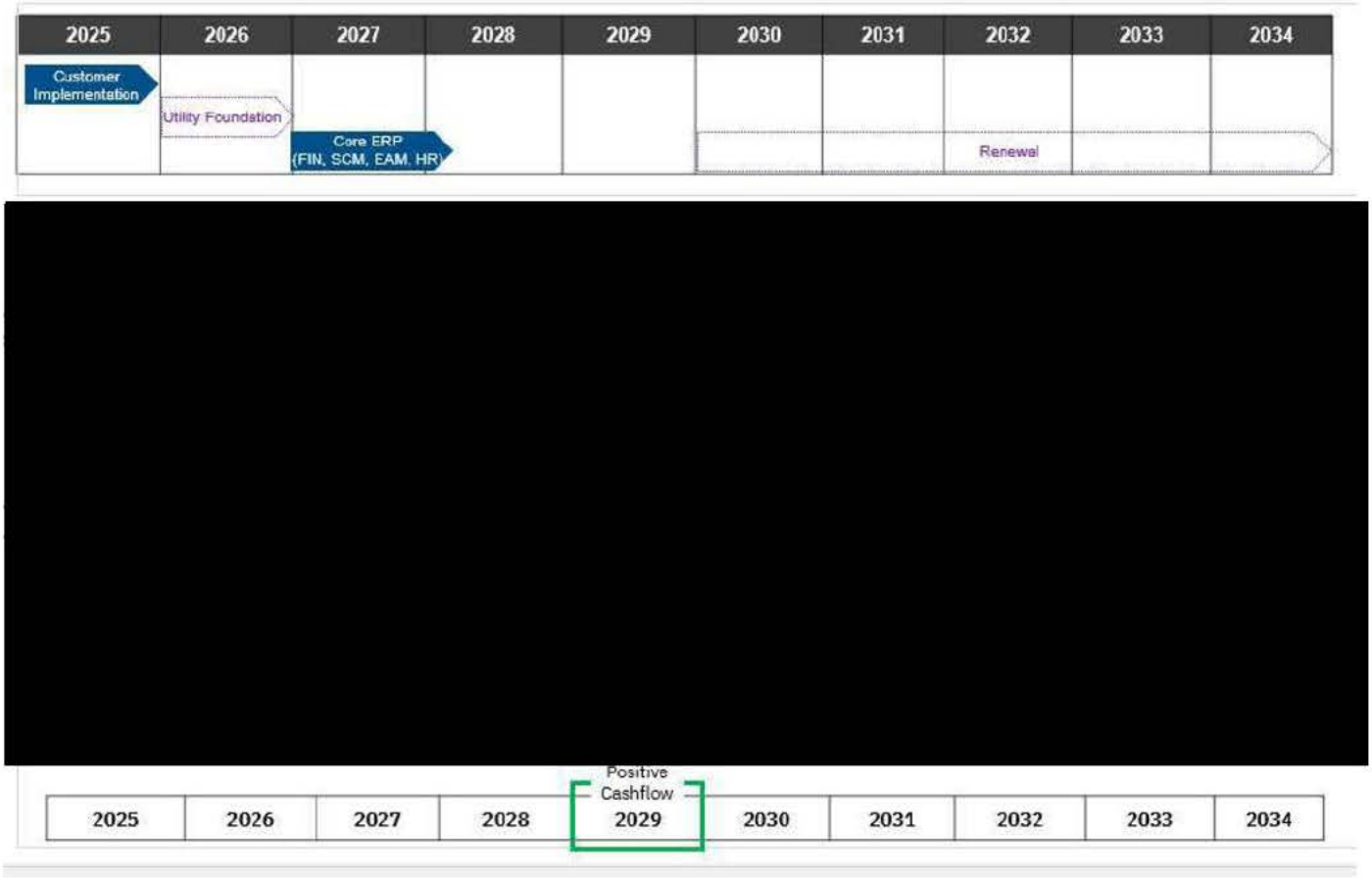
- Costs modelled over a 10-year timeframe [redacted]
- Benefits modeled to be realized one year after go-live with expectations of ramp-up to full year run rate 3 years after go-live.

Business Case Summary:

Business Value [1]	
Direct Recurring Benefits	$14.0 Million/yr
Cumulative Benefits	$ 85.5 Million
Total Costs	$ 61.6 Million
Net Benefits	**$ 23.9 Million**
Net Present Value ("NPV")	($5.3 Million)
Internal Rate of Return ("IRR")	9.2%
Return on Investment ("ROI")	10.1%

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Our implementation plan is optimized around risk reduction, organizational readiness, and internal capacity. . The Dx NEXT project will return estimated net benefits of $23.9M over a 10-year period with cumulative benefits of $85.5M over this time.



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6.3. Project Budget:

The total 10-year cost for the program is budgeted to be $61.6 million, including all implementation, licenses, ongoing service fees and internal costs to support the program. Costs for the Dx NEXT project are incurred over three phases to de-risk the project (with set stage gates) and to increase partner accountability.

	Dx NEXT Budget												
CAD ($'millions)	2025	2026	2027	2028	2029	Term 1	2030	2031	2032	2033	2034	Term 2	Total
Customer and Software	**Customer**												
[redacted]													
Internal Costs[6]	3.0	0.1	-	0.0	0.0	3.1							3.1
[redacted]													
Total Customer													
Utility Data Foundation	**Data**												
[redacted]													
Internal Costs[6]	-	1.1				1.1							1.1
Total: Utility Data Foundation	[redacted]												
Core ERP			**Core ERP**										
[redacted]													
Internal Costs[6]			4.2	0.2	0.0	4.4							4.4
[redacted]													
Total Core[1]													
Renewal							**Renewal**						
[redacted]													
Total Renewal													
Total Dx NEXT Program Costs	**$15.4**	**$5.3**	**$20.2**	**$3.3**	**$3.0**	**$47.2**	[redacted]					**$14.4**	**$61.6**

Notes:

[1] Approval to proceed and not terminate for convenience.

[2] Software, licenses and subscriptions include all costs are for SAP, SEW and other tools required for the implementation.

[3] Approval #1 [redacted]

[4] Approval #4 [redacted]

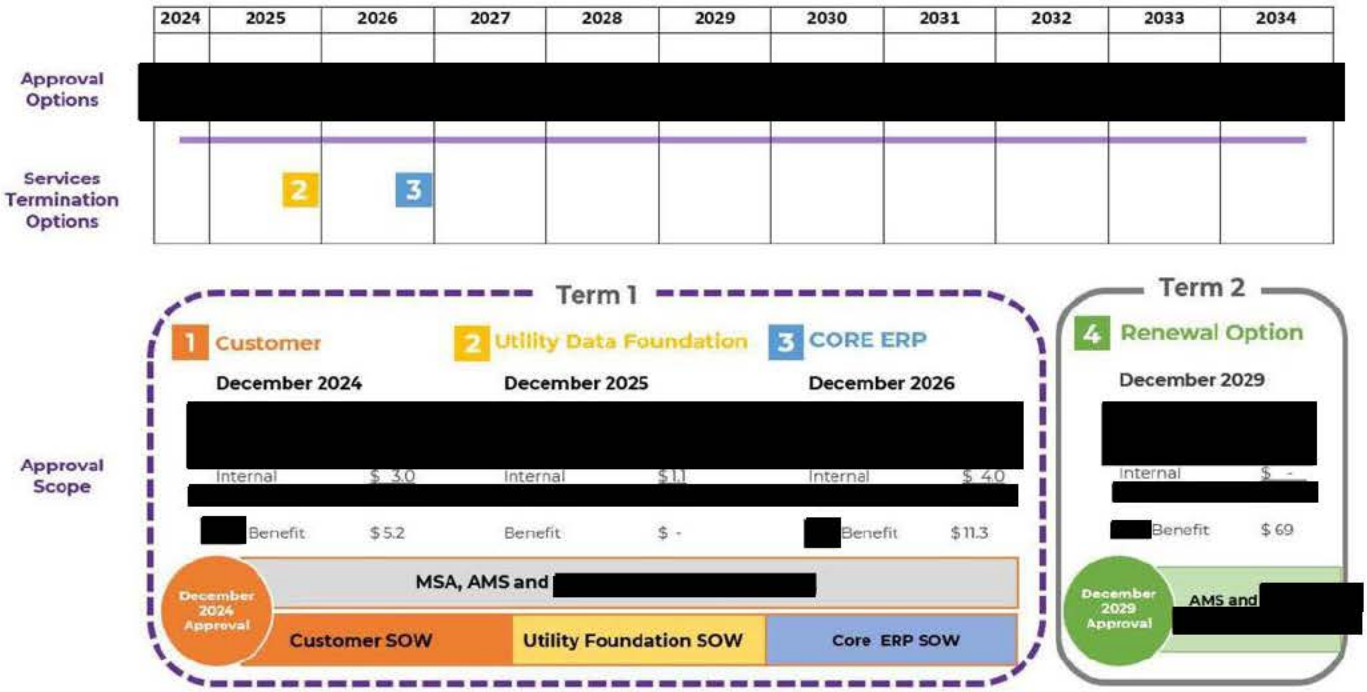
[5] Implementation costs are fixed price and include estimated Travel and Expense costs for Capgemini for each implementation.

[6] Internal costs include internal labour, 3rd party integrations, contingency and other internal costs required for the implementation.

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6.4. Project Stage gates

The Dx NEXT project is structured in four distinct phases, providing flexibility as services can be terminated at any time. To lock-in pricing and maximize discounts, the [redacted].



6.5. Payment Milestones

Payments terms for the Customer, Utility Data Foundation and Core ERP implementations are structured around clear, well-defined project milestones, ensuring a systematic release of funds corresponding to completed deliverables. Each phase of the project is designed to operate with milestone-based payments that are issued in arrears which strategically places a portion of the work at risk to encourage accountability and quality deliverables from the implementation teams.

Each implementation phase has predefined key milestones that serve as checkpoints to review and verify the completion of set deliverables that need to be approved prior to invoicing. This approach not only aligns cash outflows to confirmed project deliverables, but also aligns financial disbursements with tangible measurable outcome, thereby maximizing financial control and minimizing risk exposure throughout the project life cycle.

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7. Benefits Realization

Each phase of the Dx NEXT project is designed with specific value drivers that collectively enhance Elexicon's operational and strategic performance. This figure delineates the primary value drivers identified for each phase, underscoring how the integration of SAP and SEW solutions will address existing challenges and leverage opportunities to elevate service delivery and operational efficiency. By focusing on tailored benefits for each stage, Dx NEXT aims to ensure a comprehensive transformation that supports Elexicon's long-term objectives and immediate operational needs.



Overall Program Benefits:

- Dx NEXT will help improve employee satisfaction due to streamlined, less cumbersome processes and better tools;
- Standardization of business processes, user interface, master data management, and systems integration;
- Reduce Elexicon Energy's business continuity risks that may arise from system and infrastructure failures related to unsupported legacy systems;
- Contribute to maintaining a robust cyber security posture;
- Build a foundation to support future process automation opportunities and associated productivity gains and efficiencies; and,
- Provide Elexicon with greater flexibility to innovate and modernize its business processes in alignment with its strategic objectives and outcomes.

Customer Experience Benefits

- Dx NEXT offers customers a self-service option through the SEW customer portal and overall smoother customer journeys due to the consolidation of data sources and automation of back-end processes. This is critical to achieve high customer satisfaction, create trust and loyalty.

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- Dx NEXT also meets customer expectations of choice in how they want to interact with Elexicon and get more insights about their service.

Core ERP Benefits

- Dx NEXT is a key enabler of Elexicon's capital investment plan. It is required to scale planning and operations to be able to execute an unprecedented volume of work to meet the regional and customer demand expected over the next decade/.
- The digitization of records and elimination of paper-based processes improves training, builds institutional memory to reduce lost productivity on employee turnover, and also reduces mistakes and the likelihood of losing information, causing delays and inefficiencies.
- Having better visibility of the entire asset lifecycle will allow Elexicon to prioritize work and reduce operational risks. This will enable Elexicon to meet regulatory timelines and customer needs, while improving reliability.
- Formal training and certification tracking ensures that resources with the right skills and certifications are dispatched to a job, thereby improving operational efficiency and protecting the health and safety of employees and contractors.
- Having a central ERP system will enhance reporting and monitoring capabilities, aiding in regulatory reporting and compliance, the ability to track productivity, as well as improved management and audit reporting.
- A centralized procurement system improves sourcing compliance and improves vendor management and relationships.
- Elimination / reduction of manual entry and paperwork, manual reporting and reconciliation, manual compliance and regulatory reporting, data redundancy and duplication
- Integrated workflows across finance, billing, market settlement, procurement, work and maintenance planning, inventory management and supply chain

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7.1. Benefits Value Case

The Dx NEXT program is set to deliver substantial financial benefits to Elexicon, estimated at $14 million in annual direct benefits starting from 2031 onward. Over the span of ten years, the program is projected to benefit from approximately $85.5 million in direct benefits. These figures highlight the significant positive impact anticipated from implementing advanced systems and processes, optimizing operational efficiency, and reducing long-term costs. This section explores the diverse benefits that the Dx NEXT program aims to achieve, underscoring its strategic importance to our long-term success.

	Value Drivers	Value Pools (Quantifiable Benefits)	Target Improvement[4]	Financial Impact	Estimated 10 yr Benefits[4]
Customer Experience	Back-office efficiencies Increased customer self service	**Customer Experience Productivity**	**avoidance of hiring 18** future headcount to support increased customer base	↓ OM&A	**$ 15.2M direct**
	E-billing enrollment	**Digital Conversion Efficiencies**	**20% reduction** in annual billing costs	↓ OM&A	**$ 5.9M direct**
Asset Management and Distribution Operations	Improve Work assignment Efficiency Reduction of paper-based process	**Process Efficiencies OT, FTE**	**5% reduction** in overtime costs and **avoidance in 1 future** headcount to support expanded work program	↑ Productivity	**$ 1.9M direct**
	Enhance long-term planning ability Improved planning and scheduling for efficient use of resources Higher predictability on volume of contracted work Move to per unit pricing from time and material contracts	**Optimize Work Program**	**5% reduction** on spend subcontractors[1]	↑ Productivity	**$ 17M direct**
			5% reduction on material spend[2]	↑ Productivity	**$ 8.9M direct**
Supply Chain & Procurement	Ability support Competitive Sourcing Integrated procurement invoicing 3-way match to control spend Improved sourcing compliance	**Improve sourcing on direct and indirect spend**	**5% reduction** on indirect spend for sourcing and buying[1]	↑ Productivity	**$ 17M direct**
			3% reduction on direct spend for sourcing and buying[2]	↑ Productivity	**$ 5.3M direct**
Information Technology	Rationalization of applications with standard SAP functionality Replacement of unsupported Technology	**Eliminate Legacy Systems**	**+30% reduction** on **current** application rationalization	↓ OM&A	**$ 9.4M direct**
Finance	Automate Capital Projects Planning and Asset Management Integration Fully Integrated System from Record to Report Automation of Accounts Payable Process	**Finance and Accounting Productivity**	**avoidance of hiring 6** future headcount required to support expanded work program and increased customer base	↓ OM&A	**$ 4.9M direct**

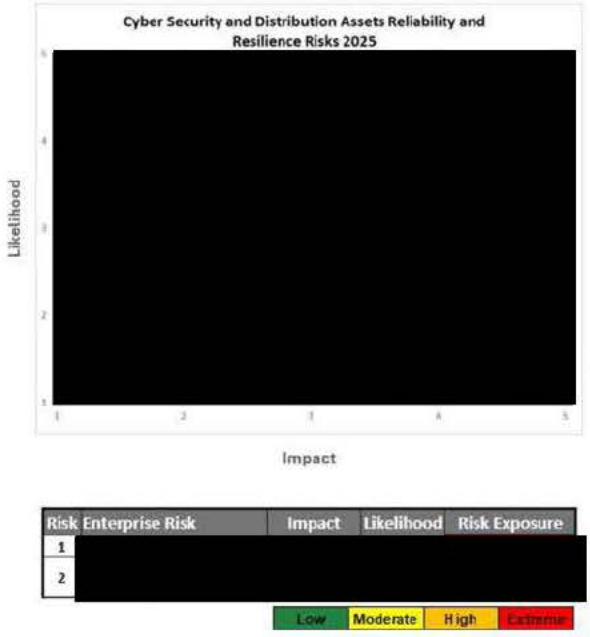
Notes:
(1) Assumes 50% of Executable Capex from 2029 – 2034 for indirect spend
(2) Assumes 26% of Executable Capex from 2029-2034 for direct spend
(3) Total Annual Direct Benefits at full run rate from 2031 onwards.
(4) Estimates based on information currently available

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8. Program Risk

8.1. Enterprise Risk Management

As part of ongoing efforts to identify and mitigate potential risks, Elexicon has conducted a detailed analysis of the key risks. Below is a visual representation highlighting critical areas of concern within the organization and potential impact areas:



Risk	Enterprise Risk	Impact	Likelihood	Risk Exposure
1				
2				

Low | Moderate | High | Extreme

1 **Risk due to Customer systems being at end-of-life**

Source: Two end-of-life operating systems running key customer and billing functions

- *2 Critical Vulnerabilities*

Impact areas:

- **Privacy and Cyber:** may result in financial, reputational & regulatory implications
- **Customer:** may result in very dissatisfied customers & inability to meet service levels
- **Operational:** may result in substantial impact or disruption to Elexicon operations
- **Legal & Regulatory:** may result in prosecution and fines. Very serious litigation.
- **Financial:** may result in a net income shortfall of >20%

Our ability to meter, bill and serve our Customers

2 **Risk due to limited ability to scale**

Source: Manual, inefficient processes limit our ability meet demand

- *Critical challenges to scale*

Impact areas:

- Planning and execution for customer connections and service orders
- Capital projects planning and execution
- Vendor management, sourcing and procurement
- Material management and supply chain
- Planning, scheduling and dispatching work to the field
- Attaining target in-service

Our ability to meet the oncoming demand

Elexicon is currently living with cyber risk associated with out-of-date, end-off life operating systems running critical functions. These critical risks were taken into consideration when planning the implementation of the Dx NEXT solution.

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8.2. Risk Management

To safeguard the success of the Dx NEXT program and maintain alignment with Elexicon's strategic objectives, potential risks have been identified so that they can be managed appropriately. This overview presents these risks, their possible impacts, and the proactive measures we have adopted to mitigate them.

Risk	Mitigation Action
Locking into a long-term engagement with one vendor	Dx NEXT will be executed in three phases to mitigate risks if we encounter issues with the implementation or the System Implementor. The Statement of Work for consulting services is constructed around the 3 phases where approval stage gates will be in place to provide "off ramps" if needed. There will also be "fees at risk" from our consulting partner through milestone payments to ensure scope quality and timeline adherence.
Limited resources available for the projects	The project cost and resourcing plan reflects additional resources from the system implementor to support the limited internal resources. While going through the Discovery engagement, it became clear that Elexicon has limited internal resources and that additional external resources will be required to support the internal team. The Elexicon Business process owners that need full time engagement on the program will be backfilled in their normal roles. This internal resourcing expense has been included as part of the budget for the project
Adoption of new processes and standards	During the discovery phase approximately 120 processes were reviewed, and it was determined 94% of these processes were amenable to a standard SAP enabled process, thus limiting the risks associated with customization. In addition, the Dx NEXT implementation plan includes a comprehensive training plan for users and change management program.
Governing a complex project scope, schedule and budget	Dx NEXT is a comprehensive multi-year initiative that will require effective governance and oversite. Effective management of scope, schedule, and budget is critical to the program's success.

Docusign Envelope ID: C608AEAB-5AC7-4A9A-BE27-2A9FA8F7BCA3

Risk	Mitigation Action
	As part of the Dx NEXT program approval, a structured governance framework will be established to ensure continuous oversight and decision-making throughout the duration of the program. This framework will include regular steering committee meetings, rigorous project management practices, and clear escalation paths to address potential risks and variances promptly. Additionally, we will implement performance metrics and regular reviews with internal audit to monitor project health and alignment with strategic objectives, ensuring adaptability and accountability at key stages of the program.
Project remains on budget	To reduce the possible risks of budget over runs the following preventative steps were taken: ▪ Completed discovery process engagement to confirm "fit-to-standard" approach could be adopted which allowed Elexicon to issue an RFP for industry standard solution providing the best price for the solution required. ▪ Services are fixed price, milestone-based payment agreement with the service provider. ▪ Accountability "wrap" with Capgemini on the Design, Build and sustainment of the solution. ▪ [redacted] ▪ The program includes an in-depth, data assessment to ensure no migration surprises. Throughout implementation, a rigorous change control and project governance will be in effect.
Change Resistance	To address change resistance, a comprehensive communication and change management strategy will be implemented focusing on educating employees of the benefits of Dx NEXT, emphasizing the enhancements to their job roles and the new industry tools and methods they will learn. The program will ensure a comprehensive communication and change management strategy to prepare and support users during and after go-live. Additionally, the strategy will foster strong organizational commitment to adopting standard processes and actively involving users in the transition process, providing training, and establishing support mechanisms for users post go live. Regular feedback loops will be established to address concerns and adapt the strategy as needed to ensure smooth acceptance and integration of the new system across the company.

Docusign Envelope ID: C608AEAB-5AC7-4A9A-BE27-2A9FA8F7BCA3

Risk	Mitigation Action
Competing Priorities	Dx NEXT implementation timelines were strategically designed, considering competing priorities and constraints. Implementation alternatives were evaluated, considering constraints against prioritizing the urgent replacement of outdated legacy systems. The phased strategy including two go-live events was selected. Careful resource planning is required to ensure that resources are focused on the priority activities. For Dx NEXT project backfill resources have been included in the budget to alleviate the strain on employees. Regular cross-project meetings will be held to align on priorities and resource sharing, ensuring transparent communication and efficient use of available resources. Additionally, contingency plans will be in place to quickly address any conflicts or resource shortages that arise during the implementation phase.
Unsupported Legacy Customer Systems	The current billing system is highly customized, no longer supported by the software vendor and cannot scale for growth. [redacted] that run end-of-life operating systems which are no longer supported and [redacted]. To mitigate this risk, Customer experience processes will be implemented in the initial phase of the Dx NEXT program to replace the outdated system and servers and minimize existing risk.

Although there are some possible project-related risks noted above, and others that may arise as the project progresses, the project governance approach will:

- Reduce Elexicon Energy's business continuity risks that may arise from system and infrastructure failures related to unsupported legacy systems;
- Contribute to maintaining a robust cyber security posture;
- Build a foundation to support future process automation opportunities and associated productivity gains and efficiencies; and,
- Provide Elexicon with greater flexibility to innovate and modernize its business processes in alignment with its strategic objectives and outcomes.

