

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF REVENUE REQUIREMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(\$000s)**

**SCHEDULE 1**

| Line No. | Description                       | Cross-Reference | 2017 Actual    | 2016 Actual    | Var. Actual to Prior Year | Var %       | Actual to Prior Year Explanation Reference |
|----------|-----------------------------------|-----------------|----------------|----------------|---------------------------|-------------|--|
| 1        | <b>Revenues</b>                   |                 |                |                |                           |             |  |
| 2        | Distribution Access System Tariff | Sch 6           | 192,163        | 183,817        | 8,346                     | 4.5%        | See Schedule 6                             |
| 3        | Transmission System Access Tariff | Sch 10          | 250,285        | 182,117        | 68,168                    | 37.4%       | Note 1                                     |
| 4        | Franchise Fee                     | Sch 10          | 62,910         | 56,518         | 6,392                     | 11.3%       | Note 2                                     |
| 5        | Deferral Accounts                 |                 | 0              | 0              | 0                         | 0.0%        |  |
| 6        | Payment from Balancing Pool       |                 | 0              | 0              | 0                         | 0.0%        |  |
| 7        | <b>Total Revenues</b>             |                 | 505,359        | 422,452        | 82,907                    | 4.5%        |  |
| 8        | <b>Costs</b>                      |                 |                |                |                           |             |  |
| 9        | Costs of Sales                    | Sch 10          | 250,285        | 182,117        | 68,168                    | 37.4%       | Note 1                                     |
| 10       | Operating Costs                   | Sch 3 + Sch 10  | 151,499        | 144,680        | 6,820                     | 4.7%        | See Schedule 3                             |
| 11       | Depreciation                      | Sch 4 + Sch 10  | 49,352         | 42,939         | 6,413                     | 14.9%       | See Schedule 4                             |
| 12       | Return on Rate Base               | Sch 2 + Sch 10  | 61,338         | 64,695         | (3,357)                   | -5.2%       | See Schedule 2                             |
| 13       | Income Tax Expense                | Sch 5 + Sch 10  | 0              | 0              | 0                         | 0.0%        |  |
| 14       | Revenue Offsets                   | Sch 10          | (8,820)        | (13,641)       | 4,821                     | -35.3%      | See Schedule 10                            |
| 15       | Deferral Accounts                 | Sch 9 + Sch 10  | 1,705          | 1,662          | 42                        | 2.6%        | See Schedule 9                             |
| 16       | <b>Total Costs</b>                |                 | 505,359        | 422,452        | 82,907                    | 19.6%       |  |
| 17       | <b>DAS Tariff Revenues</b>        | Sch 10          | <b>192,163</b> | <b>183,817</b> | <b>82,907</b>             | <b>4.5%</b> |  |

EDTI has revised Schedule 1 to the USA/MFR format to be consistent with its Tariff Applications.

Note 1: 2017 Transmission System Access Tariff revenues and cost of sales are \$68.17 million higher than 2016. The increase reflects higher DTS charges of \$54.88 million in 2017 and the 2016 DTS Yearly AESO True Up (DAR) of \$13.28 million.

Note 2: Franchise Fee revenues are higher in 2017 compared to 2016 primarily due to a higher volume and rates.

EPCOR Distribution & Transmission Inc. (Distribution)  
SUMMARY OF RETURN ON RATE BASE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(\$000s)

SCHEDULE 2

**2017 Actual**

| Line No. | Description                                      | Cross-Reference | 2017 Prescribed  |                | Prorated Rate    |              | Var. Actual to Prior |         | Actual to Prior Year Explanation Reference |        |
|----------|--|-----------------|------------------|----------------|------------------|--------------|----------------------|---------|--|--------|
|          |  |                 | Mid-Year Capital | Ratio          | Base             | Cost Rate %  | Return \$            | Year    |  | Var %  |
| 1        | Cost of Debt                                     | Sch 2.1         | 1,157,042        | 63.00%         | 728,937          | 4.93%        | 35,916               | 4,024   | 12.62%                                     | Note 1 |
| 2        | Return on Equity                                 | Sch 2.1         | 1,157,042        | 37.00%         | 428,106          | 5.94%        | 25,422               | (7,381) | -22.50%                                    | Note 2 |
| 3        | <b>Mid-Year Net Rate Base (Capital Invested)</b> | Sch 2.1         | <u>1,157,042</u> | <u>100.00%</u> | <u>1,157,042</u> | <u>5.30%</u> |                      |         |  |        |
| 4        | <b>Return on Rate Base</b>                       | Sch 2.1         |                  |                |                  |              | <u>61,338</u>        |         |  |        |

**2016 Actual**

| Line No. | Description                                      | Cross-Reference | 2016 Prescribed  |                | Prorated Rate  |              | Var. Actual to Prior |      |
|----------|--|-----------------|------------------|----------------|----------------|--------------|----------------------|------|
|          |  |                 | Mid-Year Capital | Ratio          | Base           | Cost Rate %  | Return \$            | Year |
| 1        | Cost of Debt                                     | Sch 2.1         | 987,177          | 63.00%         | 621,921        | 5.13%        | 31,892               |      |
| 2        | Return on Equity                                 | Sch 2.1         | 987,177          | 37.00%         | 365,255        | 8.98%        | 32,803               |      |
| 3        | <b>Mid-Year Net Rate Base (Capital Invested)</b> | Sch 2.1         | <u>987,177</u>   | <u>100.00%</u> | <u>987,177</u> | <u>6.55%</u> |                      |      |
| 4        | <b>Return on Rate Base</b>                       | Sch 2.1         |                  |                |                |              | <u>64,695</u>        |      |

Note 1: The cost of debt is higher in 2017 due to increase in mid-year capital rate base, partially offset by lower cost rate.