Docusign Envelope ID: C608AEAB-5AC7-4A9A-BE27-2A9FA8F7BCA3

9. Recommendation

This business case recommends the approval of the Dx NEXT solution to be implemented in 3 phases. The proposed solution, a cloud-based SAP and SEW technology, aligns with the objectives of enhancing operational efficiency, reducing system risks, and providing a scalable platform for future growth. This approval will enable the initiation of the program's key phases, ensuring that Elexicon capitalizes on the benefits outlined, including significant cost savings, enhanced customer experience, and improved operational capabilities. Therefore, it is crucial to move forward with the implementation to achieve the anticipated organizational advancements and maintain competitive advantage in the industry.

Based on the comprehensive analysis detailed within this business case, it is recommended that the board approve the Dx NEXT program.

Docusign Envelope ID: C608AEAB-5AC7-4A9A-BE27-2A9FA8F7BCA3

10. Board Submission Sign-off Sheet

This section contains the signatures of key stakeholders, indicating that they agree with the presentation or proposal as it appears in the business case.

Date of Board Meeting:	December 30, 2024
Topic:	Dx NEXT Special Purpose Energy Board Meeting
Action Required:	Approval
Recommending Signatures:	Signed by: J Gama F4C8B8BFDA7748...
	Jacqueline Gama Manager, Enterprise Technology
	DocuSigned by: Lincoln Frost-Hunt E9ED35B6E79D4FA...
	Lincoln Frost-Hunt Vice President, Digital and Innovation
Approval:	DocuSigned by: S. Boss C4E3333C498A498...
	Stacia Boss Acting President and CEO

EXHIBIT 4 - TAB 1 - SCHEDULE 6: ATTACHMENT 1 "OEB APP.2-M REGULATORY COSTS SCHEDULE" (REFER TO ATTACHMENT IN EXCEL FORMAT)

ELEXICON'S WORKFORCE PLAN AND COMPENSATION PROGRAMS

1. INTRODUCTION AND OVERVIEW

This schedule explains the forecasted changes to Elexicon's workforce levels over the bridge years and rate term, and outlines all related compensation costs associated with its current and future workforce, which Elexicon will need to effectively deliver its investment plan. Elexicon must structure its workforce, and put in place the tools, training, and compensation necessary to retain and build capacity and internal expertise capable of executing a larger capital and maintenance program. Notwithstanding the growth projections of its proposed workforce, Elexicon's workforce is reasonably-sized relative to the volume and complexity of its 2027-2031 work plan. To attract and retain the required talent, Elexicon must have the funding required to invest in its people, which includes a reasonable and competitive compensation framework that is aligned with the market in which Elexicon competes for talent.

This schedule provides detailed information for its historical years (2020 to 2024) and the bridge and forecast years (2025 to 2026, 2027 to 2031) related to staffing levels and compensation which is also captured in the OEB's Appendix 2-K, filed in Excel format as Attachment 2 to this schedule.

This schedule includes the following components:

Elexicon's Workforce Composition: Section 2 provides an overview of the composition of Elexicon's workforce and its capabilities to perform the volume and range of work that the utility requires. Elexicon's workforce development has been supported by a robust talent strategy as described in Sections 3 and 4 of this schedule. As discussed in Section 3, Elexicon's workforce has grown over the historical period to address operational gaps, respond to new challenges, and install the expertise and capacity required of a large utility with an unprecedented annual customer growth projection of 1.9% in the forecast period. Details on customer growth are provided in Exhibit 3 - Tab 1 - Schedule 1.

Elexicon's Workforce Growth & Future Requirements: Section 3 describes the evolution of Elexicon's workforce from its 2019 merger into the present day and how Elexicon responded to the need for new and expanded capabilities over the historical period, requiring Elexicon to increase the size of its workforce. Elexicon's workforce increased over the historical period in response to growing volumes of capital investment, including mandatory customer-driven work. To support this growth, it also added

positions within core business functions. Additional regulatory and compliance requirements, a greater need for stakeholder engagement as well as key strategic functions to mitigate risk and modernize business practices, necessitated the addition of new positions in 2023 and 2024.

At Section 4.2, Elexicon provides a detailed overview of the workforce plan for the 2026 to 2031 period. As noted in Table 11 below, over the course of 2026 to 2031, Elexicon expects to add approximately 63 FTEs. Given the scale of planned capital and maintenance work, most of the workforce growth is in the Asset Management and Distribution Operations division (also referred to as "AM/DO"). Per Table 7, these new positions will be in the various departments of the AM/DO division which is responsible for developing and delivering Elexicon's planned capital and maintenance programs. The balance of new hires will be in the areas of the utility needed to support capital programs, such as Finance, Procurement, which will handle larger volumes of transactions, and provide the tracking and reporting necessary to support cost effective execution. Elexicon also needs to address gaps in its common corporate segments such as Technology, Regulatory Affairs, to ensure secure and functional operations, and support the complexity and impact of policy and compliance requirements, as well as larger applications. Over the historical period, Elexicon's corporate functions were insufficient to support its ongoing challenges and provide the internal expertise on regulatory, compliance, and risk needed to operate a modern utility in Ontario who delivers safe and reliable electricity.

Elexicon's Talent Strategy: Section 4 below, describes Elexicon's talent strategy for ensuring its employees are equipped to work safely, productively, and to promote retention, leadership and a high-performance culture. This strategy includes four focus areas: acquiring talent, managing and growing talent, reinforcing Elexicon's established workplace culture, and providing tools and support for its employees' success. Elexicon competes for talent in a competitive labour market and is adjacent to larger utilities that pay more for high-performing and experienced staff. To remain competitive, Elexicon focuses on multiple components of the "employee value proposition" (i.e., the reasons why employees come to and stay at Elexicon) besides compensation, such as opportunities for promotion, workplace culture and employee experience, and access to modern tools and training to complete work in an effective and efficient manner. Elexicon's talent strategy is critical to its investment plan and to ensure Elexicon can attract and retain the talent necessary to deliver on key outcomes for customers.

Elexicon's Compensation and Benefits: Section 6 describes how Elexicon's compensation, as per the results of the Mercer study, is below market median on an overall organizational basis. The Mercer study benchmarking results indicate that Elexicon's overall compensation across both unionized and non-unionized workforces is 94% of market median in respect of total direct compensation, which is below the market competitive range. Section 6 also describes all the components of Elexicon's compensation framework. This schedule also discusses the pension and benefits programs available to both unionized and non-unionized employees.

1.1 Context for Elexicon's Workforce plan

To ensure execution of significant capital projects, high quality customer service, and stewardship of the grid, Elexicon plans to maintain a lean internal workforce over the upcoming rate period. As the capital work plan increases by 170% Elexicon's workforce growth is projected to grow by only 16% between 2026 to 2031.

Since merger, Elexicon has been steadily working to develop a skilled and capable workforce to enable the utility to effectively execute its work programs. As external business conditions evolved (e.g., cyber risk, policy changes) and demand for infrastructure investment (e.g., system access) and customer load growth increased, Elexicon was required to increase its workforce to keep up with these changes.

Although Elexicon's capital expenditures are forecasted to more than double over the upcoming rate term, Elexicon has made investments in technology and processes to support the workforce and can deliver its investment plan with a moderate increase in workforce levels from 2026 to 2031. Nevertheless, workforce growth is required to deliver the work program and to ensure comprehensive, robust vendor and project oversight and quality control.

1.2 Attracting Talent in 2027 and Beyond

Hiring for technical roles and skilled trades is expected to take place amidst a competitive labour market as the broader energy sector ramps-up capital work related to growth, especially in residential housing, and electrification, requiring LDCs to compete for talent in field operations and asset management

vocations. Through a robust talent management program and a competitive employee value proposition (i.e. investing in our people), Elexicon will be set up to attract and develop talent that it needs.

As of mid-year 2025, 14 employees at Elexicon were retirement eligible, and this number is projected to increase to 50, representing just over 12% of the workforce, by the end of the rate term (2031). Addressing these anticipated challenges will entail providing training and leadership development, as well as a continued reliance on co-op and student positions to fill entry-level and support functions and grow into the organization. These roles provide both new grads and students practical hands-on work experience while also providing Elexicon with the ability to train a future workforce and create a talent pool to fill entry-level roles over the rate term.

1.3 Retaining Experienced, Highly Skilled Leaders

Elexicon's broader leadership team is comprised of a mix of seasoned employees with deep institutional knowledge and employees who are early or mid-career. These mid-career leaders are highly skilled and experienced in the utility sector, but have less than five years' experience with Elexicon, or minimal experience in the electricity sector. To enhance its leadership capabilities, Elexicon has invested in training and resources to support its employees and create a collaborative and performance-based culture. By providing succession paths for supervisors and managers, Elexicon can retain its current high-potential and high-performing employees as well as through investment in continuous learning, engagement, and modern tools. Ensuring that the total compensation program is competitive and market-aligned is also necessary for retention of high-performing employees. Retention is essential to maintain an appropriate complement of leaders and to cultivate the institutional knowledge needed to efficiently and effectively deliver Elexicon's extensive work programs.

Since merger, Elexicon has experienced a decline in turnover and an improved internal fill rate for vacancies demonstrating the successful implementation of its talent management program. The programs and tactics outlined below will prepare Elexicon for the challenges ahead, such as significant load growth, urgent need for renewal investments, and sector evolution in system planning and grid modernization. To meet these challenges, retaining and developing internal staff and attracting new staff to both replace retirements and fill new positions in a timely manner is crucial.

2. ELEXICON'S WORKFORCE COMPOSITION

Elexicon's workforce is composed of unionized and non-unionized employees in individual contributor roles, as well as supervisors, managers, directors, and executives. Approximately 86% of Elexicon's workforce is regular full-time, and the balance is comprised of part-time, temporary, co-op, and student positions. As of mid-2025, 60% of Elexicon's workforce is represented in a single bargaining unit by the Power Workers' Union, and since merger, the proportion of unionized employees has remained relatively unchanged.

Given the growth in Elexicon's workforce over this historical period (as discussed in Section 3, below), Elexicon's demographics have shifted dramatically, with 44% of the workforce having five or fewer years' experience with Elexicon. Given such a relatively large portion of the workforce is new, or relatively new to the business, Elexicon's talent strategy, discussed below at Section 4, focuses on the training, culture, and technology improvements to ensure employees are equipped to perform, can integrate and build collaborative relationships, and have the tools they need to work efficiently given the increasing volumes of work expected over the bridge year and the upcoming rate term.

2.1 Workforce Demographics

2.1.1 Supervisors and Individual Contributors

This segment of the workforce includes most of the employees at Elexicon, with 86% of all positions being either an individual contributor or a supervisor. This group includes employees in the skilled trades, such as Powerline Technicians and Line Supervisors, as well as Metering Technicians, Engineering and Design Technicians, Mechanics, Storekeepers, and Systems Operators. This segment comprises a mix of both unionized and non-unionized individual contributor positions. Non-unionized individual contributors are primarily those positions which are not skilled trades, field operations, procurement, or customer experience representative roles. For example, non-unionized individual contributors are typically specialists in the Technology Segment (IT Support, Cyber Security, System Administration), Regulatory Affairs, Communications, Human Resources, as well as executive assistants. Distribution Engineers in Elexicon's asset planning function are also non-unionized individual contributors.

Supervisors are also not unionized and are responsible for overseeing daily and routine operations of teams or crews (i.e. field operations) comprised of individual contributors (both unionized and non-unionized). Supervisors are responsible for the health and safety, and performance, of their direct reports, and play a significant role in ensuring operational excellence, managing costs, and delivering customer satisfaction. At Elexicon, supervisors are considered part of the broader leadership team, and also serve as a key talent pool for future managers and directors. As of 2025, approximately 8% of Elexicon's workforce is at the supervisor level.

2.1.2 Management

Approximately 13% of Elexicon's workforce is at the management level (which includes positions at the manager, director, and executive level). Management entails strategic leadership with varying degrees of oversight of supervisors and individual contributors. Managers are responsible for setting clear goals and expectations, providing feedback, conducting performance reviews for direct reports, as well as strategic business planning, operational oversight, budgeting and resource allocation, succession planning, leadership development, and leading strategic initiatives.

2.2 Workforce Sections by OM&A Program

To align this schedule with the presentation of OM&A programs in Schedules 1 to 6 of Exhibit 4 - Tab 1, this schedule refers to three sections of its workforce distinguished by function areas: 1) 'Asset Management and Distribution Operations', 2) 'Customer', and 3) 'Common Corporate'.

'Customer' refers to the segments and staff within the Customer Care OM&A program[1], and Common Corporate refers to the segments and staff within the 'Common Corporate' OM&A program[2].

Asset Management and Distribution Operations is a division of Elexicon's workforce that comprises the following function areas: asset records, distribution system planning, load forecasting and stations planning, standards and system studies, connections and design, stations and automation, stations design,

[1] Billing, Collections, Customer Experience and Contact Centre, Metering and Wholesale Settlements – see Exhibit 4 - Tab 1 - Schedule 5

[2] Technology, Finance, Facilities and Procurement, People and Culture, Regulatory Affairs, Stakeholder Relations, Legal and Corporate Secretariat – see Ex. 4 - Tab 1 - Schedule 6

grid operations, field operations, and program delivery functions of the utility across various departments. AM/DO represents approximately 50% of Elexicon's entire workforce.

The AM/DO division plans, designs, and builds, or oversees the building of, Elexicon's assets, connects customers, operates the grid, repairs and restores the system during planned and unplanned outages, and oversees emergency preparedness and response.

As most positions in Asset Management and Distribution Operations execute and/or oversee both capital work and OM&A programs, most roles in this section cannot be mapped to a single OM&A segment or program, but rather support work across the Sustainment (Ex. 4 - Tab 1 - Schedule 4), System Operations (Ex. 4 - Tab 1 - Schedule 3), and System Planning and Design (Ex. 4 - Tab 1 - Schedule 2) OM&A programs.

3. ELEXICON'S WORKFORCE POST-MERGER TO PRESENT DAY

Prior to the merger's approval, on a combined basis the legacy utilities had approximately 289 FTEs in 2017. Following the 2019 merger, Elexicon consolidated the workforces of both legacy utilities by mapping job functions from the historical utilities to the appropriate role in the consolidated entity. Elexicon's objective as a newly merged utility was to eliminate duplicative functions and identify the staffing level required to support the utility's business requirements, facilitate the leadership transition, and generate synergies with a consolidated workforce. Discussion of Elexicon's labour synergies is at Exhibit 1 - Tab 4 - Schedule 2.

Elexicon's workforce had decreased from 289 FTE pre-merger to 246 FTE by the end of 2020. This reduction in FTE levels was driven by natural attrition (i.e., voluntary departures, retirements) and the merging and alignment of leadership. Additionally, there was a slowdown of work execution at the very outset of the pandemic in 2020, when Elexicon only executed $50M in gross capital, an attainment of only 77% of its distribution system plan implementation (Elexicon has executed an average of $80M in gross capital per year since 2021). In 2020 and 2021, Elexicon also experienced an increased lead time to fill vacancies during the pandemic, and this persisted with a tight labour market in the post-pandemic period (2022 onwards). Elexicon mitigated the disruptive impacts of these external events and quickly resumed productive operations by adopting a hybrid work arrangement and investing in leadership and culture training. Elexicon successfully established the foundation for an efficient performance-based culture

resulting in the successful construction of Elexicon's first Municipal Transformer Station (Seaton) in 2022, improved on-time connections (from 93.74% in 2020 to 98.57% in 2023), while connecting an increasing number of new customers (customer growth increased by 5.6% from 2020 to 2024 for Elexicon, whereas the provincial customer growth was 3.4% over the same period), notwithstanding also restoring power during the worst outage in the utility's history in May of 2022. Elexicon's ability to deliver such outcomes for customers is largely attributed to its investments in training, workplace safety, and establishing a performance-based culture.

Over the historical period, Elexicon's integrated talent management framework ensured the right talent was acquired and retained by the utility and enhanced employee accountability and sense of ownership over the work and the accomplishments of Elexicon. During this time, Elexicon also successfully worked with the Power Workers' Union (PWU) to establish the first post-merger collective agreement to harmonized jobs and pay classifications and establish a single set of working conditions.

Since 2020, Elexicon's FTE levels have increased from 246 to 307 by the end of 2024. As discussed in detail in this exhibit, 54 positions were added in the post-merger period to contend with customer and load growth (e.g. increasing rate and load size of customer inquiries and connections), capacity constraints (e.g. proportion of substations with limited capacity), unforeseen external factors (e.g. the pandemic, rising inflation, supply chain impacts, transition to remote work), compliance and regulatory requirements (e.g. DER connection processes, price optionality, cyber security framework). The balance of the FTE level changes is primarily driven by the use of temporary and student roles to support fluctuating volumes of work and co-op students to support administrative work and data analysis.

Table 1: Elexicon's FTE Levels from 2020-2024 (Source: RRR) & 2025 Forecast (F)[3]

Year	2020	2021	2022	2023	2024	2025 (F)
Management	29	29	33	36	40	39
Supervisors and Individual Contributors	217	217	222	225	253	282
Students/Co-ops	0	0	1	4	14	11
Total	**246**	**246**	**256**	**264**	**307**	**333**

[3] Numbers in this table are rounded to the nearest whole FTE.

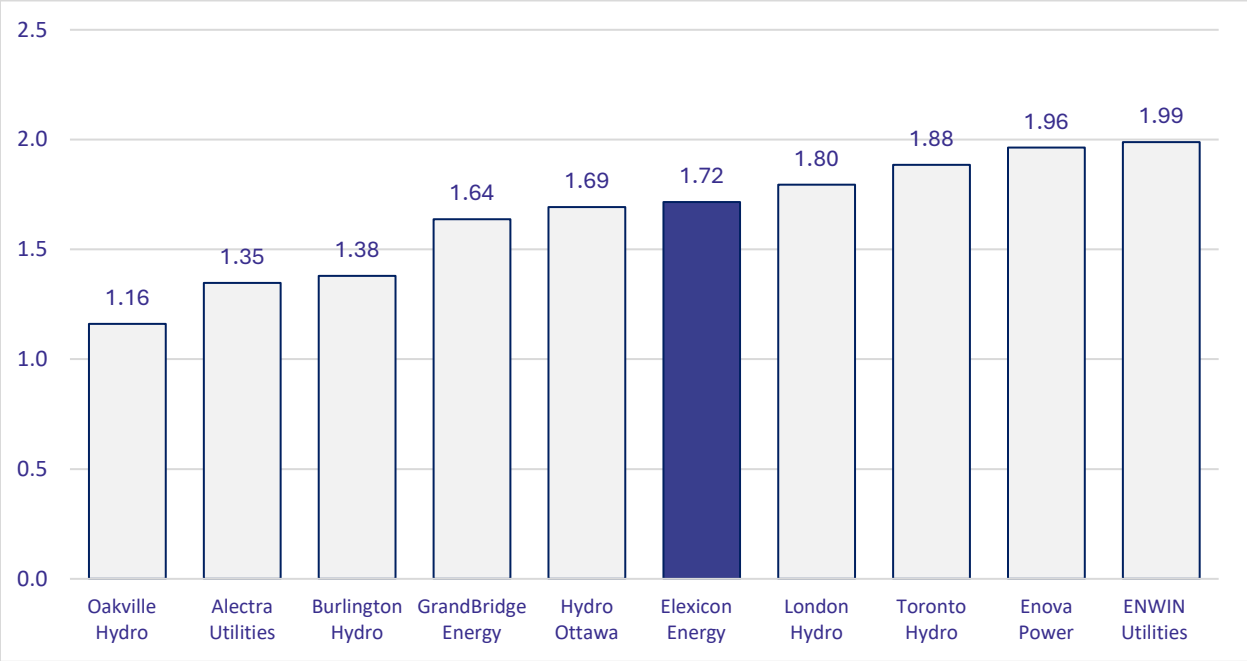
Elexicon responded to changing circumstances and increased its workforce beginning in 2022. Elexicon needed to add internal capacity to manage growing volumes of urgent and necessary capital investment, including mandatory customer-driven work; increasing numbers of connections, particularly, large customer inquiries and connections (>1 MW), in addition to regulatory and compliance requirements, such as price optionality, net-metering, DER connections process, the cyber security framework, changes to the DSC, etc. Such changes, coupled with the increasing load inquiries and connections volumes, and a savvy customer base highly reliant on digital communication, warranted the establishment of, among other capabilities:

- an IT function capable of leading an urgently needed infrastructure transformation to mitigate severe risk and unlock operational productivity through the adoption of an Enterprise Resource Platform (the Dx NEXT project - Exhibit 4 - Tab 1 - Schedule 6, Appendix A).
- a financial planning team to manage financial complexities of a growing capital program,
- asset planning and standards functions capable of both short- and longer-term planning,
- a stakeholder relations and communications function to provide timely, multi-channel customer communications to all customers, as well as to be responsive to stakeholders such as municipalities, the regulator, and large customers,
- a standalone regulatory affairs team with dedicated leadership to handle more complex applications, compliance and reporting obligations,
- a key accounts function to provide tailored support to larger customers or those customers with essential services, key community operations etc.

Elexicon made these essential workforce investments despite insufficient OM&A funding in base rates. These investments ensure Elexicon has the capacity and capabilities in Asset Management and Distribution Operations, as well as in Customer and Common Corporate programs, to deliver safe and reliable power, provide timely connections, and maintain a positive customer experience.

Despite this workforce growth, Elexicon's workforce size relative to its customer base remained in line with its peer group (see Exhibit 1 - Tab 5 - Schedule 3).

Figure 1: FTE per 1000 Customers, 2024 (Source: RRR)



The growth in FTEs reflects the additional work demands and external drivers that were unforeseen or unknown in the pre-merger period. In 2016 and 2017, when the merger was being contemplated and its underlying business rationale developed and tested, Elexicon's business environment was less complex and did not foresee the inflationary or growth challenges of the post-pandemic period. In the merger application, the parties put forward a capital plan that forecasted flat investment requirements of approximately $30M to $35M per year, when in fact Elexicon's actual capex during this period has been approximately $60M per year, or an increase of nearly 100%, and is forecasted to be on average $140M per year over the forecast period.