Note 2: The return on equity is lower in 2017 primarily due to write-off of meters for AMI replacement.

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF MID-YEAR RATE BASE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 2.1

| Line No.   | Description  | Cross-Reference | 2017 Actual      | 2016 Actual      | Var. Actual to Prior Year | Var %        | Actual to Prior Year Explanation Reference |
|--|--|-----------------|------------------|------------------|---------------------------|--------------|--|
| <u>Gross Utility Plant in Service</u>  |  |                 |                  |                  |                           |              |  |
| 1  | Opening Balance  |                 | 1,600,852        | 1,405,542        | 195,310                   | 13.9%        |  |
| 2  | Closing Balance  |                 | 1,806,971        | 1,600,852        | 206,119                   | 12.9%        |  |
| 3  | <b>Mid-Year Gross Utility Plant in Service</b>                       |                 | <u>1,703,911</u> | <u>1,503,197</u> | <u>200,715</u>            | <u>13.4%</u> |  |
| <u>Accumulated Depreciation - Utility</u>  |  |                 |                  |                  |                           |              |  |
| 4  | Opening Balance  |                 | (400,901)        | (377,685)        | (23,215)                  | 6.1%         |  |
| 5  | Closing Balance  |                 | (434,648)        | (400,901)        | (33,748)                  | 8.4%         |  |
| 6  | <b>Mid-Year Accumulated Depreciation - Utility</b>                   |                 | <u>(417,774)</u> | <u>(389,293)</u> | <u>(28,482)</u>           | <u>7.3%</u>  |  |
| <u>Contributions in Aid of Construction</u>  |  |                 |                  |                  |                           |              |  |
| 7  | Opening Balance  |                 | 202,928          | 191,950          | 10,978                    | 5.7%         |  |
| 8  | Closing Balance  |                 | 216,719          | 202,928          | 13,791                    | 6.8%         |  |
| 9  | <b>Mid-Year Utility Contributions in Aid of Construction</b>         |                 | <u>209,824</u>   | <u>197,439</u>   | <u>12,384</u>             | <u>6.3%</u>  |  |
| <u>Amortization of Contributions</u>   |  |                 |                  |                  |                           |              |  |
| 10   | Opening Balance  |                 | (63,102)         | (59,493)         | (3,609)                   | 6.1%         |  |
| 11   | Closing Balance  |                 | (66,430)         | (63,102)         | (3,328)                   | 5.3%         |  |
| 12   | <b>Mid-Year Utility Amortization of Contributions</b>                |                 | <u>(64,766)</u>  | <u>(61,297)</u>  | <u>(3,468)</u>            | <u>5.7%</u>  |  |
| 13   | <b>Mid-Year Net Utility Plant in Service</b>                         |                 | <u>1,141,079</u> | <u>977,762</u>   | <u>163,317</u>            | <u>16.7%</u> | Note 1                                     |
| 14   | Necessary Working Capital  |                 | 15,963           | 9,415            | 6,548                     | 69.6%        | Note 2                                     |
| 15   | Other No Cost Capital  |                 |                  |                  |                           |              |  |
| 16   | <b>Mid-Year Net Rate Base (Capital Invested)</b>                     | Sch 2           | <u>1,157,042</u> | <u>987,177</u>   | <u>169,866</u>            | <u>17.2%</u> |  |
| <b>Reconciliation of Mid-Year Net Rate Base (Capital Invested) to Schedule 4.1</b> |  |                 |                  |                  |                           |              |  |
| <u>Gross Utility Plant in Service (Net of Contributions)</u>                       |  |                 |                  |                  |                           |              |  |
| 17   | Opening Balance (Line 1 - Line 7)                                    | Sch 4.1         | 1,397,923        | 1,213,591        | 184,332                   | 15.2%        |  |
| 18   | Closing Balance (Line 2 - Line 8)                                    | Sch 4.1         | 1,590,252        | 1,397,923        | 192,329                   | 13.8%        |  |
| 19   | <b>Mid-Year Gross Utility Plant in Service (Line 17 + Line 18)/2</b> |                 | <u>1,494,088</u> | <u>1,305,757</u> | <u>188,331</u>            | <u>14.4%</u> |  |
| <u>Accumulated Depreciation - Utility (Net of Contributions)</u>                   |  |                 |                  |                  |                           |              |  |
| 20   | Opening Balance (Line 4 - Line 10)                                   | Sch 4.1         | (337,799)        | (318,192)        | (19,607)                  | 6.2%         |  |
| 21   | Closing Balance (Line 5 - Line 11)                                   | Sch 4.1         | (368,219)        | (337,799)        | (30,420)                  | 9.0%         |  |
| 22   | <b>Mid-Year Utility Amortization (Line 19 + Line 20)/2</b>           |                 | <u>(353,009)</u> | <u>(327,995)</u> | <u>(25,013)</u>           | <u>7.6%</u>  |  |
| 23   | <b>Mid-Year Net Utility Plant in Service (Line 19 + Line 21)</b>     | Line 13         | <u>1,141,079</u> | <u>977,762</u>   | <u>163,317</u>            | <u>16.7%</u> |  |

Note 1: The Mid-Year Net Utility Plant in Service is higher in 2017 versus 2016 due to the half year impact of 2017 additions to rate base of \$220.75 million. See Schedule 4.2 for details of Distribution's capital additions.