Elexicon has responded to the business requirements that emerged post-2019 by augmenting its workforce with the capacity and expertise required to navigate the complexities of its operating environment. Where possible, Elexicon has leveraged temporary, student, and co-op positions as cost-effective resourcing options that also supports future talent identification and development for Elexicon and the greater sector. Without these targeted workforce investments, the utility would not have

sustained operations, nor been able to effectively communicate and respond to customer needs. It also would have been unable to plan for the future. Without the functions noted above, Elexicon would not have been positioned to develop its investment plan as it would have been unable to identify and understand its current and future capacity requirements, comply with DSC and policy changes, nor adopt the processes and functions needed to scale its capital work programs. As part of its labour synergies analysis, discussed in detail in Exhibit 1 - Tab 4 - Schedule 2, Elexicon factored in the post-merger hiring that was specifically driven by changes to the business which were not reflected in the merger application, such as customer driven load growth, capacity constraints, and compliance requirements (e.g. cyber security, privacy, connections processes etc.). To normalize for these changing business requirements in its calculation of labour savings, Elexicon identified the full-time roles attributable to new business requirements or growth-related demands and removed those positions from the calculation of labour savings. The requirements that materialized post-merger would have created similar labour needs for the legacy utilities. By removing those full-time roles from the calculation of Elexicon's post-merger workforce, current workforce levels can be compared to the merger business case FTE forecast. The result of this analysis identified 54 full-time roles that were added post-merger to address new business requirements and growth, as discussed above.

Of these 54 full-time roles added to Elexicon to manage new business requirements and growth, 26 reside in the Asset Management and Distribution Operations (AM/DO) division, correlating with a need for more technical, design, engineering, asset planning and project delivery capacity in alignment with Elexicon's investment requirements.

Table 2: Positions added to support new requirements and growth by OM&A Program or Division, 2020 to 2025 [4]

Program	Total
Asset Management and Distribution Operations	26
Common Corporate	21
Customer Care	7
Total	54

3.1 Workforce Growth in Asset Management and Distribution Operations

Over the historical period, Elexicon has experienced steady customer growth with an average annual increase of 1.4% in customers annually since 2019, as captured in Table 3. This outpaced the provincial annual average growth of 0.8%, and is also reflected in the number of requests for new services, detailed in Table 4.

Across the AM/DO areas, Elexicon was required to add internal resources (approximately 25 roles) during the historical period to address the volume of connection requests and capacity constraints, long-term planning needs, and the oversight needed to manage Elexicon's growing capital and maintenance program. As noted in Table 5, during this historical period, capital expenditures increased by 70%. The quantum of new roles by department is captured in Table 7, below. Most new roles added to these departments support the planning and delivery of the capital program, and/or support multiple OM&A program segments and cannot be mapped directly to a single OM&A segment.

Table 3: Elexicon's Historical Customer Growth (Source: RRR 2.1.2)

	2018	2019	2020	2021	2022	2023	2024
Total Cust. Per RRR	164,732	167,653	169,489	171,564	174,153	176,725	179,017
Y-o-Y Changes		1.8%	1.1%	1.2%	1.5%	1.5%	1.3%
Average Annual Increase (2020 to 2024)	1.4%						

[4] Note that most positions in Asset Management and Distribution Operations are capitalized. This division includes roles such as powerline technician that support multiple capital projects and multiple OM&A program segments and cannot be mapped to a single OM&A program.

Table 4: Elexicon's Low Voltage Connection Requests (Source: RRR 2.1.4.1)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Low Voltage Connections: New Services Requests	1,627	1,859	1,736	2,180	3,306	2,283	2,384	3,035	3,084	3,013
YoY % Change		14%	-7%	26%	52%	-31%	4%	27%	2%	-2%
CAGR	7%									
2015 to 2024 % change	85%									

Table 5: Elexicon's Gross & Net Capital Expenditures, 2020 to 2025

	2020	2021	2022	2023	2024	2025 (F)
Total Expenditure, Gross ($M)	50.27	71.92	101.06	88.61	94.64	79.25
Total Expenditure, Net ($M)	35.19	53.43	78.41	52.55	68.88	59.75
Net Capex: CAGR (%)	11%					
Net Capex: overall growth (%)	70%					

Table 6: System Access, Gross & Net Capital Expenditures, 2020 to 2024 (Actuals)

System Access	2020	2021	2022	2023	2024
Total Expenditure, Gross ($M)	22.10	33.08	42.19	58.67	44.73
Contributions ($M)	15.08	19.14	22.44	35.25	22.93
Total Expenditure, Net ($M)	7.02	13.94	19.75	23.43	21.80
Gross Capex: CAGR	19%				
Gross Capex: overall growth (%)	102%				

Table 7: New roles added 2020 to 2025 in the Distribution Operations and Asset Management Division

Department/Segment	Roles Added 2020 to 2025
Asset Planning and System Engineering (APSE)	7
Control Centre	5
Distribution Operations/Stations and Automation	8
Locates	3
Program Delivery Group	3

3.1.1 Asset Planning and System Engineering (APSE):

Elexicon needed to build out the oversight and level of expertise in its asset planning function in order to address the growing proportion of aging assets, manage degrading reliability, and address capacity constraints. As the volume of large connection requests (e.g. >500kW) increased over the historical period, additional expertise was added to plan for new assets in the distribution system (e.g. enhancements and expansions) that are needed to enable connection requests. These challenges required Elexicon to add dedicated resources for load forecasting and stations planning, as well as distribution system planning.

Elexicon added dedicated supervisors, and an engineer and a technician, to support distribution system planning, load forecasting and stations planning, as well as a supervisor and an engineer for systems studies and standards and to oversee the development and approval of construction standards, distribution equipment and materials, and DER connections. In addition to capacity constraints, this enhanced planning function also focused on addressing the growing proportion of deteriorating assets through improved asset condition assessments and replacement plans. Further details on the improvements to Elexicon's planning process are in the DSP at Exhibit 2B - Tab 3 - Schedule 1.

3.1.2 System Control Centre:

In the historical period, Elexicon extended operations to full 24/7 coverage across the utility's service territories. Elexicon also needed to expand the control centre's capacity and capability to support the growing and increasingly complex capital and operations program, as well as the increased number of major grid events driven by extreme weather. To maintain operations, Elexicon needed to add an additional supervisor, multiple operator apprenticeship roles, supported by a senior system operator for training, mentorship, and to handle absences/turnover, as well as large weather events and outages. Elexicon also needed to add an emergency specialist to strengthen organizational emergency preparedness, enabling efficient response to severe weather events and other emergency situations.

Over the historical and bridge periods, the Control Centre has faced persistent challenges in attracting and retaining both apprentices and fully qualified System Operators, with several departing to neighbouring utilities due to competitive market pressures and demand for specialized skillsets. This trend has underscored the need for a strengthened talent attraction and retention strategy during the bridge and

forecast period. To ensure the Control Centre remains adequately staffed and operationally resilient, Elexicon will prioritize initiatives to recruit additional operators and apprentices, enhance training and development pathways, and implement retention measures that address market competitiveness. These efforts are critical to sustaining the utility's operational reliability, supporting future load growth, and meeting performance standards.

3.1.3 Distribution Operations/Stations and Automation

To execute increased volumes of distribution field work, Elexicon was required to add powerline technicians and apprentices (5 FTEs) as well as a program analyst to support the tracking and reporting of work programs, as well as a dedicated stations design supervisor and an additional technician to oversee the execution of stations capital renewal and maintenance work.

3.1.4 Locates, Damage Prevention, and Inspections:

Elexicon added three new positions, (supervisor, contract administrator, and analyst) to oversee volume and new compliance requirements for locates following the passing of the Getting Ontario Connected Act ("Bill 93"). Increases in compliance requirements required greater oversight of external providers, as well as tracking and reporting on metrics to avoid penalties related to timelines of locates and the protection of public safety.

3.1.5 Program Delivery Group:

In 2023, Elexicon recognized there was a need for a dedicated internal function to oversee the delivery of maintenance and capital work programs, and the external vendors that support the execution of this work. This need was addressed through the creation of the Program Delivery Group ("PDG"), which entailed the addition of a dedicated manager to lead this group, as well as adding a program management consultant, a contract administrator and an analyst. This group is responsible for the oversight of external vendors, and for the yearly planning, bi-weekly/monthly tracking, reporting and analysis on Elexicon's capital and maintenance execution work programs. These programs consider system needs, customer requirements, as well as constraints such as availability of resources, budget, materials, and permits etc. to ensure executability of the work programs. Elexicon relies on external contractors for a portion of the planned construction and maintenance work on the overhead and underground distribution systems due the

flexibility and scalability of these resources and access to specialized tools and equipment. The PDG function plays a critical role in ensuring externally executed work is delivered in a timely, safe and cost-effective manner in accordance with the engineering standards required of a project or program as this team develops, tracks, and communicates the performance expectations of Elexicon's external vendors.

3.2 Workforce Growth in Common Corporate Functions

Across all common corporate functions, Elexicon added 21 new full-time roles since merger (most roles were added after 2022) to address customer expectations, manage new and complex compliance and regulatory issues, and support an increased volume of capital work. A detailed discussion of the drivers of those additional positions is included below for each relevant segment.

Table 8: New roles added post-merger in Common Corporate program segments

OM&A Segment	New Roles Added Post-Merger
Technology	6
Stakeholder Relations	5
Finance	3
People and Culture	3
Legal and Corporate Secretariat	2
Regulatory Affairs	2
Total	**21**

3.2.1 Technology (IT/OT)

Over the historical period, Elexicon added resources to support business transformation projects, grid advancement and evolving business requirements associated with remote work, shifting to cloud technologies, and cyber security requirements.

Enterprise Transformation Projects: To modernize its systems, Elexicon added a manager of enterprise technology and a manager of business transformation to ensure dedicated project management support to develop and execute on a technology roadmap for modernized systems and processes through projects such as Dx NEXT (refer to Exhibit 4 -Tab 1- Schedule 6, Appendix A for project details). Dx NEXT is a technology modernization program to replace Elexicon's highly customized, end-of-life legacy systems with an industry-standard, cloud-based Customer and Enterprise Resource Planning (ERP) platform that

reduces operational inefficiencies and mitigates cyber security risks. Elexicon is also undertaking a cloud-based project, 'Modern Workplace' to strengthen Elexicon's cyber security posture while enabling secure, cloud-based communication, improved data management, as well as collaboration and productivity across all locations and devices, (see Exhibit 4 - Tab 1- Schedule 6).

Grid Modernization: To support the beginning of Elexicon's grid modernization journey, Elexicon needed to add a grid advancement engineer to provide Operational Technology expertise. In 2023, Elexicon's Whitby Smart Grid ICM (EB-2022-0024), received OEB approval for $8.8M in funding in 2025 for the ADMS and SCADA aspects of the project. This investment is the initial step in Elexicon's grid modernization plan (see Exhibit 2B - Tab 3 - Schedule 2, Appendix A) as this infrastructure lays the foundation for real-time communication, monitoring, and control of the electrical grid.

IT Support & Cyber Security Responsiveness: Elexicon was required to add internal IT expertise, a cyber security specialist, a network and security analysis, and an integration and database specialist, to contend with the transition to remote work and respond to a complex and evolving cyber security landscape. Over the historical period, the cyber security threat landscape evolved dramatically requiring Elexicon to adopt more rigorous practices to safeguard critical infrastructure. These changes are reflected in evolving regulatory obligations pertaining to information management and security for all utilities. As a distributor in Ontario, Elexicon must comply with the Cyber Security Standard under section 6.8.3 of the Distribution System Code. The implementation of the Ontario Cyber Security Framework[5] ("OCSF" or the "Framework") has significantly increased the volume and complexity of security and privacy activities required of Elexicon. These include managing supply chain risks, improving credentialing and multi-factor authentication, establishing structured vulnerability response processes, and engaging independent third-party assessors to review and report on compliance. To meet these obligations, Elexicon added resources to support the dissemination of requirements across the business, gap assessments against the Framework, remediation planning, and internal/external compliance reporting. Elexicon also

[5] Ontario Cyber Security Framework, v 1.1, US Department of Commerce's National Institute of Standards and Technology (NIST), revised on December 7, 2023. OEB's website for Rules, Codes and Requirements https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/ontario-cyber-security

strengthened its network and security capability by adding resources primarily responsible for ensuring network uptime, reliability, and secure remote connectivity, while also providing incident response to cyber events which became necessary due to the accelerated reliance on remote work arrangements placing unprecedented demands on secure connectivity and network resilience. At the time of the merger, the scale and scope of these requirements could not have been reasonably anticipated. The convergence of increasing cyber threats with heightened dependence on reliable remote access created new operational risks that required dedicated expertise to mitigate, making such roles both unforeseen and essential. The modernization of legacy systems has created a dual workload: maintaining older platforms while simultaneously deploying their replacements. To manage these competing demands effectively, additional internal support was required to coordinate resources and oversee workload distribution.

3.2.2 Stakeholder Relations and Communications:

Elexicon added a dedicated stakeholder and communications function in order to evolve its approach to stakeholder engagement, improve customer communications, and provide centralized internal communications support. This team comprises of a manager of communications and stakeholder relations, a digital marketing and web development specialist, and a social media and public relations specialist, as well as a research and policy advisor, all of which were added post-merger. Through this function, Elexicon can ensure it is proactively engaging customers and key stakeholders such as its ten municipalities, elected officials at multiple levels of government, key accounts customers, landowners groups, and the IESO, in order to understand customer needs, better plan its system, and advocate for its customers and communities. This multi-skilled team supports greater coordination and alignment with its municipalities, large customers, and developers to address and prepare for large connections, including in greenfield locations. This team also acts as a critical conduit to communities during major outages ensuring a good flow of accurate communication between Elexicon, affected communities and their residents.

Elexicon must be nimble and responsive to customers' expectations by ensuring accurate and timely communications through a wider array of media including: its website, social media, in-person engagements, and over the phone. The creation of a dedicated team with specialized expertise permitted Elexicon to significantly reduce reliance on external vendors for website, graphic, and communications support. This saved costs, and improved the quality and operability of the website, and allowed for

handling of an increasing volume of customer communications such as from those facing financial challenges or those more reliant on home service to support remote work. Elexicon also observed increased volumes of customer communications due to a greater number of weather incidents and protracted outages, changes to RPP pricing optionality (TOU, Tiered, ULO), and billing related matters such as the Canada Post Labour disruption. In light of these trends, reliance on multi-platform communication is patently apparent; in 2020, Elexicon's website attracted approximately 4,700 monthly sites visits; in 2025 it is averaging 112,000 visits per month: more than a 2200% increase. The website has also been improved with an online outage map for both legacy rate zones (prior to merger, only Veridian's service territory had an online outage map).

Elexicon has also found efficiencies from leveraging the skills of this function to support internal communications and change management, rather than dispersing communications and change support roles across lines of business. This centralized approach to internal communications ensures alignment of messaging and approach, and a clear and comprehensive source of information and support for all managers and their employees.

3.2.3 Finance

With the growing volume of capital investments and external demand recoverable projects, Finance added internal resources to support the incremental workload. Finance also added resources within its planning and treasury function, recognizing the need to support an increase in planned capital work, and growth in overall operational size (i.e., customers, FTEs) requires more dedicated financial oversight and longer-term planning. Elexicon needed to add three full-time roles in the Finance function (capital assets analyst, director of financial planning and budgeting, and manager, treasury and tax) to support:

- the increase in volume related to both capital investments and external demand recoverable projects which resulted in incremental requirements for project invoicing, analysis, project close-out, capitalization, operations support, customer follow-up, and reporting requirements;
- planning capabilities to provide dedicated financial oversight, longer-term planning, more comprehensive internal reporting, and the ability to create and implement a financing strategy to ensure long-term balance sheet health;

- the requirement for more detailed and sophisticated cashflow forecasting and cash management abilities, given the increase in debt and cashflow needed to support the increase in capital investments; and
- the establishment of a treasury team to enable execution of the financing strategy which involves issuing private debentures in the capital markets and equity transactions in the near future.

3.2.4 People and Culture:

As its workforce needs grew over the historical period, Elexicon needed additional support to manage the recruitment and onboarding of the various roles required, and to deliver the programs set in place post-merger to encourage high performance and employee engagement. With a growing workforce, Elexicon needed to ensure employees had access to sufficient training, and people leaders were equipped to effectively manage performance. Elexicon also need dedicated resources committed to improving and expanding its health and safety programming. Considering these requirements, since 2020, Elexicon has added an HR generalist, an environmental specialist, and a health and safety field supervisor. These positions were essential for identifying candidates for newly created roles, improving the fill-rates of vacancies, and delivering an improved onboarding experience to support retention and employee engagement, as well as ensuring oversight, compliance, and continuous improvement for Elexicon's safety and environment functions.

3.2.5 Regulatory Affairs:

In the historical period, Elexicon added a dedicated Regulatory Affairs function to handle the scope of activities including reporting, applications, regulatory accounting, compliance, and policy work. To support this structure, a dedicated vice-president overseeing both regulatory affairs and stakeholder relations (overseeing this segment, as well as the Stakeholder and Communications segment, noted above) and a manager of compliance and policy was added (in 2023 and 2024 respectively). Elexicon's need for a dedicated function is driven by:

- the need to participate in, and implement, and increasing level of OEB-directed policy and process changes including pricing, connection processes, reporting (e.g., RRR), reliability framework

changes, the implementation of new deferral and variance accounts, changes to accounting as a result of the IESO's market renewal program, etc.,

- the need to acquire the capabilities to deliver more comprehensive applications (e.g., ICM, Custom IR), and related long-term planning and customer engagement activities, especially as the utility approached the end of its deferred rebasing term,
- the need to ensure organizational decision making is informed by and compliant with regulatory requirements. This includes increasing demand for interpretation and analysis as a result of a larger capital program and increased connection requests and a growing need for system expansions which require analysis for offers to connect,
- more active engagement on an increasing number of OEB regulatory policy activities impacting Elexicon's daily operations. With respect to OEB policy consultations, there have been over two dozen active policy files during the 2022 through 2025 period, 19 of which remain active to some degree in Q3 2025.

3.2.6 Legal and Corporate Secretariat

Elexicon needed to add a manager to lead privacy and information management, as well as a manager to implement an enterprise risk management program and oversee Elexicon's insurance program. A utility with size and scale of Elexicon's work program, and an evolving risk landscape due to its cyber security posture, financial constraints, and aging assets requires a comprehensive risk and insurance program to identify, manage, and support its leadership in charting a path to addressing such risks and putting in place the processes and tools to operate effectively in this environment. As a larger utility, Elexicon must also develop core competencies and ensure compliance with respect to privacy and information management, including the Ontario Cyber Security Framework which mandates specific practices to ensure compliance. Elexicon also needed dedicated internal legal counsel to support an increased volume of commercial transaction activities (contracts with vendors, suppliers), as well as compliance and connections matters (DSC interpretation, responding to customers) associated with Elexicon's growing service territory and increasing capital program.

3.3 Workforce Growth in Customer Care Program

Post-merger, the Customer Care Program (Billing, Collections, Customer Experience and Contact Centre, and Wholesale Settlements/Metering) added seven new full-time roles.

An additional analyst and a manager of customer analytics were added to improve Elexicon's customer data management, to better understand customer trends, track customer growth, manage growing complexities in billing and collections, as well as to support projects (e.g. system upgrades and process changes related to compliance requirements). A dedicated key accounts function was also created, which necessitated hiring a key accounts manager and specialist (see Exhibit 4 - Tab 1 - Schedule 5 for detailed discussion of this function). Elexicon also added an additional analyst in wholesale settlements as well as two meter servicepersons to support new customer connections and address assets at end of life. The Customer Care program has maintained relatively consistent workforce levels in the historical period (see Table 9 below) despite an average annual increase of 1.4% in customers – 0.8% higher than the provincial average – and despite the increasing and evolving needs and preferences of the utility's customers.

Table 9: New roles added in Customer Care Program

OM&A Segment	New Roles Added
Customer Experience and Contact Centre	3
Metering and Wholesale Settlements	3

As noted above, in 2024, Elexicon added a 'Key Accounts' function to support larger customers and/or accounts requiring additional support that are important or significant relative to Elexicon's broader customer base (e.g. municipal services, school boards, critical infrastructure etc.) and may have unique needs.

4. ELEXICON'S EXECUTION ROADMAP AND WORKFORCE PLAN

4.1 Execution Roadmap

Elexicon has developed a workforce plan and roadmap that will enable it to execute its investment plan with modest workforce increases over the rate term. To achieve the timely and operationally efficient execution of its investment plan, Elexicon is leveraging technological transformation and effective

outsourcing to deliver more work with minimal increases in workforce levels and also reinforcing its talent strategy to promote high-performance and retention. Elexicon's roadmap includes the following components:

1. Adopt **paced and targeted hiring** for required roles**.** As discussed below, Elexicon scoped its workforce plan to the minimum level of new positions required for successful execution. From 2026 to 2031, Elexicon will be gradually adding 63 new positions to its organization, as captured in Table 11. Rather than filling all required roles in the Test Year, Elexicon has determined which roles can be added in subsequent years to align with the scaling of the work program and mitigating costs to ratepayers. Elexicon forecasts these incremental positions will be added to key operational departments, such as design and connections, field operations, and the control centre (grid operations) to support the increased volumes of planned capital and maintenance work.
2. Set in place the **technology, tools, and processes** for efficiency that allow the workforce to execute a greater volume of work with only moderate increases to staffing levels. The Dx NEXT project will replace manual, outdated applications and processes and allow teams to repurpose and reallocate time and resources. Dx NEXT will also equip teams with access to more and better data, and tools for data analysis, to ensure sufficient oversight of work execution and to scope opportunities for productivity. The optimizing functionality of an ERP (the Dx NEXT cloud-based SAP solution) is expected to enable more work execution. To ensure Elexicon can obtain optimal benefits from these investments, Elexicon is staging the implementation to permit time to re-engineer processes, as well as setting in place communications and change management programming to provide support.
3. Equip **people leaders** with **training, modern applications and tools**, and continue to promote a collaborative, safe, and productive workforce culture, discussed below at Section 5.4.
4. Continue to **successfully recruit talent** with the appropriate levels of experience and skills, and invest in training to ensure business continuity and a capable workforce.
5. Continue to leverage **co-op and student hiring** as a cost-effective and productive resource for augmenting the full-time workforce and building a talent pipeline.

6. Sustain the **high-performance culture and reinforce accountability** through short-interval control performance tracking, the introduction of tools such as a management control and reporting systems, and performance-based compensation.
7. Ensure the effective **deployment of external capital contractors**, managed through the Program Delivery Group (PDG), to support safe, efficient, and cost-effective execution of the capital work program, which is projected to nearly double in size. Elexicon will continue to invest in its internal resources and skilled workers, and this model provides the flexibility and scalability needed to meet larger program while maintaining safety, quality, and cost discipline.

4.2 Workforce Plan: 2026 to 2031

In determining its resource requirements for 2026 to 2031, Elexicon conducted a bottom-up needs assessment to identify the levels of technical and field operations staff (i.e. asset management and distribution operations), as well as corporate and customer service functions required to support growth in the work program, ensure quality customer service, and drive efficiency across all departments through technological transformation.

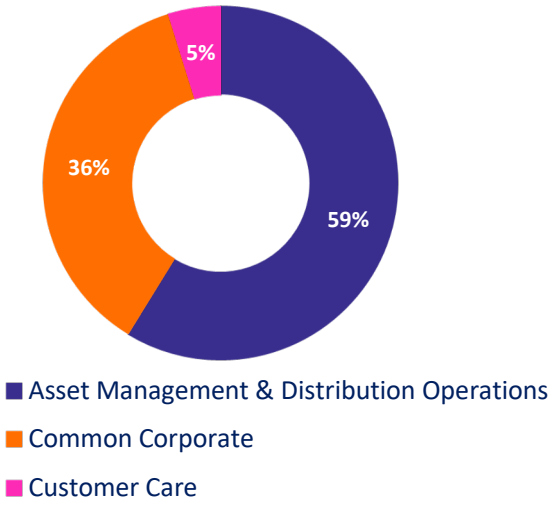
Table 10: Elexicon's Forecasted FTE Levels from 2026 to 2031

	2026	2027	2028	2029	2030	2031
Management	39	41	41	41	41	41
Supervisors and Individual Contributors	291	305	319	330	333	333
Student/Co-op	11	17	19	20	21	21
Total	**341**	**363**	**379**	**391**	**395**	**395**

Table 11: Planned Positions by Division[6] and OM&A Program: 2026 to 2031

Asset Management and Distribution Operations	**37**
Common Corporate	**23**
Technology	5
Finance	6
Legal and Corporate Secretariat	4
Facilities and Procurement	5
Regulatory Affairs & Stakeholder Relations	3
Customer Care	**3**
Customer Experience and Contact Centre	2
Metering	1
Total	**63**

Figure 2: Planned Positions by %: 2026 to 2031



As Elexicon prepares to enter its next rate period, staffing levels are forecasted to grow by less than 16% over the 2026 through 2031 period. In part to manage cost increases during the period, Elexicon has paced out its hiring plan. However, steady hiring is required. Elexicon's workforce has an average age of 43.5, and

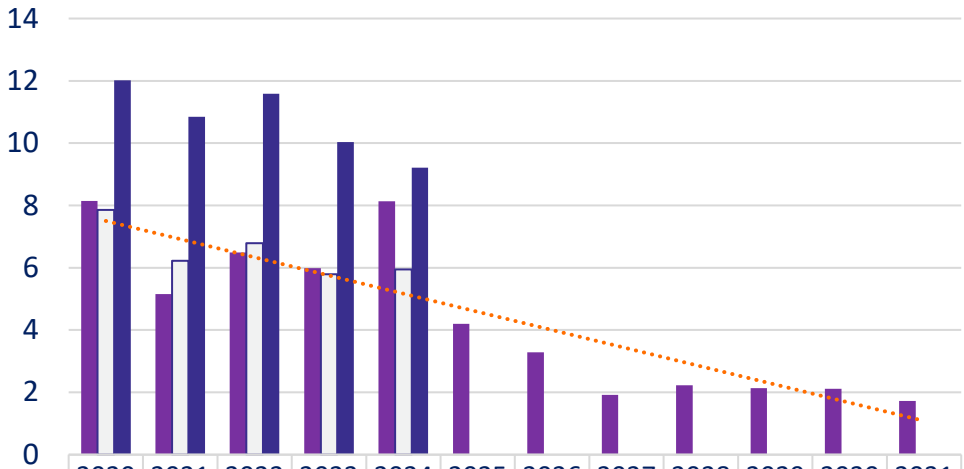
[6] As noted above, positions in Asset Management/Distribution Operations are primarily capitalized. This division is responsible for the majority of capital programs and several OM&A program segments and cannot be mapped to a single OM&A program. AM/DO FTE by function are included in Figure 3, below.

it is currently working on training the next generation. Elexicon often hires capable, but relatively inexperienced employees, with the intention to develop them through training and knowledge transfer. For certain trades, it takes up to six years for fully-qualified employees, and even in corporate and back-office functions, the lead time is several years.

During its business planning process, Elexicon revised its forecast internal staffing levels over multiple planning stages to determine the minimal amount of net new positions to be added to Elexicon's workforce during the forecast period (2026 to 2031). Elexicon was able to reduce its FTE requirements after evaluation of the anticipated benefits and impact of the Dx NEXT project. The impacts of Dx NEXT will permit Customer Care to reduce internal labour requirements by 18 FTE, and for Finance, 6 FTE. Elexicon's hiring plan limits new roles to only those essential for executing its plan.

Elexicon's workforce plans for the 2026 to 2031 period are driven by its investment plan. Elexicon must have a sufficiently sized workforce to execute a significant increase in planned capital related to capacity and customer connections, asset deterioration, grid modernization, as well as technology and infrastructure upgrades to support business requirements. As noted above, such staff need to be recruited, trained and sufficiently experienced to perform, which requires adding staff in advance of the scaling of the capital and maintenance work programs. Over the historical period, Elexicon has built up these skills and bandwidth as it prepares to embark upon its investment plan. The timing of such hiring has impacted the current ratio of Elexicon's capital spend to FTE ratios, as noted in Figure 3 below. However, by the end of the forecast period, this ratio is projected to drop well below both the industry and the peer group average.

Figure 3: FTE per $1M capital expenditure - Peer Group and Industry Comparison (2020 to 2031)



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Elexicon	8.14	5.16	6.49	5.99	8.13	4.20	3.29	1.92	2.23	2.14	2.11	1.72
Peer Group Avg.	7.86	6.22	6.79	5.79	5.94							
Ontario Average	12.02	10.85	11.58	10.04	9.21							

4.3 Workforce Needs in Asset Management and Distribution Operations

Given Elexicon's urgent capacity investments, deteriorating assets, increasing maintenance requirements, and anticipated customer growth rates, the majority of the staffing needs identified were in the AM/DO division, which comprises Asset Planning and System Engineering (Distribution System Planning, Load Forecasting and Stations Planning, Standards & System Studies); System Control Centre; Asset Records; Design Services & Connections; Locates and Damage Prevention; Distribution Operations; Stations and Automation; and Program Delivery. Currently, the functions within AM/DO represent approximately half of all full-time positions at Elexicon.

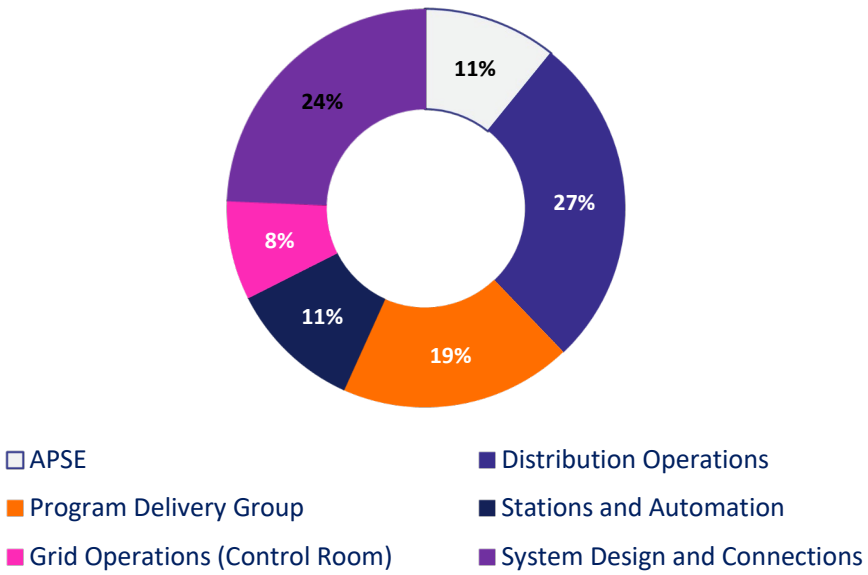
During the planning process, internal staffing levels within the AM/DO division were evaluated against the planned work to determine capacity gaps. Through this exercise, the following needs were identified:

- more capacity and oversight in System Design and Connections to handle greater volumes of system renewal, system enhancement, and customer driven connections/expansions design work,

- increased capacity within Asset Planning and System Engineering to support asset management functions pertaining to the development of the utility's increasing capital and maintenance work programs; system reliability and capacity analysis to deliver improved grid reliability, resiliency and customer growth enablement; and advancements to the planning and implementation of new grid modernization technologies and non-wires solution across Elexicon's distribution system.
- additional field operations staff (e.g., powerline technicians and supervisors, stations and automation staff) to increase the capacity of crews in smaller districts to effectively and safely manage the growing capital and maintenance work volumes, and ensure that reactive work (i.e. weather-related restoration, emergency restoration) can be delivered without disruption to the planned work program (e.g., redirecting field operations staff to restoration projects, forcing planned work to pause),
- additional capacity in the control centre to facilitate delivery of the capital and maintenance programs, as well as manage an increasing volume of grid operations activity associated with expanding the number and complexity of assets in the system and adding remotely controlled field devices through grid modernization.
- additional capacity to oversee more third-party contractors (e.g., contract administrators, program management consultants) associated with higher level of planned capital,
- additional capacity for stations maintenance given planned investments in new and existing stations, adding to the volume of stations to be maintained. Elexicon has also observed a growing need for stations maintenance work warranting increasing the number of internal technicians in stations and automation (see Exhibit 4 - Tab 1 - Schedule 4).

To address these needs, the majority of planned hiring will focus on adding system design and connections resources, more field operations staff and more control centre capacity, and enhanced program delivery oversight necessary to oversee more externally executed planned capital and maintenance work. Figure 4 below breaks down the 37 planned FTEs in AM/DO by function/department.

Figure 4: AM/DO Staffing Needs in 2026 to 2031 by Function



As noted above, Elexicon has benefited from the use of co-op and student labour to support data gathering and analysis, as well as project and program oversight, and will continue to do so over the rate period, as 24% of the new positions to be added are designated co-op placements. Co-op student roles will continue to support project oversight, work program tracking and reporting, as well as data analysis in the program delivery group, asset planning and system engineering, system design and connections, as well as field operations.

4.4 Use of Third-Party Contractors

To deliver a capital work program that is forecast to double by 2027, and continue increasing throughout the forecast period, Elexicon has developed a capital work execution plan which utilizes third-party service providers (“external vendors” or “contractors”) to address peak work demands, maintain flexibility, gain access to specialized skills, equipment and knowledge. This will be increasingly important for Elexicon as

it delivers a growing volume of planned capital projects.[7] As noted above, to ensure effective use of external contractors, Elexicon will supplement its program delivery function and its procurement team with resources for competitive sourcing, project management, and effective oversight of externally executed work. The Program Delivery Group, as noted at Section 3.3.6, is the project management and contractor administration hub of Elexicon. In the forecast period, Elexicon will be adding additional resources for contractor administration, project analysis and reporting, as well as supporting competitive procurement processes for external vendors bidding on projects and negotiating competitive pricing through master service agreements. As noted, internal resources will also be added to the procurement team to enable a greater volume of competitive sourcing processes for both external contractors, as well as material suppliers and support services (e.g. logistics, storage).

4.5 Workforce Needs in Common Corporate Segments

Elexicon undertook a similar needs-analysis to determine which function areas were insufficiently staffed within the Common Corporate program given size and complexity of Elexicon's investment and operations plan. The biggest gaps identified were in the Finance, Procurement, Fleet and Facilities, and Technology segments, which, for example, will require additional roles to ensure successful deployment and adoption of new technologies, as well as sufficient level of internal support for a higher volume of capital projects which, for example, significantly increases the volume of transactions handled by the capital assets team within the finance segment.

4.5.1 Finance

In the finance segment, additional capacity will be required to provide dedicated financial planning and budgeting analysis specific to the activities for asset management and distribution operations. Elexicon will be moving to an organizational structure to provide focussed and specific financial and analytical support by division, starting with AM/DO, and within it, PDG, to provide regular monitoring and reporting

[7] Elexicon also uses external vendors for O&M work such as locates and vegetation management. For locates, the use of external vendors is necessary as the work is time-sensitive and seasonal in nature and best performed by seasoned and supervised locator service providers who can efficiently execute and be called upon to address fluctuating locates requirements on behalf of Elexicon. For vegetation management, tree-trimming and removal requires specialized skills and equipment, and is also needed on a seasonal basis justifying reliance on vendors who can meet fluctuating demand.

that enables informed decision making and the ability to pivot and revise execution of the work program as required. Finance will also need to add capacity to manage the treasury and reporting requirements which are correlated with a larger capital portfolio (and thus need for more complex/sophisticated financing, debt structure, and greater cash-flow requirements), and the in-servicing of an increasing volume of capital jobs (detailed further at Ex. 4 - Tab 1 - Schedule 6).

The finance segment's workforce needs will be mitigated with the introduction of a cloud-based ERP and CIS through the Dx NEXT project (slated for completion by the end of 2027/beginning of 2028). With Dx NEXT, Elexicon can avoid the addition of the six FTEs which would otherwise be required to support growth in its capital work program, given the related cash flow management, data analysis, project-close reporting, and invoice processing work which results from such a significant increase in capital execution. The capabilities of Dx NEXT will result in fewer manual processes in the accounts payable function and project/job processing for the in-service execution in its capital assets.

4.5.2 Procurement and Facilities

To support a rapidly growing capital work program, Elexicon needs to enhance the internal capacity of its procurement function to permit an increased number of competitive processes (RFPs) for both contractors and suppliers, and additional support for inventory scheduling and management as the volume of work increases. In its facilities function, Elexicon will be adding internal janitorial and general maintenance resources to provide for facilities cleaning and maintenance during regular business hours (currently limited to after-hours third-party services). As Elexicon's workforce grows, in-office presence increases, and its buildings age, the utility will need for more frequent cleaning and maintenance in its primary office locations (Ajax and Whitby).

4.5.3 Technology

In its technology segment (see Exhibit 4 - Tab 1 - Schedule 6), Elexicon identified an urgent need for additional cyber security expertise to support vulnerability management and remediation activities given the complexity and sophistication of cyber threats. Elexicon also requires system administration and infrastructure expertise in order to appropriately support the growth and complexity of the expanding work program (including a new SAP environment in its digital landscape), this work will focus on targeting

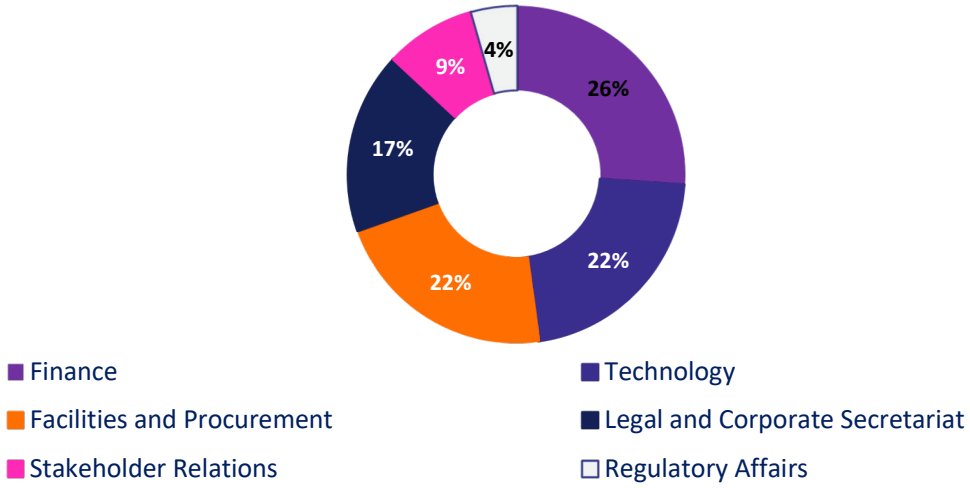
maintenance and increased project work, while supporting the cyber security program. Dx NEXT will also unlock data reporting capabilities. As a result, dedicated support is required to govern, analyze, and translate this information into actionable insights that support operational efficiency, regulatory reporting, and strategic decision-making across Elexicon. Finally, due to Elexicon's growth, additional IT Support is required to accommodate the increasing number of employees and contractors across the organization and to ensure adequate support for both day-to-day operations and expanding project demands.

4.5.4 Legal and Corporate Secretariat, Stakeholder Relations, Regulatory Affairs

Additional staffing needs were also identified in Elexicon's legal and corporate secretariat functions, as well as the stakeholder relations segment to enable Elexicon's investment and operations plan. Elexicon identified a need for additional capacity to ensure Privacy Impact Assessments related to technology investments can be undertaken, and compliance with anticipated new legislative requirements. Elexicon also requires more support within the insurance function for the ongoing management of claims, annual insurance policy renewal and administration. Elexicon also identified a need to enhance its stakeholder relations segment (which is also responsible for all communications, both internal and external), to increase municipal and community engagement, coordinate communication plans across departments regarding planned outages, and support Elexicon staff through its ongoing transformation projects (e.g., Dx NEXT and Modern Workplace). Finally, as noted in Exhibit 4 - Tab 1 - Schedule 6, Elexicon anticipates the volume of applications and reporting work will continue to evolve and become more complex, and the frequency of policy initiatives requiring active participation and follow-up implementation activities by LDCs will continue, requiring additional resources within the Regulatory Affairs segment.

Across the Common Corporate Program, the additional resources identified above comprise 23 of the 63 new roles to be added in the 2026 to 2031 period. Figure 5 breaks down the Common Corporate hiring plan by OM&A segment.

Figure 5: Common Corporate Staffing Needs by OM&A Segment (2026 to 2031)



4.6 Workforce Needs in the Customer Care Program

The remaining three positions will be added in the metering function, and the Customer Experience and Contact Centre segment. Specifically, additional resources will be added to support the key accounts function by providing a dedicated resource for receiving and monitoring inquiries from key accounts customers, tracking issues and escalations, and preparing for/coordinating a regular cadence of meetings with key accounts customers. A single resource is being added to the Contact Centre to manage anticipated customer growth. Although customer growth warrants additional metering, billing, and the customer experience resources, the efficiencies gained through Dx NEXT (discussed in detailed at Ex. 4 - Tab 1 - Schedule 5) will preclude the need for 18 additional FTE to be added to this program over the future period. As a result, Elexicon only needs to add three new positions in Customer Care in the 2026 to 2031 period. It is able to provide consistent customer service without materially growing the workforce through the efficiencies obtained from Dx NEXT.

5. TALENT STRATEGY & PROGRAMS

Elexicon has an integrated Talent Strategy that encompasses key areas of talent management, including: Recruitment, Onboarding, Training & Development, Performance Management, Compensation, Succession Planning, Competency Management, and Leadership Development. The strategy builds

organizational capability, supports employee growth, and drives long-term business success by improving Elexicon's people management capabilities.

Elexicon focuses on four key areas to build and equip a high-performing workforce:

- Talent Acquisition: create a talent pipeline to recruit skilled employees into entry-level roles.
- Talent Management: promote skills development, develop job-based competencies, enhance leadership and incentivize performance through accountability and competitive compensation and benefits.
- Values and Culture: create a workplace highly correlated with retention, health, safety, and performance.
- Tools for Success: ensure compliance, policy awareness, and provide access to technology and processes for efficient and productive work execution.

5.1 Talent Acquisition

Elexicon has taken steps to become an 'employer of choice' within the local distribution utility market by leveraging partnerships with community institutions and industry groups to generate a prospective talent pool. One focus area is ensuring new hires have a strong onboarding experience to provide employees with a good introduction to the organization. Elexicon has partnered with Ontario Tech, Durham College, Student Enrichment Program, Women for STEM, Centennial College Coop, Micro Credentials, as well as powerline technician programs and co-op programs. Elexicon's involvement in these partnerships supports brand recognition and encourages students and new grads to join Elexicon in entry-level opportunities.

These efforts have reduced the average number of days to fill a vacancy by 70% since 2022. In 2022, the average number of days to fill a role was approximately 80 days, and in 2025 it is an average of 25 days.

5.2 Talent Management

To ensure employees are motivated and equipped to perform, Elexicon provides training, access to leadership opportunities, as well as structured performance monitoring and accountability and competitive compensation.

5.2.1 Leadership skills training

Elexicon requires training for management which focuses on areas such as a leadership, resilience, change management and communication to inspire current and future leaders while driving performance and employee satisfaction (for detailed discussed of training, see Exhibit 4 - Tab 1 - Schedule 6).

5.2.2 Opportunities for future leaders

When temporary vacancies arise in leadership roles (Leads, Supervisors, Managers), Elexicon relies on step-up and acting appointments to backfill these opportunities. These temporary assignments allow employees to gain experience in higher-level roles, demonstrate leadership capabilities, and build the skills required for future advancement. Such assignments are used strategically to support succession planning, to enhance internal mobility, and to foster a culture of continuous development.

5.2.3 Performance tracking

A key component of Elexicon's Talent Management program is the use of goal-setting and performance tracking to promote a high-performance workplace by aligning employees with company objectives, rewarding productivity, while also providing inputs to inform Elexicon's succession planning. Goal-setting focuses on both job-specific objectives for the year, and ensuring employees embody key behaviours in their daily activities. People leaders (i.e., managers and supervisors), will also be cascaded enterprise-wide goals related to strategic initiatives, improved productivity and cost-effective operations. Non-represented employees are incentivized to achieve objectives and demonstrate behaviours, as goals achieved, performance assessments, and manager evaluations are used to determine their performance pay.

In 2024, Elexicon formally extended annual performance reviews to unionized staff, marking the first consistent, organization-wide application of performance evaluations for this group. This program, although not tied to compensation (which is determined by the Collective Agreement), ensures that employees receive regular feedback, have opportunities for career cross-training and leadership development, and can proactively identify deficiencies before formal measures need to be implemented. This program requires evaluation conversations every six months, and allows managers to document feedback and performance, which feeds into succession planning.

5.2.4 Competitive Compensation

Elexicon ensures it can retain highly skilled and productive employees by offering competitive compensation and benefits, including performance pay, a comprehensive benefits plan, as well as a defined benefit pension plan. As observed in the Mercer Study (appended to this schedule as Appendix A), Elexicon's total direct compensation (e.g., salary and performance pay) is aligned with market – 94% of the market median (P50). Detailed discussion of all compensation elements is discussed at Section 6, below.

5.3 Elexicon's Values and Organizational Culture:

To ensure retention and productivity, Elexicon has shared values and a unified workplace culture. Shortly after merger, Elexicon developed a "One Elexicon" initiative to promote the cultural attributes and behaviours needed for Elexicon to continue as a safe, healthy, and positive workplace. Elexicon's workplace culture has been distilled into three elements known as "Elexicon's Why, Way, and How", which was adopted by the utility in 2022:

- "Our Why": the organization works to deliver safe and reliable energy to communities and to create the possibilities that energize our customers' future.
- "Our How": Safe and healthy, clear, consistent, collaborative, responsive and respectful beliefs and behaviours. Respect, inclusion and belonging being an anchor for the utility's culture.