Note 2: Working Capital variance of \$6.55 million increase for 2017 Actuals compared to 2016 Actuals is due to the following:  
- A \$12.91 million increase in mid year deferral and reserve accounts primarily from the increase in the mid-year Transmission charge deferral account balance, the mid-year Property, Business and Linear tax deferral account balance, and an increase in the mid-year AESO Load Settlement charge deferral account.  
- A \$0.67 million higher depreciation working capital due to higher 2016 additions compared to 2015.  
These decreases have been partially offset by the following increases:  
- A \$3.28 million decrease in operating expenses primarily from lower Transmission system access service costs.  
- A \$2.22 million decrease in interest expense working capital  
- A \$0.81 million decrease in materials and supplies inventory working capital  
- A \$0.69 million decrease in return on common equity working capital  
- A \$0.03 million decrease in GST working capital

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF MID-YEAR CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 2.2

| Line No. | Description                            | Cross-Reference | Current Year-End | Previous Year-End | 2017 Actual Mid-Year Capital | 2016 Actual Mid-Year Capital | Var. Actual to Prior Year | Var %        | Actual to Prior Year Explanation Reference |
|----------|--|-----------------|------------------|-------------------|------------------------------|------------------------------|---------------------------|--------------|--|
| 1        | Short-term debt                        | Sch 2.3         | 0                | 50,810            | 25,405                       | 30,066                       | (4,661)                   | -18.3%       | Note 1                                     |
| 2        | Long-term debt                         | Sch 2.3         | 784,358          | 652,443           | 718,400                      | 601,249                      | 117,151                   | 16.3%        | Note 2                                     |
| 3        | Preferred shares                       | Sch 2.4         | 0                | 0                 | 0                            | 0                            | 0                         | 0.0%         |  |
| 4        | Common equity                          | Sch 11          | 441,450          | 386,433           | 413,942                      | 380,203                      | 33,739                    | 8.2%         | Note 3                                     |
| 5        | <b>Total Mid-Year Invested Capital</b> |                 | <u>1,225,808</u> | <u>1,089,686</u>  | <u>1,157,747</u>             | <u>1,011,518</u>             | <u>146,229</u>            | <u>12.6%</u> |  |

Note 1: The change in mid-year short-term debt in 2017 compared to 2016 is due to capital spending and the conversion of short term debt into long term debt.

Note 2: EDTI issued intercompany debt on July 4, 2017 for \$50 million @ 3.62% and on November 1, 2017 for \$90 million @ 3.75%.

Note 3: The increase in common equity reflects the issuance of \$29 million of share capital and an increase in retained earnings.

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SCHEDULE OF DEBT CAPITAL EMPLOYED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 2.3

**2017 Actual**

| Line No. | Cross-Reference | Description                                     | Series | Issue Date | Maturity Date | Coupon Rate | Principal Amount | Unamortized Issue Costs & Deb Prelim. | Total Amount | Effective Cost Rate % | Principal Outstanding at Year-End | Carrying Cost | Average Embedded Cost Rate |       |
|----------|-----------------|---|--------|------------|---------------|-------------|------------------|---------------------------------------|--------------|-----------------------|-----------------------------------|---------------|----------------------------|-------|
| 1        |                 | EDI0001   |        | 06/28/99   | 06/28/19      | 7.30%       | 60,000           | -                                     | 60,000       | 7.30%                 | 60,000                            | 4,380         | 7.30%                      |       |
| 2        |                 | EDI0002   |        | 10/31/03   | 10/31/23      | 6.65%       | 70,000           | -                                     | 70,000       | 7.16%                 | 31,141                            | 2,229         | 7.16%                      |       |
| 3        |                 | EDI0003   |        | 12/31/04   | 12/31/24      | 6.07%       | 35,000           | -                                     | 35,000       | 6.58%                 | 17,160                            | 1,129         | 6.58%                      |       |
| 4        |                 | EDI0004   |        | 01/03/06   | 12/31/25      | 5.27%       | 40,000           | -                                     | 40,000       | 5.66%                 | 21,056                            | 1,191         | 5.66%                      |       |
| 5        |                 | EDI0005   |        | 12/28/06   | 12/28/26      | 5.37%       | 30,000           | -                                     | 30,000       | 5.37%                 | 30,000                            | 1,611         | 5.37%                      |       |
| 6        |                 | EDI0006   |        | 12/28/07   | 12/28/27      | 6.08%       | 20,000           | -                                     | 20,000       | 6.08%                 | 20,000                            | 1,216         | 6.08%                      |       |
| 7        |                 | EDI0007   |        | 12/30/08   | 12/30/28      | 8.17%       | 35,000           | -                                     | 35,000       | 8.17%                 | 35,000                            | 2,860         | 8.17%                      |       |
| 8        |                 | EDI0008   |        | 12/30/09   | 12/30/39      | 6.10%       | 10,000           | -                                     | 10,000       | 6.10%                 | 10,000                            | 610           | 6.10%                      |       |
| 9        |                 | EDI0009   |        | 12/01/11   | 12/01/41      | 4.37%       | 75,000           | -                                     | 75,000       | 4.37%                 | 75,000                            | 3,278         | 4.37%                      |       |
| 10       |                 | EDI0010   |        | 07/03/12   | 07/03/42      | 4.08%       | 35,000           | -                                     | 35,000       | 4.08%                 | 35,000                            | 1,428         | 4.08%                      |       |
| 11       |                 | EDI0011   |        | 11/25/13   | 11/25/43      | 4.74%       | 50,000           | -                                     | 50,000       | 4.74%                 | 50,000                            | 2,370         | 4.74%                      |       |
| 12       |                 | EDI0012   |        | 11/21/14   | 11/21/44      | 4.19%       | 75,000           | -                                     | 75,000       | 4.19%                 | 75,000                            | 3,143         | 4.19%                      |       |
| 13       |                 | EDI0013   |        | 07/22/15   | 07/22/44      | 4.16%       | 75,000           | -                                     | 75,000       | 4.16%                 | 75,000                            | 3,120         | 4.16%                      |       |
| 14       |                 | EDI0014   |        | 12/01/16   | 12/01/46      | 4.09%       | 110,000          | -                                     | 110,000      | 4.09%                 | 110,000                           | 4,499         | 4.09%                      |       |
| 15       |                 | EDI0015   |        | 04/07/17   | 04/07/47      | 3.62%       | 50,000           | -                                     | 50,000       | 3.62%                 | 50,000                            | 1,810         | 3.62%                      |       |
| 16       |                 | EDI0016   |        | 01/11/17   | 01/11/47      | 3.75%       | 90,000           | -                                     | 90,000       | 3.75%                 | 90,000                            | 3,375         | 3.75%                      |       |
| 17       | Sch 2.2         | Current Year-End Balance Long Term Debt         |        |            |               |             |                  | 860,000                               | -            | 720,000               |                                   | 784,358       | 38,248                     | 4.88% |
| 18       | Sch 2.2         | Current Year-End Balances Short Term Debt       |        |            |               |             |                  | 0                                     | -            | 0                     |                                   | 0             | 0                          |       |
| 19       |                 | Total Current Year-End Balance Debt Outstanding |        |            |               |             |                  | 860,000                               | -            | 720,000               |                                   | 784,358       | 38,248                     | 4.88% |
| 20       |                 | <b>Prior Year-End Balance Debt Outstanding</b>  |        |            |               |             |                  |                                       |              |                       |                                   | 703,253       | 35,049                     | 4.98% |
| 21       |                 | Mid-Year Balance Debt Outstanding               |        |            |               |             |                  |                                       |              |                       |                                   | 743,805       | 36,648                     | 4.93% |