As part of its corporate strategy refresh, Elexicon adopted a revised "Our Way" (the four focus areas of the strategy): Serve Our Customers and Communities, Invest in Our People, Stabilize the Business, Enable Growth and Electrification.

In 2022, Elexicon retained a third-party leadership and experiential learning consultant to deliver a three-year training program for staff engagement, leadership, resilience provided across all levels of the organization, reinforcing desired behaviours and driving alignment with strategic objectives. In 2025, Elexicon invested in a multi-year online training platform focused on resilience, psychological safety and mental health training mandatory to all employees, with specialised modules targeted for leaders.

5.4 Tools for Success

To ensure employees are equipped to work safely and productively, Elexicon provides training, invests in modernizing its workplace, and maintains multiple communication channels to gauge employee satisfaction.

Training: Elexicon invests heavily in training, both job-specific, and in broader programs required for health and safety in the workplace. Elexicon's training programs ensure employees can work in a healthy and safe manner and are competent and skilled in their respective positions. Elexicon has a comprehensive mandatory training program aligned with legislative and regulatory requirements covering key aspects of health and safety, cyber security, and Elexicon's code of conduct. Elexicon also offers a broad suite of self-driven learning modules for productivity and cloud-based technologies and tools (see detailed discussion of training in Exhibit 4 - Tab 1 - Schedule 6).

Investment in Modern Tools and Technology: Post-merger, Elexicon has also invested in HR-related technology platforms to improve the employee experience related to onboarding, goal setting and performance assessments, timesheet entries, and for people leaders, a smoother recruitment process facilitated through an online portal that captures and tracks all steps in the recruitment process. Such investments remove the 'friction' associated with quotidian and administrative activities essential for managing a workforce.

To improve workflows, institutional memory, and enhance employee productivity, Elexicon is also investing in modernization of its digital workplace (see discussion of the 'Modern Workplace' project in Exhibit 4 - Tab 1 - Schedule 6) in 2025 and 2026. Elexicon recognizes that having access to software and platforms which can automate workflows, or permit information to be easily stored, organized, and shared, reduces time spent searching for materials/documents, reproducing existing work products, allows for work across multiple devices for mobility and efficiency, and eases onboarding for new employees requiring access to manuals, processes documents and standard operating procedures (SOPs). Investments in digital workplace technologies[8] alleviate employee stress and improve productivity because they permit greater

[8] Microsoft offerings such as OneDrive, SharePoint Online, Purview, Exchange Online.

collaboration, reduce time spent on low-value administrative tasks, prevent loss of data, and improve cyber security (preventing the most severe disruptions in productivity enterprise-wide). To ensure full utilization of modern tools, employees have access to self-driven learning through "Clip Training" which provides paced learning modules on how to use essential M365 applications. This resource supports continuous skill development and empowers staff to enhance their digital proficiency in alignment with role requirements and organizational needs.

Communication and Engagement Surveys: Elexicon conducts periodic engagement surveys to assess employee satisfaction, find areas of improvement, and identify the training/tools employees need for success. Intermittent 'pulse' surveys are also used to solicit employee input into corporate objectives, the usefulness of tools/communication. Elexicon also conducts 'stay' and 'exit' interviews to solicit employee feedback and understand what aspects of the workplace require attention and improvement.

5.5 Outcomes of the Talent Strategy

Elexicon has developed and maintained a high-performing workforce over the historical period by focusing on improving all stages of the employee life cycle, providing access to training and modern tools, and offering compensation aligned with its market peers. The success of Elexicon's talent strategy and programs is tracked through a variety of metrics that show improved retention/lowered turnover, improved time to fill and internal fill rate for vacancies, focus on employee performance, succession and career progression, improved near miss and incident reporting and increased employee engagements to improve communication and satisfaction.

5.5.1 Voluntary Turnover Rate

Elexicon's voluntary turnover rate has steadily decreased from 9.3% in 2022 to 6.5% in 2025, indicating the rate of departures/retirements has slowed and there has been an improvement to the stabilization of the overall workforce.

5.5.2 Time to Fill Rate for Vacancies

Elexicon's average time to fill has reduced from 80 days in 2022 to 25 days in Q2 2025 (i.e., vacancies are being filled at a 31% faster pace than they were in 2022) and these improvements are expected to be sustained as it gradually builds up its workforce in the bridge and forecast years.

5.5.3 Internal Fill Rate

Elexicon monitors the rate at which vacancies are filled by internal staff to track the success of its ability to train potential leaders. This statistic has increased from 30% in 2022, to 43% in 2025 (as of mid-year).

5.5.4 Performance Reviews

Elexicon has consistently maintained 100% compliance of non-union staff completing their performance reviews. In 2024, Elexicon introduced union performance reviews, and has a greater than 85% implementation rate.

5.5.5 Near Miss and Incident Reporting

The data shows a significant increase in near miss reports, rising from 9 in 2023 to 86 in 2024, and remaining high in 2025 with 37, 54, and 45 reports across Q1–Q3. This indicates improved hazard awareness and reporting culture. Recordable safety incidents have decreased from 11 in 2023 to 5 in 2024, and remain relatively low in 2025 (0 in Q1, 3 in Q2, and 1 in Q3), suggesting progress in injury prevention. Overall, while near miss reporting is strong, continued focus on reducing actual incidents is essential.

5.5.6 Vacancy Rate

As of mid-year 2025, Elexicon's vacancy rate is 4.28%.

5.5.7 Safety Culture

To promote and maintain a safe workplace, since 2023, Elexicon has tracked the completion rate of action items arising out of all related instances (including near-misses, actual incidents, investigations, audits, and inspections) and has maintained a 100% achievement rate for actions post instance. This completion rate is reported to the Board of Directors through Elexicon's corporate scorecard.

6. ELEXICON'S COMPENSATION AND PENSION PLAN

Elexicon has experienced pressure on its wage-based compensation due to inflation and the increased cost of living that impacts employee pay expectations. Elexicon also operates in a service territory adjacent to larger utilities competing for the same talent, such as Toronto Hydro, Alectra, OPG and Hydro One, who have greater resources to attract and retain skilled and in-demand talent. Despite such challenges, over the historical period, Elexicon has been able to attract and retain a highly skilled workforce.

An expanded workforce means that compensation costs must also increase to keep pace. From 2026 to 2031, as the utility's workforce grows by approximately 16% percent, total compensation expenses are expected to increase by compound annual growth rate of 6% percent. Total cash compensation per FTE is forecast to increase by a compound annual growth rate of 3% percent over the 2026 to 2031 period.

Mercer's compensation benchmarking study (appended to this exhibit as Appendix A) found that its total direct compensation (base salary and performance pay) has an aggregate market position of 94% of the market median (P50) - below the competitive range – on an overall organizational basis (both unionized and non-unionized jobs). This market position, especially for the roles in the management job bands at E8 to E11 are well below 90% of the P50 reinforcing the need to align certain compensation elements with market to ensure a continued ability to attract and retain talent within its broader leadership team.

A summary of Elexicon's total compensation costs are captured in Table 12 below. These amounts can be found in Appendix 2K, which is attached to this exhibit in excel format. The Appendix 2K also provides a breakdown of compensation costs that are capitalizable.

Table 12: Elexicon's Total Compensation: Actual, Bridge and Forecast ($M)

Actuals					Bridge		Forecast				
2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
33.49	37.00	38.48	40.38	45.82	50.26	53.48	59.86	64.28	67.90	70.26	71.84

6.1 Compensation for Non-Unionized Staff

6.1.1 Base Salary

Elexicon's non-unionized employees receive a market-based base annual salary which is subject to annual review based on demonstrated competence and job performance. Annual adjustments are known as 'merit pay' and are described below. The base salary for each job falls within a market-based pay band that includes a minimum, mid-point (also known as the job rate), and maximum to which the mid-point (job rate) is the market rate.

6.1.2 Merit Pay

At Elexicon, employees are eligible to receive an annual adjustment to their base salary. Merit pay is a percentage adjustment applied to an existing employee's base salary based on meeting planned performance objectives in the prior calendar year, and displaying alignment with Elexicon's core behaviour expectations. This program sets goals for employees based on key operational activities and strategic projects. Employees are also evaluated on whether and how they embody Elexicon's beliefs and behaviours (i.e., safe and well, consistent, respectful, responsive, collaborative, clear). Employees' ultimate merit pay amount is scored relative to their performance on their personal objectives and behaviours.

The potential range of merit pay adjustments (e.g. 1% to 2%) is informed by inflation. As noted, adjustments to base salary within that range are then awarded based on individual performance ratings.

6.1.3 Incentive Pay

The compensation structure for non-unionized employees also includes a short-term cash incentive payment ("STI"). The STI is a pay-at-risk mechanism to incentivize performance and is currently calculated as a % of the job rate (mid-point) of an employee's pay level. The intention of the incentive pay is to drive performance and promote Elexicon's core behaviours, as noted above.

STI is determined by both company and individual performance, allowing employees to share in the utility's success. Eligibility for STI is determined by an employee's achievement of the goals and objectives set out at the beginning of the year, as well the employee's demonstration of core behaviours (i.e., safe

and well, collaborative, clear, consistent, responsive, respectful). Goals specific to corporate objectives are integrated into the employee's annual goals to ensure employee activities are aligned with the company's target outcomes. In its current STI formula, annual payouts are determined by an equal weighting of individual performance and corporate performance.

To align STI to market, for non-unionized employees, Elexicon is making program adjustments to STI targets for its management segment. In the forecast period, STI will be adjusted to calculate based on actual employee salary, rather than the mid-point (or job rate) of the pay band, and the targets will be increased.

Consistent with the results of the Mercer study, Elexicon's compensation for its management level employees, including at senior leadership levels, is below market. To ensure retention of management incumbents and to attract new talent who will be essential to the successful execution of Elexicon's investment plan during the rate period, it will be important for Elexicon to ensure its total compensation program is market aligned. The forecasted compensation amounts for 2027-31 therefore include consideration of appropriate measures to align total compensation closer to market median over time, including in respect of Elexicon's management incentive pay programs.

6.2 Compensation for Unionized Staff

The compensation program for represented employees is governed by a collective agreement with PWU and includes negotiated wages, benefits and working conditions. The Mercer study indicates Elexicon's unionized compensation is positioned at 95% of the market median.

Elexicon's latest collective agreement expired on June 30, 2025. A new agreement was ratified in Q3 2025 and will be in effect for four years (expiring June 30, 2029). The base rate adjustments in this agreement are 4% for 2025, 3.25% for 2026, 3% for 2027, and 2.5% for 2028. Elexicon tracks the negotiated outcome across other PWU-represented utilities in Ontario, which indicates Elexicon's negotiated outcomes are in line with its utility peers.

Table 13: Elexicon's Collective Agreement Adjustments Wage Increases Compared to Utility Peers

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Elexicon's Historical and Future Negotiated Increases	1.90%	2%	2.10%	3.25%	3%	2.30%	4%	3.25%	3%
PWU- and IBEW-Represented Utilities in Ontario - Average Negotiated Increases	2.21%	2.22%	2.37%	2.54%	3.03%	3.12%	3.20%	2.92%	3.28%

6.3 Elexicon's Benefits Program

Elexicon offers a competitive and comprehensive suite of health and dental benefits for both unionized and non-unionized employees. Coverage includes medical, dental, vision, prescription drugs, and paramedical. The Elexicon plan also provides a health-care spending account for certain qualifying services for non-unionized employees. Elexicon's benefits plan also includes long-term disability insurance, life insurance, accidental death and dismemberment insurance, and travel insurance. Those who are receiving a pension but are less than 65 years of age are also eligible for post-retirement benefits up to the age of 65. Elexicon also pays for WSIB premiums, CPP, EI, and Employee Health Tax contributions.

The benefits program is informed by plan data from other Ontario-based employers, especially LDCs, as well as the costs of the program, and the anticipated needs of staff based on broader health trends across Ontario and Canada. Elexicon routinely reviews plan offerings, usage rates, and broader industry trends to determine any changes required to the non-unionized plan, and to forecast possible changes to the plan for represented employees. As noted, for staff represented by the PWU, the terms of the benefits plan are subject to the outcomes of collective bargaining.

Elexicon uses the default accrual basis for recovery of pensions and other OPEBs and is not proposing any alteration to that method in this application.

Table 14: Elexicon's Actual, Bridge and Forecast Benefit Costs

	Actuals				Bridge				Forecast			
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Benefit Costs Active Employees ($M)	4.7	4.8	5.1	5.2	6.1	7.6	8.5	9.4	10.0	10.5	10.7	10.9
Capitalized Portion ($M)	1.3	1.6	1.6	1.6	1.9	2.6	2.8	3.2	3.6	3.7	3.8	3.9
Expense Portion ($M)	3.4	3.2	3.5	3.6	4.2	5.1	5.7	6.1	6.4	6.7	6.9	7.0

6.4 Elexicon's Pension Program

Elexicon is a member of the OMERS pension plan, which is a multi-employer, defined benefit pension plan. Member contributions are determined by the governance of OMERS and are matched by the employer. Membership is required for all eligible staff as Elexicon is a participating employer into the plan, and as of 2023, temporary employees have the option to participate in the plan. Changes to this plan are administered by the OMERS board; participating employers, such as Elexicon, are bound to any changes that are adopted. Employer contributions to the plan are determined by the OMERS board. Participating employees and employers currently contribute to OMERS 9% of earnings up to the Yearly Maximum Pensionable Earnings ("YMPE") and 14.6% on earnings above the YMPE. Effective Jan 1st, 2027, the contribution rates are 8.6 %of earnings up to the Yearly Maximum Pensionable Earnings ("YMPE") and 15.7% on earnings above the YMPE which were approved by the Sponsors Corporation Board in June of 2024. Table 15 below summarizes Elexicon's pension costs, including capitalized and expensed amounts each year, for the current 2020-2024 and the future 2025-2031 rate periods. Elexicon's latest actuarial report (2022) is provided as Attachment 1 to this schedule. Elexicon is expecting to receive a finalized actuarial report for 2025 imminently which can be produced at a later stage in the application process.

Table 15: Elexicon's Actual, Bridge, and Forecast Pension Costs

	Actuals					Bridge		Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Pension Costs ($M)	3.0	2.9	3.1	3.2	3.6	4.4	4.7	5.3	5.7	6.1	6.3	6.5
Capitalized Portion ($M)	0.9	1.0	1.0	1.0	1.1	1.5	1.6	1.8	2.1	2.2	2.2	2.3
Expensed ($M)	2.1	2.0	2.1	2.2	2.5	2.9	3.1	3.5	3.7	3.9	4.0	4.2

Table 16: Elexicon's Actual, Bridge and Forecast OPEB Costs

	Actuals					Bridge		Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
OPEB ($M)	0.0	0.5	0.5	0.4	0.4	0.6	0.6	0.7	0.7	0.7	0.8	0.8
Capitalized Portion ($M)	0.0	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Expensed ($M)	0.0	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5

Elexicon pays certain health, dental and life insurance benefits on behalf of its retired employees. Actual OPEB costs with amounts capitalized and expensed for 2020 Actuals through to the 2027 Test Year are shown in Table 16. Elexicon has calculated forecast future years' OPEB costs based on its 2025 estimate, to be confirmed once the 2025 actuarial report is finalized.

7. LIST OF ATTACHMENTS

- Appendix A: Mercer Report
- Attachment 1: Actuarial Report (2022)
- Attachment 2 (Excel): OEB Appendix 2-K Employee Costs

EXHIBIT 4 - TAB 2 - SCHEDULE 1: APPENDIX A
“MERCER REPORT”

Mercer

Compensation Market Review

elexicon ENERGY

Elexicon Energy Inc.

November, 2025



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welcome to brighter

Introduction & Executive Summary

Mercer Canada Ltd. (“Mercer”) has been engaged on behalf of Elexicon Energy Inc. (“Elexicon”) to conduct an independent review and benchmarking assessment of the market positioning of Elexicon’s total direct compensation (base salary + short-term incentive + long-term incentive) for a representative sample of union and non-union jobs.

Executive Summary

The approach used in this review is consistent with Mercer’s standard market benchmarking methodologies and utilizes compensation data provided by Elexicon, alongside Mercer’s proprietary databases. Market comparisons are made to comparator groups informed by Elexicon’s talent strategy and the markets within which the organization competes for talent. Based on this, the comparator groups reflect both the energy and general industry sectors and were developed by Mercer and confirmed by Elexicon.

During the review, Mercer worked with Elexicon to identify benchmark jobs, for market comparison, that reflect a representative cross-sample of the organization’s functions and levels. The selected benchmark jobs represent approximately 65% of Elexicon’s overall workforce. This coverage is within the range of 50% to 75% of employees that is considered best practice when benchmarking on an organization basis.

Each benchmark job, in the compensation market review, was compared to the comparator market that most represents the industry within which the required skillset exists. This ensured that market competitiveness results were representative of the markets within which Elexicon competes for talent. Specifically, non-sector-specific jobs (e.g., Human Resources) were benchmarked against a blend of general industry, which encompasses organizations across various industries, and the utilities / energy sector. In contrast, sector-specific roles (e.g., System Operator) were compared to the utilities / energy sector only.

Mercer considers compensation levels to be within a market competitive range if they are within 10% of the target market positioning on a job-by-job basis—accounting for smaller sample sizes and greater variability—and within 5% on an aggregate basis (e.g. organization wide or by grade), where larger sample sizes and reduced variability apply. In consultation with Elexicon, the market 50th percentile was used as the target market positioning for the analysis.

Across all benchmark jobs included in the review, Elexicon’s total direct compensation (base salary + short-term incentive + long-term incentive) is positioned below the market competitive range relative to the 50th percentile of the comparator market. Specifically, on an aggregate basis, Elexicon’s total direct compensation is 6% below the 50th percentile, reflecting an average market variance of 94%.

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Methodology

After understanding the market within which Elexicon competes for talent, Mercer identified two comparator groups that reflect the industries within which required skillsets exist. Below are the two specific peer groups identified for the purposes of the compensation review:

Energy Peer Group

- Mainly reflects Canadian organizations, within the Utilities industry, from Mercer's Total Compensation Survey ("MTCS") – an Energy industry focused survey
- This peer group specifically considers Elexicon's operations and thereby reflects other energy utilities in Canada. Where data was limited, the industry scope was expanded to the broader energy sector excluding the oil and gas industry. Following this, if data was still limited, the scope was expanded to all data within the survey

General Industry Peer Group

- Reflects Canadian organizations, across all industries, from Mercer's Benchmark Database ("MBD") – a general industry survey
- Organizations in this peer group reflect all industries and organization types in Canada

The Energy peer group was primarily used for sector specific jobs that require skillsets predominately seen within the utilities/energy industry. For non-sector specific jobs, given Elexicon's desire to source talent with industry specific knowledge, for the majority of these jobs, a blend of the General Industry peer group and the Energy peer group was used. These non-sector specific jobs require skillsets that are seen both in and outside the utilities/energy industry in Canada. This approach allows the market review to reflect Elexicon's primiary desire for industry specific knowledge, across the majority of jobs, while also recognizing the general industry as a source of talent for non-sector specific jobs for the organization.

Across both peer groups, in alignment with Mercer's standard benchmarking methodology, comparator organizations were typically of similar geographical proximity and generally ½ - 2 times the size of Elexicon on the basis of annual revenue. Where data was insufficient to report, the market scope was expanded by geography and/or revenue. In order to preserve the confidentiality of Mercer's survey participants and ensure statistical integrity, Mercer requires a minimum of 4 data points to show market average and median values, and a minimum of 5 data points to show the market 25th and 75th percentiles. A sample of the list of organizations that belong to each of the identified peer groups is presented below in Appendix A.

A representative sample size of Elexicon's jobs, across grades and departments, was benchmarked against equivalent survey jobs from the defined peer groups. A survey job was deemed to be appropriate if there was at least an 80% overlap, in the responsibilities of the job, relative to the Elexicon benchmark job. As part of this review, 52 non-union, non-executive jobs, and 18 union jobs were matched to equivalent benchmark jobs within the survey sources outlined above.

Mercer's benchmarking objective, with this review, was to map a reasonable sample of Elexicon's jobs that best represent the total employee population across the different employee groups, job levels and departments within Elexicon. Based on this, the analysis included approximately 65% of the total employee population at Elexicon. Mercer believes that a statistically reliable and representative sample for assessing the competitiveness of compensation levels should contain at least 50% of the employee population.

A list of the Elexicon benchmark jobs used for the market review is presented below in Appendix B.

All compensation data is effective June 2025 and reflects the most recently available data as of the completion of the analysis.

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Summary of Findings

The section below describes Mercer's findings from the competitiveness assessment of Elexicon's base salary, target total cash compensation (i.e., base salary + target short-term incentives) and total direct compensation (base salary + short-term incentives + long-term incentives) at an aggregate level for each grade in the organization, relative to the 50th percentile of the market. We note that Elexicon does not currently provide long-term incentives to the jobs included in this review; as such, Elexicon's total cash compensation is the same as total direct compensation.

Based on Mercer's compensation practices and policy research, the majority of organizations tend to target compensation at the 50th percentile (market median), of their comparator market, which balances fiduciary and cost considerations with the need to attract and retain talent. This aligns with the approach taken, in this review, to assess Elexicon's compensation competitiveness levels.

As stated above, Mercer considers Elexicon to be within the market competitive range if they fall within 10% of the target market positioning (i.e. market 50th percentile) on a job-by-job basis and 5% on an overall grade and/or organization basis.

The table below presents Elexicon's base salary, target total cash compensation and total direct compensation at an aggregate level, compared to the market 50th percentile across union and non-union benchmark jobs.

Detailed Findings

At an aggregate level, Mercer's review found that Elexicon's total direct compensation is below the market 50th percentile for both union and non-unionized jobs, on an overall weighted average basis. Relative to the market competitive range, on an aggregate level, Elexicon's non-unionized jobs are below the market competitive range (i.e., below +/- 5% of the comparator market) while unionized jobs are within the competitive range. Across all benchmark jobs, on an overall organization basis, Elexion's total direct compensation is below the market competitive range with a market variance of 94% (i.e. 6% below 50th percentile) relative to the 50th percentile of the comparator market.