**2016 Actual**

| Line No. | Cross-Reference | Description                                     | Series | Issue Date | Maturity Date | Coupon Rate | Principal Amount | Unamortized Issue Costs & Deb Prelim. | Total Amount | Effective Cost Rate % | Principal Outstanding at Year-End | Carrying Cost | Average Embedded Cost Rate |       |
|----------|-----------------|---|--------|------------|---------------|-------------|------------------|---------------------------------------|--------------|-----------------------|-----------------------------------|---------------|----------------------------|-------|
| 1        |                 | EDI0001   |        | 06/28/99   | 06/28/19      | 7.30%       | 60,000           | -                                     | 60,000       | 7.30%                 | 60,000                            | 4,380         | 7.30%                      |       |
| 2        |                 | EDI0002   |        | 10/31/03   | 10/31/23      | 6.65%       | 70,000           | -                                     | 70,000       | 7.08%                 | 35,243                            | 2,495         | 7.08%                      |       |
| 3        |                 | EDI0003   |        | 12/31/04   | 12/31/24      | 6.07%       | 35,000           | -                                     | 35,000       | 6.50%                 | 19,076                            | 1,240         | 6.50%                      |       |
| 4        |                 | EDI0004   |        | 01/03/06   | 12/31/25      | 5.27%       | 40,000           | -                                     | 40,000       | 5.60%                 | 23,124                            | 1,296         | 5.60%                      |       |
| 5        |                 | EDI0005   |        | 12/28/06   | 12/28/26      | 5.37%       | 30,000           | -                                     | 30,000       | 5.37%                 | 30,000                            | 1,611         | 5.37%                      |       |
| 6        |                 | EDI0006   |        | 12/28/07   | 12/28/27      | 6.08%       | 20,000           | -                                     | 20,000       | 6.08%                 | 20,000                            | 1,216         | 6.08%                      |       |
| 7        |                 | EDI0007   |        | 12/30/08   | 12/30/28      | 8.17%       | 35,000           | -                                     | 35,000       | 8.17%                 | 35,000                            | 2,860         | 8.17%                      |       |
| 8        |                 | EDI0008   |        | 12/30/09   | 12/30/39      | 6.10%       | 10,000           | -                                     | 10,000       | 6.10%                 | 10,000                            | 610           | 6.10%                      |       |
| 9        |                 | EDI0009   |        | 12/01/11   | 12/01/41      | 4.37%       | 75,000           | -                                     | 75,000       | 4.37%                 | 75,000                            | 3,279         | 4.37%                      |       |
| 10       |                 | EDI0010   |        | 07/03/12   | 07/03/42      | 4.08%       | 35,000           | -                                     | 35,000       | 4.08%                 | 35,000                            | 1,428         | 4.08%                      |       |
| 11       |                 | EDI0011   |        | 11/25/13   | 11/25/43      | 4.74%       | 50,000           | -                                     | 50,000       | 4.74%                 | 50,000                            | 2,371         | 4.74%                      |       |
| 12       |                 | EDI0012   |        | 11/21/14   | 11/21/44      | 4.19%       | 75,000           | -                                     | 75,000       | 4.19%                 | 75,000                            | 3,144         | 4.19%                      |       |
| 13       |                 | EDI0013   |        | 07/22/15   | 07/22/44      | 4.16%       | 75,000           | -                                     | 75,000       | 4.16%                 | 75,000                            | 3,120         | 4.16%                      |       |
| 14       |                 | EDI0014   |        | 12/01/16   | 12/01/46      | 4.09%       | 110,000          | -                                     | 110,000      | 4.09%                 | 110,000                           | 4,499         | 4.09%                      |       |
| 15       |                 | Current Year-End Balance Long Term Debt         |        |            |               |             |                  | 720,000                               | -            | 720,000               |                                   | 652,443       | 33,549                     | 5.14% |
| 16       |                 | Current Year-End Balances Short Term Debt       |        |            |               |             |                  | 50,810                                | -            | 50,810                |                                   | 50,810        | 1,499                      |       |
| 17       |                 | Total Current Year-End Balance Debt Outstanding |        |            |               |             |                  | 770,810                               | -            | 770,810               |                                   | 703,253       | 35,049                     | 4.98% |
| 18       |                 | <b>Prior Year-End Balance Debt Outstanding</b>  |        |            |               |             |                  |                                       |              |                       |                                   | 559,377       | 29,698                     | 5.31% |
| 19       | Sch 2.2         | Mid-Year Balance Debt Outstanding               |        |            |               |             |                  |                                       |              |                       |                                   | 631,315       | 32,373                     | 5.13% |