Elexicon			Base Salary			Target Total Cash Compensation ("TCC")			Total Direct Compensation ("TDC")		
Grade	# of Jobs	# of EEs	Elexicon[1]	Market Median	% Var.	Elexicon[2]	Market Median	% Var.	Elexicon[3]	Market Median	% Var.
E11	7	7	$158	$184	86%	$180	$219	82%	$180	$236	78%
E10	7	8	$147	$167	88%	$167	$198	85%	$167	$206	82%
E9	8	9	$133	$152	89%	$151	$176	87%	$152	$183	84%
E8	12	23	$117	$136	87%	$135	$152	90%	$134	$154	89%
E7	5	6	$110	$113	98%	$125	$128	99%	$125	$134	95%
E6	5	9	$104	$101	103%	$119	$108	110%	$119	$108	110%
E4&E5[4]	8	11	$98	$96	103%	$108	$99	109%	$108	$99	109%
Non-Union Total	52	73	$121	$134	92%	$138	$151	94%	$138	$155	93%
Union - PWU	18	126	$94	$101	95%	$94	$101	95%	$94	$101	95%
Aggregate Total	**79**	**199**	**$104**	**$113**	**94%**	**$110**	**$119**	**95%**	**$110**	**$121**	**94%**

[1] Reflects Average Actual Base Salaries of Elexicon incumbents in the benchmark job

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[2] Reflects Average Target Total Cash ("TCC"), which is Elexicon's actual base salaries plus target short-term incentive levels
[3] Reflects Total Direct Compensation ("TDC") of Elexicon, which is TCC plus Long-Term Incentives (Elexicon does not have long-term incentives for jobs in scope)
[4] Within the study, grade E4 consists of only 1 benchmark job with 1 employee in the job. Due to this, to protect the personal and confidential compensation information of that individual, the table presents a combined view of grades E4 and E5. We note that this does not affect the aggregate total results or Elexicon's overall positioning in any way.

On an aggregate basis, across all benchmark jobs, Elexicon's base salary is positioned below the market-competitive range (i.e. below +/- 5% of the market 50th percentile), with an overall variance of 94%. Relative to unionized jobs, non-union jobs are further below the market median and below the market competitive range with a market variance of 92%. Unionized jobs, on an aggregate level, are within the market competitive range but still below the market 50th percentile with a market variance of 95%. When assessing market competitiveness for specific grades, Elexicon's more senior grades reflect lower competitiveness levels (i.e. further below the market 50th percentile) relative to more junior grades. A grade breakdown could not be provided for union jobs because they do not have grades.

At the target total cash level (base salary plus short-term incentives), though still positioned below the market competitive range, aggregate market competitiveness increases for non-unionized benchmark jobs to a market variance of 94%. This is mainly driven by Elexicon's competitive short-term incentive levels for more junior non-unionized grades. The market competitiveness for target total cash levels for unionized benchmark jobs remains unchanged, relative to base salary, because Elexicon is aligned with the market in that it does not provide short-term incentives to its unionized workforce. Across all benchmark jobs, Elexicon's overall market variance for target total cash slightly increases to 95% and is positioned within the market competitive range.

Since Elexicon does not currently offer long-term incentives to the benchmark jobs, at an aggregate level, market positioning for total direct (base salary plus short-term incentives plus long-term incentives) drops to 94% with a positioning below the market competitive range. The impact of the lack of long-term incentives is generally seen across grades but more predominantly at senior non-unionized grades due to some prevalence of long-term incentives in the market for jobs at those levels.

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Appendix A

The table below presents a sample of the utility organizations within the 2025 Mercer Total Compensation Survey ("MTCS") – an energy focused survey. The complete list of organizations leveraged for the compensation market review was determined based on the refinement criteria noted in the methodology section of this report.

Energy & Utilities Comparator Companies – Sample List	
Alberta Electric System Operator	Hydro-Quebec
Alectra Utilities	Manitoba Hydro
Algonquin Power & Utilities Corp.	Poweron Energy Solutions, LP
Altalink Management, Ltd.	Saskenergy, Inc.
Apex Utilities	Saskpower
Aquatera Utilities, Inc.	Toronto Hydro Corporation
ATCO, Ltd.	Transalta Corp.
BC Hydro & Power Authority	Trisummit Utilities, Inc.
Emera, Inc.	
ENMAX Corporation	
EPCOR Utilities, Inc.	
Fortis, Inc. - Fortisbc, Inc.	

The table below presents a sample of the general industry organizations within the 2025 Mercer Benchmark Database Survey ("MBD") – a general industry survey. Similar to the table above, the complete list of organizations leveraged for the compensation market review was determined based on the refinement criteria noted in the methodology section of this report.

General Industry Comparator Companies – Sample List		
ABB, Inc.	DELL Canada, Inc.	ROCKWOOL INC. - Canada
Aecon Group, Inc.	Gibson Energy, Inc.	Sagen MI Canada, Inc.
Agnico Eagle Mines Limited	Guidewire Software Canada Ulc	Shell Canada Limited - Downstream
Alstom Transport Canada, Inc.	Haleon Canada	Sienna Senior Living, Inc.
Alberta Energy Regulator	Imperial Tobacco Canada Limited	Sollio Agriculture
Apotex, Inc.	Inter Pipeline, Ltd.	The Bank of Nova Scotia
ARC Resources, Ltd.	Kent Canada	The Co-operators Group Limited
B2Gold Corp.	Labatt Breweries of Canada	The Minto Group
Burns & Mcdonnell	Ledcor Industries, Inc.	Thermon Canada, Inc.
Calgary Airport Authority	Linamar Corporation	Tourmaline Oil Corp.
Canadian Nuclear Laboratories	Mackenzie Financial Corporation	Transcontinental, Inc.
Canadian Tire Corporation, Limited	Maple Leaf Foods, Inc.	Trillium Health Partners
Chartwell Retirement Residences	MCAP	Unilever Canada, Inc.
CIBC Mellon	Mercedes-Benz Canada, Inc.	Veralto Corp.
Coinstar Automated Retail Canada, Inc.	National Bank of Canada	Vontier
Colas Canada, Inc.	Nestle Canada	Whitecap Resources, Inc.
ConocoPhillips Canada	Paramount Resources, Ltd.	Workplace Safety & Insurance Board
Corus Entertainment, Inc.	Rexall Pharmacy	Xerox Canada, Inc.
Day & Ross, Inc.	RioCan Real Estate Investment Trust	Westjet Airlines, Ltd.

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Appendix B

Mercer worked with Elexicon to select benchmark jobs that best represent the total employee population across the different employee groups, job levels and departments in the organization. The following 52 non-union benchmark jobs were included in the review:

Non-Union Jobs	Grade	Non-Union Jobs	Grade
Director, Asset Planning & System Engineering	E11	Network and Security Analyst	E8
Director, Design and Construction	E11	Social Media and Public Relations Specialist	E8
Director, Financial Planning and Analysis	E11	District Supervisor	E8
Manager, Operations Technology and Innovation	E11	Field Safety Supervisor	E8
Manager, People, Culture and HSE	E11	Supervisor, Accounting	E8
Manager, System Design and Connections	E11	Supervisor, Connections	E8
Director, Grid Operations and Emergency Management	E11	Supervisor, Purchasing	E8
Manager, Business Transformation & Manager, Enterprise Technology	E10	Supervisor, System Design	E8
Manager, Communications, Marketing & Public Affairs	E10	Internal & Customer Communications Advisor	E7
Manager, Corporate Services	E10	Supervisor, Customer Care	E7
Manager, Field Operations	E10	Supervisor, Billing	E7
Manager, Financial Reporting & Controller	E10	Supervisor, IT Service Delivery	E7
Manager, Regulatory Policy and Compliance	E10	Supervisor, Metering	E7
Manager, Technology and Security Operations	E10	Digital Marketing & Web Development Specialist	E6
Manager, Capital Assets	E9	Financial Planning and Budgeting Analyst	E6
Manager, Customer Care	E9	Financial Reporting Analyst	E6
Manager, Financial Planning & Budgeting	E9	IT Support Specialist	E6
Manager, Privacy and Information Management	E9	People & Culture Generalist	E6
Manager, Billing	E9	Executive Assistant	E5
Manager, Credit	E9	Payroll and Benefits Specialist	E5
Supervisor, Distribution System Planning	E9	Training & Administration Specialist	E5
Supervisor, System Control Centre	E9	Integration and Database Specialist	E5
Cyber Security Specialist	E8	Regulatory Analyst	E5
Distribution Engineer	E8	Senior System Administrator and Infrastructure Specialist	E5
Distribution Engineer - Standards & System Studies	E8	System Administrator and Infrastructure Specialist	E5
Environmental Specialist	E8	Payroll and Benefits Coordinator	E4

The following 18 Power Workers' Union benchmark jobs were included in the review:

Unionized Jobs	Union	Unionized Jobs	Union
Customer Experience Representative	PWU	P&C Technician - Apprentice	PWU
Engineering Technician	PWU	Powerline Technician	PWU
GIS Technician	PWU	Powerline Technician - Apprentice	PWU
Lead Meter Technician	PWU	Powerline Technician - Lead Hand	PWU
Lead Stations Technician	PWU	Stations Technician	PWU
Mechanic	PWU	Stations Technician - Apprentice	PWU
Metering Technician	PWU	Storeskeeper	PWU
Metering Technician - Apprentice	PWU	System Operator	PWU
P&C Technician	PWU	System Operator - Trainee	PWU

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EXHIBIT 4 - TAB 2 - SCHEDULE 1: ATTACHMENT 1
"ACTUARIAL REPORT (2022)"
(REFER TO ATTACHMENT IN PDF FORMAT)

ELEXICON CORPORATION

REPORT ON THE ACTUARIAL VALUATION OF POST-RETIREMENT NON-PENSION BENEFITS

AS AT DECEMBER 31, 2022

FINAL - January 10, 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

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EXECUTIVE SUMMARY

Purpose

RSM Canada Consulting LP was engaged by Elexicon Corporation (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2022. The nature of these benefits is defined benefit.

This report is prepared in accordance with the International Financial Reporting Standards ("IFRS") guidelines for post-retirement non-pension benefits as outlined in the International Accounting Standard 19 – Employee Benefits ("IAS 19").

The most recent full valuation was prepared as at December 31, 2019 based on the assumptions chosen by management at that date and in accordance with IAS 19.

The purpose of this valuation is threefold:

i) To determine the Corporation's liabilities in respect of post-retirement non-pension benefits at December 31, 2022;

ii) To determine the defined benefit costs to be recognized for fiscal year 2022; and

iii) To provide all other pertinent information necessary for compliance with IAS 19.

Note that all monetary figures in this report are rounded to the nearest hundreds of dollars and summated figures in this report may not match total figures due to rounding.

The intended users of this report include the Corporation and its auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

Included in the Appendix attached hereto are detailed accounting schedules containing the results of the valuation.

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SECTION A — VALUATION RESULTS

Section A.1 shows the key valuation results compared to previous year's figures projected from the most recent full valuation as well as a breakdown between active and retired individuals and type of benefit.

Section A.2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown an increase/decrease in the health and dental claims cost trend rates by 1% per annum and an increase/decrease in the discount rate by 1% per annum.

Section A.3 shows the development of changes in the present value of defined benefit obligation as a result of the re-measurement at December 31, 2022.

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Valuation Results

Section A.1—Valuation Results

Results from the actuarial valuation as at December 31, 2022 compared to previous year's figures projected from the most recent full valuation, disclosed in the consolidated Financial Statement as at December 31, 2021:

	December 31, 2021	December 31, 2022
Present Value of Defined Benefit Obligation (PV DBO)	**9,933,200**	**5,815,600**

	CY 2021	CY 2022
Current Service Cost	224,800	199,900
Past Service Cost/(Gain)	-	(155,900)
Interest Cost	272,900	293,100
Defined Benefit Cost Recognized in Income Statement	**497,700**	**337,100**
Actuarial (Gain)/Loss	-	(4,130,600)
Defined Benefit Cost Recognized In OCI	**-**	**(4,130,600)**
Defined Benefit Cost	**497,700**	**(3,793,500)**

The following table provides results from the actuarial valuation as at December 31, 2022 broken down by active (including LTD) and retired individuals and type of post-retirement non-pension benefit:

Dec. 31, 2022 PV DBO	Actives (incl. LTD)	Retirees	Total
Life	710,600	1,852,300	**2,562,900**
Health	787,900	1,359,800	**2,147,700**
Dental	161,700	449,000	**610,700**
HCSA	308,800	185,500	**494,300**
Total	**1,969,000**	**3,846,600**	**5,815,600**

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Sensitivity Analysis

Section A.2—Sensitivity Analysis

	Dec. 31, 2022 PV DBO	Difference	% Difference
Base Assumptions	5,815,600		
Cost Trends +1%	6,220,300	404,700	7%
Cost Trends -1%	5,482,900	(332,700)	-6%
Discount Rate +1%	5,051,200	(764,400)	-13%
Discount Rate -1%	6,793,600	978,000	17%

Management's best estimate assumptions are those outlined in *Section C – Summary of Actuarial Method and Assumptions* in this report.

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Development of Changes in the Present Value of Defined Benefit Obligation

Section A.3—Development of Changes in the Present Value of Defined Benefit Obligation

PV DBO at December 31, 2021	9,933,200
2022 Current Service Cost	199,900
2022 Benefit Payments	(324,000)
2022 Interest Cost	293,100
Expected PV DBO at December 31, 2022	**10,102,100**
Past Service Cost/(Gain)	(155,900)
Expected PV DBO after Past Service Cost/(Gain)	**9,946,200**
Actuarial (Gain)/Loss at December 31, 2022	(4,130,600)
PV DBO at December 31, 2022	**5,815,600**

The decrease indicated above of $4,130,600 in the PV DBO from the expected PV DBO at December 31, 2022 is due to the re-measurement of the liability; a breakdown of the changes is as follows:

Change in composition of active and retiree data (actual experience different from expected)	359,400
Change in assumptions:	
Claims Cost	(2,152,600)
Salary Scale	8,200
Withdrawal	(20,200)
Discount Rate	(2,325,400)
Total Actuarial (Gain)/Loss at December 31, 2022	**(4,130,600)**

Pursuant to IAS 19, the re-measurement of the PV DBO at December 31, 2022 based on the changes in the assumptions and experience is recognized immediately in other comprehensive income at December 31, 2022.

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SECTION B — PLAN PARTICIPANTS

Section B.1 sets out the summary information with respect to the plan participants valued in the current valuation compared to those valued in the previous valuation.

Section B.2 reconciles the number of participants in the previous valuation to the number of participants in the current valuation.

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Participation Data

Section B.1—Participant Data

Membership data as at September 30, 2022 was received from the Corporation and included information such as name, gender, age, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

Although the data provided reflected status and benefit information as at September 30, the Corporation has indicated that no changes in status and other member data occurring from September 30 to December 31 are expected to be material to the valuation results.

We have reviewed the data and compared it to the data used in the previous valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of hire prior to date of birth;
- Ages under 18 or over 100;
- Abnormal levels of benefits and/or premiums; and
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

	December 31, 2019	September 30, 2022
Employee (incl. LTD) Count		
Male	160	157
Female	85	89
Total	**245**	**246**
Employee Average Service		
Male	13.8	10.6
Female	13.0	11.2
Total	**13.5**	**10.8**
Retiree (in Receipt of Benefits) Count		
Male	87	104
Female	59	66
Total	**146**	**170**

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	Employee Count as of September 30, 2022			Employee Avg Service as of September 30, 2022		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
< 30	16	2	18	4	1	3
30 - 35	42	6	48	7	3	6
36 - 40	24	9	33	6	9	7
41 - 45	23	10	33	11	6	10
46 - 50	11	12	23	15	10	12
51 - 55	13	23	36	18	12	15
56 - 60	19	21	40	16	17	17
61 - 65	7	5	12	23	12	19
66 - 70	2	1	3	27	11	21
71 - 75	-	-	-	-	-	-
> 75	-	-	-	-	-	-
Total	**157**	**89**	**246**	**10.6**	**11.2**	**10.8**

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Participant Reconciliation

Section B.2—Participation Reconciliation

	Actives	Disabled	Retired
As at Dec. 31, 2019	**241**	**4**	**146**
New Entrants	68	-	-
Actives	-	3	30
Terminated	(27)	-	-
Retired	(30)	(2)	-
Deceased	(2)	-	(7)
Disabled	(3)	-	2
Not Eligible*	(6)	-	(1)
Data Correction	-	-	-
As at Dec. 31, 2022	**241**	**5**	**170**

**The six active employees that are not eligible for benefits are Elexicon Group employees and one retiree is not entitled to any benefits.*

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SECTION C —
SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Method

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions for discount rates, mortality, and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and,
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The Defined Benefit Obligation and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by IAS 19. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. IAS 19 stipulates that the attribution period commences on the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) and ends on the date when further service by the employee will lead to no material amount of further post-retirement non-pension benefits under the plan, other than from further salary increases.

For each employee not yet fully eligible for benefits, the Present Value of the Defined Benefit Obligation (PV DBO) is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

The PV DBO at December 31, 2022 is based on membership data as at September 30, 2022 and management's best estimate assumptions established for calculations as at December 31, 2022.

For health and dental benefits, the Corporation has selected the premium rates charge to retirees as management's best estimate of the benefits costs to be incurred. The total monthly premium rates, inclusive of expenses and taxes, used are as follows:

Former Veridian Retirees

Grouping and Effective Period	Health Single	Health Family	Dental Single	Dental Family
Everyone (Jan. 1, 2019 – Dec. 31, 2019)	$ 131.53	$ 334.55	$ 62.56	$ 154.06

Former Whitby Retirees

Grouping and Effective Period	Health Single	Health Family	Dental Single	Dental Family
Management (Jan. 1, 2020 – Dec. 31, 2020)	$ 130.12	$ 324.96	$ 58.16	$ 146.17
Union (Jan. 1, 2020 – Dec. 31, 2020)	$ 127.25	$ 314.20	N/A	N/A
Management (Jan. 1, 2022 – Dec. 31, 2022)	$ 91.12	$ 227.29	$ 49.49	$ 123.71
Union (Jan. 1, 2022 – Dec. 31, 2022)	$ 86.80	$ 217.00	N/A	N/A

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Elexicon Retirees

Grouping and Effective Period	Health Single	Health Family	Dental Single	Dental Family
Everyone (Jan. 1, 2022 – Dec. 31, 2022)	$ 131.40	$ 331.82	$ 74.24	$ 184.25

The above rates are at the 100% level and prior to any cost-sharing provisions under the plan.

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Management's Best Estimate Assumptions

The following are management's best estimate economic and demographic assumptions for calculations as at December 31, 2022.

Economic Assumptions

Discount Rate

The rate used to discount future benefits is assumed to be 5.05% per annum as of December 31, 2022 using the most recent spot rates curve from Fiera as of the date of preparing the valuation results. This rate reflects the Corporation's expected projected benefit cash flows for post-retirement non-pension benefits and the market yields on high quality bonds at the time of preparing the valuation.

The assumption used in the previous valuation was 3.20% per annum at December 31, 2019, which was subsequently updated to 2.70% per annum at December 31, 2020.

Salary Increase Rate

The rate used to increase salaries is assumed to be 4.00% per annum up to December 31, 2023 and 3.20% per annum thereafter. This rate has been chosen by the Corporation's management and reflect the expected Consumer Price Index adjusted for productivity, merit and promotion and for company-specific information.

This salary increase rate assumption used in the previous valuation was 3.20% per annum at December 31, 2019.

Claims Cost Trend Rate

The rates used to project benefit costs into the future were chosen based on a research paper published by the Canadian Institute of Actuaries – *Model of Long-Term Health Care Cost Trends in Canada* - dated March 2018. This assumption was unchanged from the previous valuation.

The following table provides a sample of the health and dental trend rates used in the valuation:

	Current Valuation	
Year	Health	Dental + Vision
2023	4.90%	5.10%
2025	5.30%	5.60%
2030	5.30%	5.30%
2035	4.60%	4.60%
2040 and thereafter	4.00%	4.00%

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Demographic Assumptions

Mortality Table

The mortality tables used are as per the Canadian Institute of Actuaries Canadian Pensioners' Mortality Pension Experience Subcommittee final report dated February 11, 2014 (CIA Report). More specifically, the Canada Pensioners Mortality ("CPM") Table Public Sector (CPM2014 PUBL) has been used with the generational projection of mortality improvement based upon the CIA MI-2017 mortality improvement scale published in 2017.

The mortality table assumption remains unchanged from the previous valuation.

Rates of Withdrawal

Termination of employment is assumed to be in accordance with the following withdrawal table:

Age Bucket	Current Valuation	Previous Valuation
18 – 29	2.75%	3.50%
30 – 34	2.20%	2.00%
35 – 39	1.65%	1.65%
40 – 49	1.40%	1.30%
50 – 54	1.20%	0.95%

Retirement Age

All active employees are assumed to retire at age 60 (or immediately if currently over age 60), which was based on the Corporation's retirement experience as well as a seven year retirement experience study on a group of local distribution companies for which data was available.

This assumption remains unchanged from the previous valuation.

Disability

No provision was made for future disability.

This assumption remains unchanged from the previous valuation.

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Other Assumptions

Family/Single Coverage

The following assumptions were chosen for the current valuation and are unchanged from the previous valuation:

- Coverage Type at Retirement (i.e. family, single) – The employee's coverage type at the valuation date will remain the same until the employee reaches the assumed retirement age.
- Spousal Gender – For employees with family coverage, the retiree has a spouse of the opposite gender at the date of retirement.
- Spousal Age Offset – Male spouses are assumed to be three years older than female spouses

Utilization Rate of Healthcare Spending Account ("HCSA")

All retired employees who are eligible for HCSA benefits, are assumed to utilize 80% of the annual HCSA spending cap from the date of retirement to the month prior to the retiree turning age 65.

These assumptions remain unchanged from the previous valuation.

Expenses and Taxes

For health and dental coverage, the above premium rates are inclusive of expenses and taxes and therefore no additional assumptions regarding expenses is required.

For life coverage and the HCSA, it is assumed that 5% and 10% of the accrued benefit obligation reflects the cost of sponsoring and administering the program, respectively. No additional information is available regarding the costs for these programs.

These assumptions remain unchanged from the previous valuation.

Election of Health and Dental Benefits or HCSA

For any individuals who will have a choice of extended health and dental benefits at retirement or an HCSA, it was assumed that 100% of these individuals will choose the extended H/D benefits at retirement.

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SECTION D —
SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation, based on information provided by and discussions with the Corporation.

Eligibility

Former Veridian

All employees who retire from the Corporation and were former Veridian employees are eligible for post-retirement life insurance benefits. Two individuals are eligible for post-retirement health and dental benefits for a unique pre-determined post-retirement period.