EPCOR Distribution & Transmission Inc. (Distribution)  
 SCHEDULE OF PREFERRED SHARE CAPITAL EMPLOYED  
 FOR THE YEAR ENDED DECEMBER 31, 2017  
 (\$000s)

SCHEDULE 2.4

2017 Actual

| Line No. | Cross-Reference | Series                   | Issue Date | Dividend Rate | Stated Value at Issue | Underwriting Discount & Expense | Net Proceeds Outstanding | Carrying Cost of Issue | Average Embedded Cost Rate | Variance Actual to Prior Year | Var % | Actual to Prior Year Explanation Reference |
|----------|-----------------|--------------------------|------------|---------------|-----------------------|---------------------------------|--------------------------|------------------------|----------------------------|-------------------------------|-------|--|
| 1        |                 | A                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            | -                             | 0.0%  |  |
| 2        |                 | B                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            | -                             | 0.0%  |  |
| 3        |                 | C                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            | -                             | 0.0%  |  |
| 4        |                 | D                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            | -                             | 0.0%  |  |
| 5        |                 | Current Year-End Balance |            |               | -                     | -                               | -                        | -                      | 0.0%                       | -                             | 0.0%  | Note 1                                     |
| 6        |                 | Prior Year-End Balance   |            |               |                       |                                 | -                        | -                      | 0.0%                       | -                             | 0.0%  |  |
| 7        | Sch 2.2         | Mid-Year Balance         |            |               |                       |                                 | -                        | -                      | 0.0%                       | -                             | 0.0%  |  |

Note 1: EDTI does not have any preferred shares issued or outstanding.

2016 Actual

| Line No. | Cross-Reference | Series                   | Issue Date | Dividend Rate | Stated Value at Issue | Underwriting Discount & Expense | Net Proceeds Outstanding | Carrying Cost of Issue | Average Embedded Cost Rate |
|----------|-----------------|--------------------------|------------|---------------|-----------------------|---------------------------------|--------------------------|------------------------|----------------------------|
| 1        |                 | A                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            |
| 2        |                 | B                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            |
| 3        |                 | C                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            |
| 4        |                 | D                        |            | 0.0%          | -                     | -                               | -                        | -                      |                            |
| 5        |                 | Current Year-End Balance |            |               | -                     | -                               | -                        | -                      | 0.0%                       |
| 6        |                 | Prior Year-End Balance   |            |               |                       |                                 | -                        | -                      | 0.0%                       |
| 7        | Sch 2.2         | Mid-Year Balance         |            |               |                       |                                 | -                        | -                      | 0.0%                       |

EPCOR Distribution & Transmission Inc. (Distribution)  
SUMMARY OF OPERATING AND MAINTENANCE EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(\$000s)