The following employees are eligible for a Health Care Spending Account ("HCSA")

- All employees retiring between April 1, 2011 and April 1, 2019 who retire between the ages of 55 and 65 and have completed a minimum of 20 years of service with the organization;
- All union employees retiring between April 1, 2019 and August 17, 2020 who retire between the ages of 55 and 65 and have completed a minimum of 20 years of service with the organization;
- All union employees retiring after August 17, 2020 who retire between the ages of 55 and 65 and have completed a minimum of 15 years of service with the organization;
- All non-union employees retiring after January 1, 2021 who retire between the ages of 55 and 65 and have completed a minimum of 10 years of service with the organization;

Former Whitby

Upon retirement, all former Whitby employees are eligible for post-retirement life insurance. All management employees who retire with a minimum of 10 years of service are eligible for post-retirement health, dental and HCSA benefits. All union employees who retire with a minimum of 10 years of service are eligible for post-retirement health and HCSA benefits.

Participant Contributions

The Corporation shall pay 100% of the cost of the post-retirement life, health, and dental benefits for the eligible retirees for Former Veridian employees. The details on the Corporation's participant contributions for Former Whitby employees are shown in the Summary of Benefits section below.

Past Service

Past service is defined as continuous service prior to joining the plan if the participant was employed by another electrical distribution company/hydro prior to joining the Corporation.

Length of Service

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

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Summary of Benefits

Life Insurance

Upon retirement, all employees are entitled to post-retirement life insurance benefits, as per the MEARIE plan, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
1	Flat $2,000.	Employee retires with less than 10 years of service in the Plan.
2	50% of final annual earnings, reducing by 2.5% of final annual earnings each year for 10 years, to a final benefit equal to 25% of final annual earnings. Reduction occurs on the anniversary date of retirement.	If employee was ever insured under Employee Plan option 2, 3, or 4, or if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of final annual earnings.	Employee was insured under the superseded plan and was hired on or after May 1, 1967 and elected coverage under option 1 only.
4	70% of final amount insured under the life plan immediately prior to retirement.	Employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under option 1 only.
5	Amount of retirement insurance coverage in force under superseded plan grandfathered.	Frozen group of insured whose retirement occurred under superseded plan prior to transfer to Sun Life.

Health and Dental Benefits – Former Veridian

Two individuals are eligible for post-retirement health and dental benefits for a pre-determined post-retirement period.

HCSA Benefits – Former Veridian

Eligible retirees are entitled to the following HCSA maximum yearly payments from their retirement date to the earlier of age 65 or their death:

Retirement Date	HCSA Limit
Between April 1, 2011 and March 31, 2013	$1,200
Between April 1, 2013 and March 31, 2014	$1,300
Between April 1, 2014 and March 31, 2015	$1,400
Between April 1, 2015 and March 31, 2017	$1,500
Between April 1, 2017 and March 31, 2019	$1,600
Between April 1, 2019 and August 17, 2020	$2,100 (20yrs of service)
After August 18, 2020	$2,100 (15yrs of service)
Non Union employees after Jan 1, 2021	$2,300 (10yrs of service)

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Health, Dental and HCSA Benefits – Former Whitby that Retired After January 1, 2021

Upon retirement, all eligible employees that retire after January 1, 2021 are entitled to the benefits below.

	Hire Date	Retirement Date	Benefits
Union	Before May 23, 2013	After Jan. 1, 2021	Choice between Lifetime extended benefits with co-pay or HCSA ($2,100)
Non-Union/Management	Before May 23, 2013	Between Jan. 1, 2021 to Dec. 31, 2022	Choice between Lifetime extended benefits or HCSA ($2,300)
Non-Union/Management	Before May 23, 2013	After Jan. 1, 2023	HCSA ($2,300)
Union	After May 23, 2013	After Jan. 1, 2021	Choice between extended benefits Up-to-65 with co-pay or HCSA ($2,100)
Non-Union/Management	After May 23, 2013	Between Jan. 1, 2021 to Dec. 31, 2022	Choice between extended benefits Up-to-65 or HCSA ($2,300)
Non-Union/Management	After May 23, 2013	After Jan. 1, 2023	HCSA ($2,300)

Health and Dental Benefits – Former Whitby that Retired Before January 1, 2021

Management

Upon retirement, all eligible management employees are entitled to post-retirement health and dental benefit coverage, 100% paid by the Corporation. Employees hired prior to May 16, 2013 receive benefits for lifetime while employees hired on or after May 16, 2013 receive benefits until age 65.

Union

Upon retirement, all eligible union employees are entitled to post-retirement health benefit coverage, with the proportion of benefits paid by the Corporation dependent on the years of service that the employee is assumed to have at retirement, as follows for employees retiring on or after June 30, 2015:

- 80% by the Corporation for employees with 25 years of service
- 70% by the Corporation for employees with 15 years of service
- 50% by the Corporation for employees with 10 years of service

For employees retiring prior to June 30, 2015:

- 90% by the Corporation for employees with 25 years of service
- 80% by the Corporation for employees with 15 years of service
- 65% by the Corporation for employees with 10 years of service

In addition, employees hired prior to May 23, 2013 receive benefits for lifetime while employees hired on or after May 23, 2013 receive benefits until age 65.

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ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by Elexicon Corporation (the "Corporation") as at December 31, 2022, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and we express no opinion on them;
3. All known legal and constructive obligations with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
4. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

We are not aware of any subsequent events after the date of completing this valuation that would have a significant effect on the valuation results contained herein.

The latest date on which the next actuarial valuation should be performed is December 31, 2025. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,
RSM CANADA CONSULTING LP

Stanley Caravaggio, FSA, FCIA
Director

Jamie Wong, ASA, ACIA
Manager

Toronto, Ontario

January 10, 2023

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SECTION E —
EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Elexicon Corporation
Actuarial Valuation as at December 31, 2022

I hereby confirm, as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Elexicon Corporation. that, to the best of my knowledge and belief, for the purposes of the valuation:

i) The membership data summarized in Section B is accurate and complete;

ii) The assumptions upon which this report is based as summarized in Section C, are management's best estimate assumptions and are adequate and appropriate for the purposes of this valuation; and

iii) The summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on December 31, 2022.

ELEXICON CORPORATION

January 9, 2022	
Date	Signature
Cynthia Chan, CPA, CA	Chief Financial Officer
Name	Title

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APPENDIX —
DETAILED ACCOUNTING SCHEDULES

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Elexicon Corporation
Estimated Benefit Expense (IAS 19)
CONSOLIDATED FINAL

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.20%	4.00%	3.20%	3.20%
Assumed Increase in Employer Contributions	expected ***	expected ***	expected ***	expected ***
A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet				
Net Defined Benefit Liability/(Asset) as at January 1	9,933,156	5,815,590	5,937,838	6,063,049
Defined Benefit Cost Recognized in Income Statement	337,093	406,821	413,373	417,931
Defined Benefit Cost Recognized in Other Comprehensive Income	(4,130,612)	-	-	-
Benefits Paid by the Employer	(324,047)	(284,573)	(288,162)	(284,021)
Net Defined Benefit Liability/(Asset) as at December 31	5,815,590	5,937,838	6,063,049	6,196,959
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	199,872	120,231	120,698	118,830
Past Service Cost/(Gain)****	(155,913)	-	-	-
Interest Cost	293,134	286,590	292,675	299,101
Defined Benefit Cost Recognized in Income Statement	337,093	406,821	413,373	417,931
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	(4,469,855)	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(20,166)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	359,409	-	-	-
Return on Plan Assets (Excluding Amounts Included in Net Interest Cost)	-	-	-	-
Change in Effect of Asset Ceiling	-	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	(4,130,612)	-	-	-
Total Defined Benefit Cost	(3,793,519)	406,821	413,373	417,931
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	9,933,156	5,815,590	5,937,838	6,063,049
Current Service Cost	199,872	120,231	120,698	118,830
Interest Cost	293,134	286,590	292,675	299,101
Benefits Paid	(324,047)	(284,573)	(288,162)	(284,021)
Past Service Cost/(Gain)****	(155,913)	-	-	-
Net Actuarial Loss/(Gain)	(4,130,612)	-	-	-
Present Value of Defined Benefit Obligation as at December 31	5,815,590	5,937,838	6,063,049	6,196,959

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2021.

** Projected CY 2023, 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

*** Based on exepcted benefits to be paid to those eligible for benefits.

**** Past service gain arising as a result of Elexicon Group employees not eligible for any post-retirement benefits effective August 1, 2022.

Elexicon Corporation
Estimated Benefit Expense (IAS 19)
CONSOLIDATED FINAL

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.20%	4.00%	3.20%	3.20%
Assumed Increase in Employer Contributions	expected ***	expected ***	expected ***	expected ***
D. Calculation of Component Items				
Interest Cost				
Present Value of Defined Benefit Obligation as at January 1	9,933,156	5,815,590	5,937,838	6,063,049
Benefits Paid	(162,024)	(142,287)	(144,081)	(142,011)
Accrued Benefits	9,771,133	5,673,304	5,793,757	5,921,039
Interest Cost	293,134	286,590	292,675	299,101
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	9,933,156	5,815,590	5,937,838	6,063,049
Current Service Cost	199,872	120,231	120,698	118,830
Benefits Paid	(324,047)	(284,573)	(288,162)	(284,021)
Interest Cost	293,134	286,590	292,675	299,101
Expected Present Value of Defined Benefit Obligation as at December 31	10,102,115	5,937,838	6,063,049	6,196,959
E. Net Actuarial Loss/(Gain)				
Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	10,102,115	5,937,838	6,063,049	6,196,959
Past Services Cost/(Gain)****	(155,913)	-	-	-
Expected Present Value of Defined Benefit Obligation after Past Service Cost/(Gain)	9,946,202	5,937,838	6,063,049	6,196,959
Actual Present Value of Defined Benefit Obligation	5,815,590	5,937,838	6,063,049	6,196,959
Net Actuarial Loss/(Gain) as at December 31	(4,130,612)	-	-	-

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2021.

** Projected CY 2023, 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

*** Based on exepcted benefits to be paid to those eligible for benefits.

**** Past service gain arising as a result of Elexicon Group employees not eligible for any post-retirement benefits effective August 1, 2022.

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Elexicon Corporation
Estimated Benefit Expense (IAS 19)
Elexicon Energy Inc. FINAL

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.20%	4.00%	3.20%	3.20%
Assumed Increase in Employer Contributions	expected ***	expected ***	expected ***	expected ***
A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet				
Net Defined Benefit Liability/(Asset) as at January 1	9,785,908	5,815,590	5,937,838	6,063,049
Defined Benefit Cost Recognized in Income Statement	484,342	406,821	413,373	417,931
Defined Benefit Cost Recognized in Other Comprehensive Income	(4,130,612)	-	-	-
Benefits Paid by the Employer	(324,047)	(284,573)	(288,162)	(284,021)
Net Defined Benefit Liability/(Asset) as at December 31	5,815,590	5,937,838	6,063,049	6,196,959
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	195,625	120,231	120,698	118,830
Past Service Cost/(Gain)****	-	-	-	-
Interest Cost	288,717	286,590	292,675	299,101
Defined Benefit Cost Recognized in Income Statement	484,342	406,821	413,373	417,931
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	(4,469,855)	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(20,166)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	359,409	-	-	-
Return on Plan Assets (Excluding Amounts Included in Net Interest Cost)	-	-	-	-
Change in Effect of Asset Ceiling	-	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	(4,130,612)	-	-	-
Total Defined Benefit Cost	(3,646,270)	406,821	413,373	417,931
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	9,785,908	5,815,590	5,937,838	6,063,049
Current Service Cost	195,625	120,231	120,698	118,830
Interest Cost	288,717	286,590	292,675	299,101
Benefits Paid	(324,047)	(284,573)	(288,162)	(284,021)
Past Service Cost/(Gain)****	-	-	-	-
Net Actuarial Loss/(Gain)	(4,130,612)	-	-	-
Present Value of Defined Benefit Obligation as at December 31	5,815,590	5,937,838	6,063,049	6,196,959

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2021.

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RSM

Elexicon Corporation
Estimated Benefit Expense (IAS 19)
Elexicon Energy Inc. FINAL

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.20%	4.00%	3.20%	3.20%
Assumed Increase in Employer Contributions	expected ***	expected ***	expected ***	expected ***
D. Calculation of Component Items				
Interest Cost				
Present Value of Defined Benefit Obligation as at January 1	9,785,908	5,815,590	5,937,838	6,063,049
Benefits Paid	(162,024)	(142,287)	(144,081)	(142,011)
Accrued Benefits	9,623,884	5,673,304	5,793,757	5,921,039
Interest Cost	288,717	286,590	292,675	299,101
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	9,785,908	5,815,590	5,937,838	6,063,049
Current Service Cost	195,625	120,231	120,698	118,830
Benefits Paid	(324,047)	(284,573)	(288,162)	(284,021)
Interest Cost	288,717	286,590	292,675	299,101
Expected Present Value of Defined Benefit Obligation as at December 31	9,946,202	5,937,838	6,063,049	6,196,959
E. Net Actuarial Loss/(Gain)				
Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	9,946,202	5,937,838	6,063,049	6,196,959
Past Services Cost/(Gain)****	-	-	-	-
Expected Present Value of Defined Benefit Obligation after Past Service Cost/(Gain)	9,946,202	5,937,838	6,063,049	6,196,959
Actual Present Value of Defined Benefit Obligation	5,815,590	5,937,838	6,063,049	6,196,959
Net Actuarial Loss/(Gain) as at December 31	(4,130,612)	-	-	-

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2021.

** Projected CY 2023, 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

*** Based on exepcted benefits to be paid to those eligible for benefits.

**** Past service gain arising as a result of Elexicon Group employees not eligible for any post-retirement benefits effective August 1, 2022.

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Elexicon Corporation
Estimated Benefit Expense (IAS 19)
Elexicon Group Inc. FINAL

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.20%	4.00%	3.20%	3.20%
Assumed Increase in Employer Contributions	expected ***	expected ***	expected ***	expected ***
A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet				
Net Defined Benefit Liability/(Asset) as at January 1	147,249	-	-	-
Defined Benefit Cost Recognized in Income Statement	(147,249)	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	-	-	-	-
Benefits Paid by the Employer	-	-	-	-
Net Defined Benefit Liability/(Asset) as at December 31	-	-	-	-
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	4,247	-	-	-
Past Service Cost/(Gain)****	(155,913)	-	-	-
Interest Cost	4,417	-	-	-
Defined Benefit Cost Recognized in Income Statement	(147,249)	-	-	-
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	-	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	-	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	-	-	-	-
Return on Plan Assets (Excluding Amounts Included in Net Interest Cost)	-	-	-	-
Change in Effect of Asset Ceiling	-	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	-	-	-	-
Total Defined Benefit Cost	(147,249)	-	-	-
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	147,249	-	-	-
Current Service Cost	4,247	-	-	-
Interest Cost	4,417	-	-	-
Benefits Paid	-	-	-	-
Past Service Cost/(Gain)****	(155,913)	-	-	-
Net Actuarial Loss/(Gain)	-	-	-	-
Present Value of Defined Benefit Obligation as at December 31	-	-	-	-

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2021.

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*** Based on exepcted benefits to be paid to those eligible for benefits.

**** Past service gain arising as a result of Elexicon Group employees not eligible for any post-retirement benefits effective August 1, 2022.

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Elexicon Corporation
Estimated Benefit Expense (IAS 19)
Elexicon Group Inc. FINAL

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.20%	4.00%	3.20%	3.20%
Assumed Increase in Employer Contributions	expected ***	expected ***	expected ***	expected ***

D. Calculation of Component Items

Interest Cost				
Present Value of Defined Benefit Obligation as at January 1	147,249	-	-	-
Benefits Paid	-	-	-	-
Accrued Benefits	147,249	-	-	-
Interest Cost	4,417	-	-	-
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	147,249	-	-	-
Current Service Cost	4,247	-	-	-
Benefits Paid	-	-	-	-
Interest Cost	4,417	-	-	-
Expected Present Value of Defined Benefit Obligation as at December 31	155,913	-	-	-

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	155,913	-	-	-
Past Services Cost/(Gain)****	(155,913)	-	-	-
Expected Present Value of Defined Benefit Obligation after Past Service Cost/(Gain)	-	-	-	-
Actual Present Value of Defined Benefit Obligation	-	-	-	-
Net Actuarial Loss/(Gain) as at December 31	-	-	-	-

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2021.

** Projected CY 2023, 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

*** Based on exepcted benefits to be paid to those eligible for benefits.

**** Past service gain arising as a result of Elexicon Group employees not eligible for any post-retirement benefits effective August 1, 2022.



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EXHIBIT 4 - TAB 2 - SCHEDULE 1: ATTACHMENT 2
"OEB APP.2-K EMPLOYEE COSTS"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

SHARED SERVICES AND CORPORATE COST ALLOCATIONS

1. OVERVIEW

This schedule provides information about shared services and corporate cost allocations between Elexicon Energy ("EE") and the affiliated corporate entities described below:

- **Elexicon Corporation ("EC"):** EC provides strategic management and governance service to EE. EE is wholly owned by EC. EC receives shared corporate services from EE and provides services to EE as described below.
- **Elexicon Group Inc. ("EG"):** EG was a provider of energy management services intended to serve multi-unit residential, commercial, retail, municipalities and transportation industry. EG offered circuit monitoring, retrofitting, fleet charging, energy analytics, charging infrastructure, water metering, electric vehicle conversion and battery backup as well as storage services to help their clients optimize their energy use cost-effectively. EG received shared corporate services from EE and provided EE with solar management services during the historical period covered in this rate application. EG ceased to exist in early 2025.

For more information about these entities and their relationship to EE, please refer to Corporate Structure and Governance evidence at Exhibit 1 - Tab 3 - Schedule 1A.

This schedule also provides information about corporate cost allocations to the non-rate regulated aspects of Elexicon Energy's business, including generation activities.

2. OEB APPENDIX 2_N

A completed copy of Appendix 2-N is filed in Excel format as Attachment 1 to this schedule. This appendix provides cost information and allocation details relating to each shared service provided or received by EE in the historical years (2020-2024), bridge years (2025-2026), and forecast years (2027-2031).

3. SHARED SERVICE MODEL

EE follows the Affiliate Relationships Code ("ARC"), and the shared service methodology has not changed as a result of the merger. The cost allocation mechanism is either market based in accordance with Section 2.3.3 of the ARC or fully allocated cost based in accordance with sections 2.3.4 or 2.3.5 of the ARC. Pricing is based on cost causation via assignment of an appropriate cost driver based on the nature of the work performed in accordance with regulatory guidelines as established by the OEB. Shared corporate services are based on fully allocated cost to provide the service, which includes direct costs, indirect costs, and an approved rate of return. EE charges the higher of market price or fully allocated cost for shared corporate services, when market price can be determined, and pays fully allocated cost for any such services it receives from the affiliated entities.

The cost allocation and pricing mechanism is reviewed annually or when there are material changes to the services provided.

Table 1 below provides a description of EE's corporate cost allocators by each service provided/received.

Table 1: Shared Corporate Services Primary Allocation Drivers

Service Provided	Description	Cost Allocation Mechanism
EC -Corporate Governance	Services of a President & CEO, and any other Shared Corporate Services that such individuals may provide from time to time.	Labour hours
Corporate Governance, Legal and Shared Corporate Services	Supports all Governance requirements including legal and administrative support, and any other Shared Corporate Services not otherwise defined in this table.	Labour hours and markup[1]
Finance - Support	Accounting Management, accounting entries and reconciliations, tax preparation and filing, consolidation reporting and budgeting, forecasting, investment and business case analysis, banking and borrowing requirements, payroll and related services, accounts payable services, billing services, including invoicing third parties and regulatory support.	Labour hours plus markup
EG - Solar Maintenance & Management	Provide management services for non rate regulated EE solar assets.	Labour Hours plus markup based on market
Facilities Rent	Provide office space.	Market based cost per square foot
Information Technology	Provide equipment and IT services.	Cost based per number of workstations

4. VARIANCE ANALYSIS

4.1 Elexicon Corporation

Further to Appendix 2-N, Table 2 below provides a summary of the cost of services provided by and received by EE, to and from EC.

[1]EE charges its affiliates an additional “markup" component on top of the fully burdened costs. Markup is set at the OEB approved ROE rate.

Table 2: Summary of the cost of shared services provided by and received by EE to/from EC

Segment	Actual					Bridge		Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Services received by Elexicon Energy ($M)						0.723	0.979	1.016	1.048	1.077	1.106	1.131
Services provided by Elexicon Energy ($M)	0.245	0.260	0.236	0.293	0.300	0.318	0.332	0.346	0.352	0.375	0.382	0.388

Services received by Elexicon Energy

2024 – 2025 Variance Explanation:

The variance of $0.723 million is due to the President & CEO office being transferred to EC from May 2025. Previously, the President & CEO was under EE and applicable costs were allocated to EC.

4.1.1 2024 - 2027 Variance Explanation:

The variance of $1.016 million is related to full year costs for the President & CEO office and annual inflationary increases from 2025.

4.1.2 2027 – 2031 Variance Explanation:

The variance of $0.115 million is due to cumulative annual inflation.

Services provided by Elexicon Energy

2020 - 2021 Variance Explanation:

The $0.015 million increase between 2020 and 2021 actuals is primarily attributable to an increase in finance support activity.

2021 – 2022 Variance Explanation:

The $0.024 million decrease between 2021 and 2022 actuals is primarily attributable to lower corporate governance costs being allocated to EC from decreased merger/transition activity from prior year.

2022 – 2023 Variance Explanation:

The $0.057 million increase between 2022 and 2023 actuals is primarily due to higher corporate governance costs being allocated to EC.

2024 – 2025 Variance Explanation:

The $0.018 million increase between 2024 actual and 2025 bridge year is primarily attributable to higher corporate governance cost being allocated to EC.

4.1.3 2024 – 2027 Variance Explanation:

The variance of $0.046 million between 2024 actual and 2027 test year is primarily due to higher corporate governance costs being allocated to EC.

4.1.4 2027 – 2031 Variance Explanation:

The variance of $0.042 million between 2027 and 2031 forecast is mainly due to inflationary increases.

4.2 Elexicon Group

Further to Appendix 2-N, Table 3 below provides a summary of the cost of services provided by and received by EE, to and from EG.

Table 3: Summary of the cost of shared services provided by and received by EE to/from EG

Segment	Actual					Bridge		Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Services received by Elexicon Energy ($M)	0.038	0.041	0.036	0.026								
Services provided by Elexicon Energy ($M)	0.233	0.261	0.310	0.178	0.032							

Services received by Elexicon Energy

2020 – 2021 Variance Explanation:

Solar Maintenance & Management Services provided by EG to EE were terminated as of December 31st, 2023.

Services provided by Elexicon Energy

2020 – 2021 Variance Explanation:

The $0.028 million increase between 2020 and 2021 actuals is primarily attributable to increased IT services.

2021 – 2022 Variance Explanation:

The $0.049 million increase between 2021 and 2022 actuals is primarily attributable to increased IT services and office space allocation.

2022 – 2023 Variance Explanation:

The $0.132 million decrease between 2022 and 2023 actuals is primarily attributable to a reduction in services because of reduced activities in EG in anticipation of wind down.

2023 – 2024 Variance Explanation:

EG activities were significantly reduced in 2024 and services between EE and EG were terminated as of October 2024 which reduced services required by EG.

4.3 Reconciliation for OEB account 4375 and 4380

Further to Appendix 2-N, Tables 4 and 5 below, provide reconciliation for OEB accounts 4375 and 4380.

Table 4: Reconciliation of OEB account 4375[2]

Segment	Actual					Bridge		Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Services provided by Elexicon Energy ($M)	0.479	0.522	0.546	0.471	0.331	0.318	0.332	0.346	0.352	0.375	0.382	0.388
Non Rate-Regulated Utility Operations ($M)	7.891	-1.372	-0.153	0.266	0.041	0.197	0.197	0.201	0.201	0.201	0.201	0.201
Total (4375) ($M)	**8.370**	**-0.851**	**0.393**	**0.738**	**0.372**	**0.515**	**0.529**	**0.547**	**0.553**	**0.576**	**0.583**	**0.589**

Table 5: Reconciliation of OEB account 4380[3]

Segment	Actual					Bridge		Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Services received by Elexicon Energy ($M)	0.038	0.041	0.036	0.026								
Costs for Non Rate-Regulated Utility Operations ($M)	8.070	1.126	0.016	0.448	0.171	0.373	0.385	0.394	0.399	0.418	0.423	0.413
Total (4380) ($M)	**8.107**	**1.085**	**0.020**	**0.473**	**0.171**	**0.373**	**0.385**	**0.394**	**0.399**	**0.418**	**0.423**	**0.413**

5. LIST OF ATTACHMENTS

- Attachment 1 (Excel): OEB Appendix 2-N Shared Services and Corporate Cost Allocation

[2] Numbers may not sum due to rounding.
[3] Numbers may not sum due to rounding.

EXHIBIT 4 - TAB 3 - SCHEDULE 1: ATTACHMENT 1
"OEB APP.2-N SHARED SERVICES AND CORPORATE COST ALLOCATION"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

PURCHASES OF NON-AFFILIATE SERVICES

Elexicon employs competitive procurement processes to ensure fair and prudent pricing and the acquisition of quality services, materials, and vendor support. In accordance with Section 2.4.3.3 of the OEB's Chapter 2 Filing Requirements, Elexicon is providing the latest version of its purchasing policy ("PR01-EE Purchasing Policy for Elexicon Energy Inc", provided as Attachment 1 to this schedule). At the time of filing, Elexicon's purchasing policy is under review and is in the process of being revised. Once the policy is revised and approved, an updated version can be made available during the application process.

The purpose of this policy is to explain operating processes, delineate authority, and outline sound procurement practices. Adherence to this policy and the processes it prescribes ensures Elexicon maintains consistent practice across the utility. The governing principles of the policy are outlined below:

- Elexicon will ensure that only quality goods and services are acquired and at the most favourable prices to maximize the value of its acquisitions for stakeholders;
- Promote a fair, open and competitive process with respect to selection of suppliers/vendors;
- That procurement activities yield the optimal benefit to high environmental, safety, ethical, managerial and professional standards. To encourage suppliers to consider sustainability and social responsibility in their product or service offerings;
- Quality goods and services are provided at time and place required, within stated lead times;
- Goods and services are acquired solely on appropriate authorizations and accountabilities;
- Ensure an adequate level of inventory sufficient to maintain the reliability of the distribution system;
- Ensure compliance with all applicable laws and regulations.

As outlined in the policy, Elexicon employees with a need to purchase products or services must create a purchase requisition; no purchase order shall be issued without a supporting requisition (except for the exclusions identified in the policy). Requisitions are approved in accordance with the authorization levels and approval limits established. As stated in the policy, one of the most effective tools of the procurement function is competition. While it is not always feasible to obtain competitive pricing, a competitive process

is required whenever practical, and selection of the preferred source is determined by analysis of the technical, legal, and cost information. The policy outlines circumstances where competitive pricing may not be feasible and the authorization that is required to procure without obtaining competitive pricing.

Elexicon confirms that there are no material transactions that were undertaken pursuant to an exception to the policy.

LIST OF ATTACHMENTS

- Attachment 1: Purchasing Policy for Elexicon Energy Inc.

EXHIBIT 4 - TAB 3 - SCHEDULE 2: ATTACHMENT 1
"PR01-EE – PURCHASING POLICY FOR ELEXICON ENERGY INC."
(REFER TO ATTACHMENT IN PDF FORMAT)

PR01-EE
Purchasing Policy
for
Elexicon Energy Inc.

Approved by Elexicon Energy Board: 14-Jun-2022

Resolution No.: 2022-EE21

Policy Owner: Corporate Services and Chief Financial Officer

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Revision History

Issue Date	List of Changes or Reason for Issue	Version #
14-Jun-2022	Amendment to sections 2.3, 2.5, 3.0, 5.1, 5.2, and 8.0	Version 3
22-Sep-2020	Amendment to sections 1.5, 2.3, 2.4, 3.0 and 5.5	Version 2
2-Aug-2019	Original issue.	Version 1

Review Schedule

Every Three years.

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1.0 Introduction

1.1 Purpose

The Purchasing Policy is designed to provide guidance to those who perform the various functions carried out on behalf of Elexicon Energy Inc. (Elexicon). This policy explains operating policies, delineates authority, and outlines sound procurement practices.

The policy applies to Elexicon and defines the operating policies to be followed by all personnel. Business-specific procedures may be developed, as required, to meet the operational requirements of the policies contained herein.

Overall responsibility for the content, maintenance, production and distribution of this policy resides with Procurement.

1.2 Related Policies

The following policies and procedures include provisions related to the elements of this purchasing policy:

- FI02.1 Disposal of Surplus Assets
- FI10.1 Purchasing Cards
- FI11.1 Leasing Policy
- AD07-EE Expenditure Authorization and Signing Officer Policy
- PR02-EC Procurement and Contracting Policy

1.3 Scope

This policy applies to all purchases of goods and services by any employee or agent acting on behalf of Elexicon. However, certain goods and services, such as those registered in the Exceptions section of this policy are excluded from this policy.

1.4 Governing Principles

Expenditures for goods and services shall be made according to sound business practices. The application of this policy ensures Elexicon adheres to the following governing principles for the procuring of goods and services:

- Elexicon will ensure that only quality goods and services are acquired and at the most favourable prices to maximize the value of its acquisitions for stakeholders;
- Promote a fair, open and competitive process with respect to selection of suppliers/vendors;
- That procurement activities yield the optimal benefit to high environmental, safety, ethical, managerial and professional standards. To encourage suppliers to consider sustainability and social responsibility in their product or service offerings;
- Quality goods and services are provided at time and place required, within stated lead times;
- Goods and services are acquired solely on appropriate authorizations and accountabilities;
- Ensure an adequate level of inventory sufficient to maintain the reliability of the distribution system;
- Ensure compliance with all applicable laws and regulations.

The acquisition of allgoods and services shall be covered by purchase orders, unless otherwise provided in this policy. Purchase orders must be authorized and approved by an appropriate Expenditure Authority and assigned a valid purchase order number.

1.5 Responsibilities

Within their specific functional areas of responsibility, Expenditure Authorities are accountable to ensure that goods and services are acquired in accordance with this policy, and including adherence to the AD07-EE Expenditure Authorization and Signing Officer Policy.

All Elexicon staff are responsible for compliance of this policy as outlined within, and ensuring purchases meet current regulatory standards and in particular the meeting of the electrical standards as per Ontario Regulation 22/04.

All Elexicon staff will conduct purchase activities in a professional and ethical manner. Favourable treatment as to the selection of suppliers/vendors is not permitted. Favourable treatment may include being influenced by a gratuity (such as a gift or award), family relationship, or a financial interest that might conflict with proper performance of a staff member's responsibilities as to this policy and therefore compromise the integrity of the acquisition process.

The use of Elexicon’s name on purchase orders, purchase requisitions or letterhead for conducting personal business is strictly prohibited.

Adherence to this policy will allow safeguarding of Elexicon’s assets . Non-compliance can result in delayed payment of invoices to suppliers/vendors, interruption of services, or non-delivery of goods/services. Any issues of non-compliance with this policy and any associated procedures that cannot be resolved at the management level must be raised to the functional Vice President and CEO.

2.0 Policy

2.1 Requisitioning an Expenditure

An Expenditure Authority may requisition an expenditure. An Expenditure Authority must initiate the request by requisitioning an expenditure and forwarding the request to the next level Expenditure Authority. An Expenditure Authority may delegate responsibilities for the initiation of purchase requisitions to a subordinate that is not an Expenditure Authority.

2.2 Approving the Expenditure

An Expenditure Authority can approve a requisitioner’s expenditure provided that the Expenditure Authority has the required approval level as detailed in section 2.3. An Expenditure Authority cannot both initiate and approve the same expenditure.

An Expenditure Authority cannot approve the requisition of an Expenditure Authority that they report to.

An Expenditure Authority that approves a requisition is responsible for reviewing an expenditure for compliance with Elexicon’s policy and ascertaining the appropriateness of the expenditure, in light of the prevailing operating plan and budget. An approver must indicate review and approve either manually or electronically by signing the purchase requisition or cheque request form, as applicable.

The manager that supervises Accounts Payable is responsible for ensuring that all non-requisition purchases have been approved at the appropriate level and that the purchase is in accordance with the purchasing policy.

2.3 Approval Levels

As an overriding principle, an Expenditure Authority may not approve any expenditure that the Expenditure Authority does not have budget responsibility for.

The authorized approval levels are as follows:

Approval Level	Approval Limit	Expenditure Authority[1]
1	Up to $10,000	Supervisor
2	Up to $50,000	Manager
3	Up to $200,000	Vice President
4	Up to $750,000 or at Budget Limit	President and CEO
5	Expenditures other than those listed above	President and CEO & Board of Directors

Note[1]: When an Expenditure Authority has delegated responsibilities for the initiation of purchase requisitions to a subordinate that is not an Expenditure Authority, expenditures over $25,000 require two levels of Expenditure Authority approval.

Note: Approval limits are exclusive of taxes e.g.) HST.

Approval levels apply to individual requisition values. However, any incremental adjustments to the original requisition value will follow the above table as it relates to the overall total value of the requisition (i.e. original value plus the incremental adjustments). For example, if the President and CEO signed a requisition for $400,000, and the organization is requesting an incremental adjustment of $100,000, since the total requisition value is $500,000, this would require the President and CEO to sign the associated incremental adjustment requisition based on the above approval values. In addition, no requisitioner shall intentionally segregate purchases that would normally be included on a single requisition into multiple, smaller dollar value requisitions for the purposes of circumventing the established approval limits as set out above (whether such multiple requisitions are submitted contemporaneously or as an original request with one or more future change requests to follow).

2.4 Authorization by Board of Directors

The Board of Directors authorizes the annual expenses of Elexicon by approving the annual budget. For purchases reflected in the Board approved annual budget, the Board of Directors' delegate authorization responsibility to the President and CEO and no additional Board approval is required.

The acquisition of goods and services still require compliance of Section 5 Procurement and Supply Requirements, as contained in this policy. For major purchases not reflected in the budget, the Board of Directors' delegate authorization responsibility to the President and CEO. However, the Board of Directors shall be informed of major purchases that have the potential to affect the direction of the financial results of Elexicon.

2.5 Delegation of Approval Limits

A Vice President may delegate the position's approval limit to a reporting manager for periods of planned absence or unavailability. The delegation should be completed using the "Alternate Approver" process in Workplace Requisition.

The President and CEO may delegate the position's approval limit to a Vice President for periods of planned absence or unavailability.

3.0 Exceptions or Emergency Purchases

Purchases not included in the annual approved budget that are required for operations or emergencies may be incurred in accordance with the below table.

The authorized approval levels are as follows:

Approval Level	Approval Limit	Expenditure Authority[1]
1	Up to $750,000	President and CEO
2	$750,000 to $1,000,000	President and CEO and one of the Chair, Vice-Chair or Chair of the Audit and Risk Management Committee
3	In excess of $1,000,000	Presidend and CEO & Board of Directors

Exceptions are not necessarily emergencies but may be required for operations. For example, one type of exception is procuring certain distribution assets that have long lead times for delivery. Such decisions must be reported at the next Board of Directors meeting with reasons why the expenditures were required. If circumstances warrant an emergency or critical expenditure in excess of $1,000,000, an emergency meeting of the Board of Directors shall be called to authorize such expenditures.

Emergency means a situation with potential to cause harm, death to persons; accrue liability to Elexicon: cause damage to property; or hamper the operation and thus warrants operating outside of the normal requirements.

Notwithstanding the provisions of this Policy, any goods or services required to address an exception or emergency shall be acquired by the most economical manner possible with selection based on quality and timeless of service and where possible at the lowest cost, resulting to the benefit of Elexicon.

In an emergency, a verbal order may be performed to purchase urgent goods and services. However, a purchase order must still be completed as soon as practicable, with the purchase order properly authorized and approved.

4.0 Exceptions to Approval Levels

Regular recurring amounts that the corporation is obligated to remit on a periodic basis may be approved for payment by the President and CEO or the CFO, even though these amounts may be more than the approval limit set out in this policy for these positions.

They include:

- Interest and principal payments on debt that match payment schedules contained within loan agreements and promissory notes that have been approved by the Board of Directors;
- Payments in lieu of income taxes, payments in lieu of property taxes, employee payroll remittances and sales tax remittances all of which have been checked for accuracy by Financial Services;
- Wholesale power purchase remittances to the Independent Electricity System Operator.

5.0 Procurement and Supply

This section defines a standardized approach for the buying and paying of goods and services received. This policy requires the use of purchase orders, except for the permitted exceptions.

The policy is designed to protect Elexicon's business interests by:

- subjecting all purchases to standard terms and conditions;
- reinforcing existing contract terms;
- ensuring proper authorization is obtained in advance of purchases, and;
- proper use of a competitive bid process, when required.

Non-compliance can result in delayed payment of invoices to suppliers, interruption of services or non-delivery of product.

5.1 When a Requisition and Competitive Pricing is Required

Elexicon employees with a need to purchase products or services must create a purchase requisition. No purchase order shall be issued without a supporting requisition. Requisitions shall be approved in accordance with the authorization levels established and referred to in the Signature Authorization policy. One of the most effective tools of the procurement function is competition. While it is not always feasible or desirable to obtain competitive pricing, a competitive process is required whenever practical, and selection of the preferred source should be determined by analysis of the technical, legal and cost information.

The following outlines circumstances where competitive pricing may not be feasible and the authorization that is required to procure without obtaining competitive pricing:

Sole source: Only one capable source exists that can meet the requirements for the product/service. Sole sourced products can only be approved by a Vice President, or if initiated by a Vice President, the President and CEO.

Single source: Business conditions and/or customer requirements preclude researching and qualifying any other competitive sources. Note that single sources products can only be approved by a Vice President, or if initiated by a Vice President, the President and CEO.

Employees must complete the Sole or Single Source Justification Form and route to their Vice President for approval. The form can be found on the Sharepoint site.

5.2 For Purchases up to $7,500

For all purchases up to $7,500 competitive quotes are not required, however, generally three quotes should be obtained whenever practical. Purchases within this range do not require a purchase order.

5.3 For Purchases $7,500 to $50,000

For all purchases $7,500 and over, a purchase order is created that is governed by the established terms and conditions for goods and/or services. Competitive quotes (generally at least three) are required for all purchases over $7,500 unless there has been an authorization for sole or single sourcing as described in section 5.1. Where competitive quotes have been obtained, they should be attached at the requisition stage.

The standard terms and conditions are printed on the second page of the purchase order. Under certain circumstances, a contract may also be required. Certain purchases are exempt from requiring a purchase order as listed in section 5.5.

5.4 For Purchases over $50,000

For all purchases over $50,000, a purchase order is created that is governed by the established terms and conditions for the goods and/or services. Purchasing awards in excess of $50,000 will be based on requests for proposal or another form of competitive process.

Any existing contract for the provision of any product or service should be competitively sourced and negotiated at least once every three (3) years. To meet this requirement, contracts should not be entered into with terms of longer than three (3) years.

Contracts that extend or are renewed beyond a three (3) year term must be approved by the President and CEO or Elexicon's Board of Directors in accordance with the approval levels established under section 2.3 of this policy.

All employees that form part of the bid evaluation team for each competitive process issued must complete the Declaration Concerning Conflict of Interest and Confidential Information form.

When terms and conditions are established that vary from those contained in the standard purchase order terms and conditions, a contract is created that documents the established terms and conditions for the goods and/or services. When a contract is created, the document is then authorized by signature as set out in AD07-EE Expenditure Authorization and Signing Officer Policy. During the contracting process, supporting documentation may be required, depending on the commodity, for example:

- Statement of Work is required for professional services
- Supplier quotation is required for technology orders

5.5 Exclusions to the Requirement for a Requisition and Purchase Order

Provided that necessary approvals are obtained from the required Expenditure Authorities as outlined in Policy AD07-EE Expenditure Authorization and Signing Officer, the following products, services and remittances, may be paid without a supporting sole-source or single-source form, requisition or purchase order:

- Canada Post – Customer Billing
- Charitable contributions and sponsorships – see policy on Sponsorship & Community Events Donations
- Company credit card remittances
- Corporate memberships
- Customer Connection Impact Assessments (CIA)
- Dividend payments to shareholders

- Employee related benefits including: computer and energy efficient product loans, tuition, etc.
- ESA inspection charges
- Fuel for vehicles
- Insurance including: general liability, vehicle, property, health, dental, etc.
- Intercompany transactions
- Interest payments on debt
- Invoices from the IESO in regards to Conservation and Demand Management Programs (CDM)
- Elexicon Energy reimbursements to customers
- Legal – External Services
- Legal settlements
- Long term load settlement invoices
- OEB cost assessments and awards
- OMERS
- Other regulatory fees and assessments
- Payments related to service agreements with affiliates and joint venture businesses in which Elexicon Energy holds an ownership interest
- Refundable employee expenses
- Retailer remittances
- Taxes (payments in lieu of taxes, property taxes, sales tax remittances, employee payroll remittances)
- Union dues
- Utilities (heat, light, and some telecom services)
- Wholesale power purchase settlements

Exclusions include the following agencies and authorities:

- Bell
- Rogers
- CN
- Conservation authorities
- CP
- Hydro One Networks Inc.
- Local and regional municipal governments
- Metrolinx
- OPP
- Provincial and Federal Governments/Ministries (MTO, IO)
- Regional Police
- Trans Canada Pipelines
- Trans-Northern Pipeline

These excluded purchases must have supporting documentation to be used as backup and require authorization by the appropriate Expenditure Authority.

There may be other purchases or remittances that arise where a purchase order adds administrative burden, but no additional process value to the transaction. In addition to the listing above, the President and CEO or a Vice President may from time to time, designate other purchases that are exempt from the requirement of a purchase requisition and purchase order.

6.0 Use of Annual or Blanket Purchase Orders

This section governs the placement of purchase orders covering an annual budgeted expense. The policy ensures upfront approvals for annual expenses and adherence to the Expenditure Authorization and Signing Officer Policy. Adherence to the policy ensures that senior management has visibility to annual expenses and total financial commitments made by the business units.

6.1 Scope

A requisitioner will create a requisition for the total annual budgeted amount. The requisition is routed for approvals as governed by this policy. Once fully approved, the Manager, Corporate Services or delegate, creates a purchase order for the amount of the requisition.

6.2 Adding Funds

If an annual purchase order runs out of funds prior to the expiration date, funds will be added to the purchase order only if approvals for additions are obtained as set out under AD07-EE Expenditure Authorization and Signing Officer Policy. Obtaining approvals as per Section 2.3 still apply.

7.0 Invoice Variances

For any invoice reflecting a variance over the purchase order amount, a purchase change order must be completed and approved by an Expenditure Authority. Exemption from this requirement is with respect to when a variance is under $50 regardless of PO value.

8.0 Contracts/Long Term Agreements

Contracts are required to further set out the mutual covenants and obligations that are not normally contained in a purchase order.

Contracts must be written so as to guarantee the performance of the contractor and to establish sufficient protection in the event the contractor defaults in the performance of the contract.

The contract shall indicate the terms of payment and when progress payments will be made where applicable. The contract shall reference specifications drawings and all other pertinent documentation.

All contracts must be sent to the Manager, Corporate Services for review/comments, and where legal review is required, the Manager, Corporate Services will send such contracts to the Legal Department for review. Each contract requires the signature of the officer(s) authorized to approve as set out within AD07-EE Expenditure Authorization and Signing Officer Policy.

9.0 Records Management

All documentation relating to the development of a purchase requisition and/ or purchase order will be retained. Documents can include:

- Correspondences from solicit quotes
- Quotes received
- Purchase requisition
- Purchase order
- Any other communications with suppliers
- Any documentation provided to the supplier/ vendor such as drawings or technical reports.

10.0 Controls, Audits and Policy Review

Elexicon's CFO will have responsibility to establish controls that will provide reasonable assurance that all purchases conform to the requirements of this policy.

Appendix A: Terms and Definitions

Below is a list of two (2) definitions in alphabetical order used in this policy:

"Blanket Purchase Orders" are used for the acquisition of goods or services that are same and purchased on a regular basis. The range of commodities or services covered by the blanket purchase order should be defined as narrowly as possible. Blanket purchase orders may not be used for the acquisition of equipment or appliances. Blanket purchase orders have a maximum duration of one year and, regardless of the date of initiation, will expire at the end of the fiscal year in which they were initiated. Blanket purchase orders are established with a maximum commitment dollar value, as approved by the Board of Directors in the annual budget.

"Expenditure Authority" means a non-union employee (non-supervisory, supervisor, manager or executive) that is responsible for one of the following:

- A departmental operating budget – typically the manager of the department;
- An operating job within a department operating budget – typically a supervisor within a department responsible for the specific operating job, or a non-union employee with delegated authority;
- A divisional operating budget – typically the divisional executive;
- A capital project budget – typically a project owner at the manager or executive level;
- A capital job within a capital project – typically a supervisor responsible for executing the capital job within a budget/estimate;
- A recoverable job or project – typically a supervisor responsible for executing a project within a budget/estimate, or a non-union employee with delegated authority.