SCHEDULE 3

| Line No. | USA No. | Description   | Cross-<br>Reference | 2017 Actual    | 2016 Actual    | Var. Actual to<br>Prior Year | Var %         | Actual to Prior<br>Year Explanation<br>Reference |
|----------|---------|---|---------------------|----------------|----------------|------------------------------|---------------|--|
| 1        |         | <b>Distribution Expenses Operation and Maintenance</b>                  |                     |                |                |                              |               |  |
| 2        | 580     | Supervision and engineering   |                     | 20,090         | 19,779         | 311                          | 1.6%          |  |
| 3        | 581     | Control centre operations   |                     | 3,478          | 2,558          | 920                          | 36.0%         | Note 1   |
| 4        | 582     | Station equipment expenses  |                     | 351            | 627            | (276)                        | -44.1%        |  |
| 5        | 583     | Overhead line expenses  |                     | 873            | 659            | 215                          | 32.6%         |  |
| 6        | 584     | Underground line expenses   |                     | 3,181          | 2,629          | 552                          | 21.0%         | Note 2   |
| 7        | 585     | Street lighting and signal system expenses                              |                     | 0              | 0              | 0                            | #DIV/0!       |  |
| 8        | 586     | Meter expenses  |                     | 1,656          | 2,236          | (580)                        | -25.9%        | Note 3   |
| 9        | 587     | Customer installations expenses   |                     | 5,486          | 5,430          | 56                           | 1.0%          |  |
| 10       | 588     | Miscellaneous distribution expenses                                     |                     | 10,439         | 10,351         | 89                           | 0.9%          |  |
| 11       | 593.1   | Vegetation management   |                     | 1,339          | 1,144          | 195                          | 17.0%         |  |
| 12       | 595     | Line transformers   |                     | 237            | 164            | 73                           | 44.4%         |  |
| 13       | 599     | IT support  |                     | 1,720          | 1,758          | (38)                         | -2.2%         |  |
| 14       |         | <b>Total</b>  |                     | <b>48,849</b>  | <b>47,335</b>  | <b>1,514</b>                 | <b>3.2%</b>   |  |
| 15       |         | <b>Customer Accounting</b>  |                     |                |                |                              |               |  |
| 16       | 901     | Supervision   |                     | 585            | 613            | (28)                         | -4.5%         |  |
| 17       | 902     | Meter Reading Expenses  |                     | 1,488          | 7,028          | (5,540)                      | -78.8%        | Note 4   |
| 18       | 903     | Customer records and collection expenses                                |                     | 1,327          | 1,249          | 78                           | 6.2%          |  |
| 19       | 905.1   | IT customer service   |                     | 2,068          | 2,638          | (569)                        | -21.6%        | Note 5   |
| 20       |         | <b>Total</b>  |                     | <b>5,469</b>   | <b>11,528</b>  | <b>(6,059)</b>               | <b>-52.6%</b> |  |
| 21       |         | <b>Total Direct Operations and Maintenance</b>                          |                     | <b>54,318</b>  | <b>58,863</b>  | <b>(4,545)</b>               | <b>-7.7%</b>  |  |
| 22       |         | <b>Allocated Share of General Operation and Maintenance</b>             |                     |                |                |                              |               |  |
| 23       | 935     | Maintenance of General Plant: Building Facility Operations and Security |                     | 3,316          | 2,563          | 753                          | 29.4%         |  |
| 24       |         | <b>G&amp;A and Common Operations (net of disallowances)</b>             |                     |                |                |                              |               |  |
| 25       | 920     | Administrative and general salaries                                     |                     | 7,361          | 8,332          | (971)                        | -11.7%        | Note 6   |
| 26       | 921     | Office supplies and expenses  |                     | 9,111          | 1,300          | 7,811                        | 600.8%        | Note 7   |
| 27       | 922     | Administrative expenses transferred - Credit                            |                     | (10,327)       | (10,079)       | (247)                        | 2.5%          |  |
| 28       | 923     | Outside services employed   |                     | 1,073          | 2,322          | (1,249)                      | -53.8%        | Note 8   |
| 29       | 924     | Insurance Premiums  |                     | 304            | 345            | (41)                         | -11.9%        |  |
| 30       | 931     | Rents   |                     | 1,327          | 1,135          | 192                          | 16.9%         |  |
| 31       | 930.2   | Asset Usage Fee (EDTI Functions)  |                     | (2,613)        | (1,034)        | (1,579)                      | 152.7%        | Note 9   |
| 32       | 934     | IT G&A Expenses   |                     | 1,491          | 1,490          | 0                            | 0.0%          |  |
| 33       | 941     | Less Disallowed/Non-Utility Costs                                       |                     | 481            | (943)          | 1,424                        | -151.0%       | Note 10  |
| 34       |         | <b>Total G&amp;A and Common Costs (Net of Disallowances)</b>            |                     | <b>8,209</b>   | <b>2,868</b>   | <b>5,341</b>                 | <b>186.2%</b> |  |
| 35       |         | <b>Total Administrative and General Expenses</b>                        |                     | <b>11,525</b>  | <b>5,431</b>   | <b>6,094</b>                 | <b>112.2%</b> |  |
| 36       |         | <b>Allocated Corporate G&amp;A (net of disallowances)</b>               |                     |                |                |                              |               |  |
| 37       | 930.2   | Miscellaneous general expenses  |                     | 8,097          | 8,981          | (884)                        | -9.8%         |  |
| 38       | 931.1   | Head office rent  |                     | 1,224          | 1,540          | (317)                        | -20.6%        |  |
| 39       | 934     | IT G&A expense  |                     | 2,108          | 2,866          | (758)                        | -26.5%        | Note 11  |
| 40       | 930.2   | Asset Usage Fee (Allocated Dep'n & Return)                              |                     | 4,422          | 4,683          | (261)                        | -5.6%         |  |
| 41       | 941     | Less Disallowed/Non-Utility Costs                                       |                     | (1,419)        | (1,752)        | 332                          | -19.0%        |  |
| 42       |         | <b>Total Corporate G&amp;A allocated to Distribution</b>                |                     | <b>14,431</b>  | <b>16,319</b>  | <b>(1,888)</b>               | <b>-11.6%</b> |  |
| 43       |         | <b>Taxes Other than Income Taxes</b>                                    |                     |                |                |                              |               |  |
| 44       | 408.1   | Franchise Fee   |                     | 62,910         | 56,518         | 6,392                        | 11.3%         | Note 12  |
| 45       | 408.1   | Property Tax  |                     | 8,315          | 7,549          | 766                          | 10.1%         | Note 13  |
| 46       |         |   |                     | <b>71,226</b>  | <b>64,067</b>  | <b>7,159</b>                 | <b>11.2%</b>  |  |
| 47       |         | <b>Total Distribution Operating Costs</b>                               |                     | <b>151,499</b> | <b>144,680</b> | <b>6,820</b>                 | <b>4.7%</b>   |  |

**EDTI has revised Schedule 3 to USA/MFR format to be consistent with its Tariff Applications.**

Note 1: The \$0.92 million increase relating to Control Centre Operations from 2016 Actual to 2017 Actual was due to the following:  
A \$0.33 million increase in System Control mainly due to overtime costs to accommodate vacation and an employee on LTD  
A \$0.59 million increase in Distribution Engineering mainly due to transfer of staff from other operational areas

Note 2: The \$0.55 million increase relating to Underground Line Expenses from 2016 Actual to 2017 Actual was due to the following:  
A \$0.35 million increase in underground cable testing (105km of cable tested in 2017 compared to 12.5km in 2016)  
A \$0.21 million increase in underground inspection costs relating to additional labour costs for increase in transformer inspections.

Note 3: The \$0.58 million decrease relating to meter expenses from 2016 Actual to 2017 Actual was primarily due to reduction in labour costs from the implementation of AMI which allows EDTI to remotely manage energizing and deenergizing sites without sending out crews

Note 4: The \$5.54 million decrease relating to Meter Reading expenses from 2016 Actual to 2017 Actual was due to the following:  
- A \$5.37 million decrease relating to the transfer of meter readers to EPCOR Water as a result of the AMI project  
- A \$0.30 million decrease relating to telephone costs as a result of the AMI project  
These decreases were partially offset by:  
- A \$0.12 million increase due to change from Meter Operations to Meter Reading

Note 5: The \$0.57 million decrease relating to IT Support from 2016 Actual to 2017 Actual was due to lower UIS support costs. (Transfer of Meter Readers to EWSI).

Note 6: The \$0.97 million decrease relating to Administrative and general salaries from 2016 Actual to 2017 Actual was due to lower benefit costs due to Sun Life long-term disability deposit balance and refund.

Note 7: The \$7.81 million increase relating to Office supplies and expenses from 2016 Actual to 2017 Actual is due to the write off of EDTI's remaining conventional meters

Note 8: The \$1.25 million decrease relating to Outside services employed from 2016 Actual to 2017 Actual was due to legal and contractor costs incurred in 2016 relating to the development of the Next Generation PBR and GCOC proceedings not incurred in 2017

Note 9: The \$1.58 million decrease relating to Asset Usage Fee (EDTI Functions) from 2016 Actual to 2017 Actual was primarily due to an increased recovery due to the allocation to Transmission for the North Service Centre.

Note 10: The \$1.42 million increase was primarily due to LTD benefits and disallowance related to incentive payments..

Note 11: The \$0.76 million decrease relating to IT G&A expense from 2016 Actual to 2017 Actual was primarily due to lower shared service costs

Note 12: The \$6.39 million increase relating to Franchise Fees from 2016 Actual to 2017 Actual was primarily due to higher rates and volumes.

Note 13: The \$0.76 million increase in Property Tax is due to an increases in assessed values and mill rate.



**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF DEPRECIATION EXPENSE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

**SCHEDULE 4**

| Line No. | Description                               | Cross-Reference | 2017 Actual   | 2016 Actual   | Var. Actual to Prior Year | Var %      | Actual to Prior Year Explanation Reference |
|----------|---|-----------------|---------------|---------------|---------------------------|------------|--|
| 1        | Distribution                              |                 | 42,091        | 37,028        | 5,063                     | 14%        |  |
| 2        | Direct General PP&E                       |                 | 12,625        | 10,991        | 1,634                     | 15%        |  |
| 3        | Contribution                              |                 | (5,364)       | (5,079)       | (285)                     | 6%         |  |
| 4        | <b>Total Utility Depreciation Expense</b> | Sch 1 + Sch 10  | <u>49,352</u> | <u>42,940</u> | <u>6,412</u>              | <u>15%</u> | Note 1                                     |
|          |   |                 | 49,352        | 42,940        |                           |            |  |
|          |   |                 | (1)           | -             |                           |            |  |

**EDTI has revised Schedule 4 to the USA/MFR format to be consistent with its Tariff Applications.**

Note 1: 2017 Actual to 2016 Actual variance is mainly due to the impact of half-year depreciation on 2017 capital additions of \$220.75 million combined with the additional half-year depreciation on 2016 capital additions of \$210.19 million.



**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF CAPITAL ADDITIONS**  
**YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 4.2

| Line No.                          | Description  | 2017 A       |                |                 |              |                    | 2016 A       |                |                 |              |                    | Var Actual to Prior Year |          | Actual to Prior Year Explanation Reference   |
|-----------------------------------|--|--------------|----------------|-----------------|--------------|--------------------|--------------|----------------|-----------------|--------------|--------------------|--------------------------|----------|--|
|                                   |  | Opening CWIP | 2017 A Cap Exp | 2017 A Cap Adds | 2017 A AFUDC | 2017 A Ending CWIP | Opening CWIP | 2016 A Cap Exp | 2016 A Cap Adds | 2016 A AFUDC | 2016 A Ending CWIP | Year                     | Var %    |  |
| <u>Life Cycle</u>                 |  |              |                |                 |              |                    |              |                |                 |              |                    |                          |          |  |
| 1                                 | Business Systems Upgrades  | 56           | 2,186          | 1,849           | 26           | 420                | 0            | 324            | 269             | 2            | 56                 | 1,580                    | 587.35%  | 2017 Actual to 2016 Actual variance is primarily due to the fact that the TVD Replacement Phase 1 Project and EDI eScheduler project both went into service in 2017. These were one time projects and their costs were largely represented in 2017.  |
| 2                                 | Capital Tools and Instrument Purchases   | (21)         | 1,455          | 1,434           | (1)          | 0                  | 0            | 1,325          | 1,345           | (1)          | (21)               | 89                       | 6.60%    |  |
| 3                                 | Capitalized Aerial System Damage   | 91           | 1,844          | 1,939           | 3            | 0                  | 0            | 1,487          | 1,398           | 3            | 91                 | 541                      | 38.68%   | 2017 Actual to 2016 Actual variance is primarily due to an increase in restoration and repair work associated with a number of significant storm events.<br>2017 Actual to 2016 Actual variance is primarily due to unexpected damaged ductbank project in 2016 which did not occur in 2017. |
| 4                                 | Capitalized Underground System Damage  | 500          | 5,081          | 5,551           | 19           | 49                 | 28           | 7,381          | 6,923           | 15           | 500                | (1,372)                  | -19.82%  |  |
| 5                                 | Distribution Pole and Aerial Line Life Cycle Replacements                                  | 771          | 6,753          | 7,461           | 30           | 92                 | 264          | 7,264          | 6,786           | 29           | 771                | 675                      | 9.95%    | 2017 Actual to 2016 Actual variance is primarily due to reduction in per unit cost reflecting, more 1/0 (i.e., smaller cable replacements) and less 350 MCM cable replacements.  |
| 6                                 | Life Cycle Replacement and Extension of Underground Distribution Cable                     | 2,090        | 13,446         | 14,503          | 135          | 1,168              | 3,608        | 18,407         | 20,098          | 173          | 2,090              | (5,595)                  | -27.84%  |  |
| 7                                 | Life Cycle Replacement of Oil Switches - Program   | 0            | 0              |                 |              |                    | 0            | 0              |                 |              | 0                  | 0                        | 0        |  |
| 8                                 | Load Settlement System Code Changes  | 0            | 0              |                 |              |                    | 0            | 0              |                 |              | 0                  | 0                        | 0        |  |
| 9                                 | Neighbourhood Renewal Program  | (5)          | 0              | (5)             | (0)          | 0                  | 12           | (17)           | 0               |              | (5)                | (5)                      | 100%     |  |
| 10                                | Network Transformer Lifecycle Replacement  | 373          | 3,854          | 3,163           | 79           | 1,142              | 354          | 3,533          | 3,534           | 20           | 373                | (371)                    | -10.50%  |  |
| 11                                | North and South Service Center Building Life Cycle Replacements                            | 0            | (239)          | 367             | 606          | 0                  | 0            | 255            | 255             |              |                    | 112                      | 43.80%   |  |
| 12                                | Rebuild and/or Replace Civil Work for Downtown Vaults and Manholes                         | 11           | 842            | 846             | 1            | 8                  | 0            | 834            | 823             | 0            | 11                 | 23                       | 2.79%    |  |
| 13                                | Replacement of Faulted Distribution PILC Cables  | 108          | 674            | 785             | 3            | 0                  | 0            | 1,046          | 941             | 3            | 108                | (156)                    | -16.58%  | 2017 Actual to 2016 Actual variance is primarily due to less PILC cable replacements in 2017.  |
| 14                                | Life Cycle Replacement of PILC Cable   | 69           | 1,920          | 1,945           | 5            | 48                 | 1            | 5,366          | 5,299           | 2            | 69                 | (3,354)                  | -63.29%  |  |
| 15                                | Switching Cubicle Life Cycle Replacement   | 281          | 1,349          | 1,571           | 13           | 71                 | 227          | 1,996          | 1,956           | 14           | 281                | (385)                    | -19.67%  | 2017 Actual to 2016 Actual variance is primarily due to deferral of IVARA upgrade to 2018. In 2017, EPCOR identified that it could defer its IVARA Upgrade project until it moves to Windows 10 platform. As a result, this was pushed to 2018.  |
| 16                                | Work Management System Upgrade   | 0            | 96             | 2               | 6            | 99                 | 0            | 624            | 624             | 0            | 0                  | (621)                    | -99.60%  |  |
| 17                                | Distribution Substation Life Cycle Replacement   | 0            | 0              |                 |              |                    | 0            | 20             | 20              | 0            | 0                  | (20)                     | -100.00% |  |
| 18                                | Remedial Pole Treatments   | 0            | 179            | 179             | 0            | 0                  | 0            | 153            | 153             | 0            | 0                  | 26                       | 17.12%   |  |
| 19                                | Distribution Manhole Rebuilds  | 0            | 179            | 179             | 0            | 0                  | 0            | 18             | 18              | 0            | 0                  | 160                      | 871.65%  |  |
| 20                                | Interior Vault Life Cycle Replacement Conversion   | 0            | 87             | 87              | 0            | 0                  | 0            | 166            | 166             | 0            | 0                  | (79)                     | -47.78%  |  |
| 21                                | Aerial and UG Ground Replacements  | 0            | 1,579          | 1,554           | 2            | 26                 | 2            | 584            | 586             | 0            | 0                  | 968                      | 165.13%  | 2017 Actual to 2016 Actual variance is primarily due to an increase in scope, from 50 ground grids replacement to 202 ground grids replacement.  |
| 22                                | PCB Transformer Change outs  | 17           | (19)           | (1)             | 1            | 0                  | 24           | 477            | 486             | 1            | 17                 | (487)                    | -100.24% |  |
| 23                                | Furniture Life Cycle Replacements  | 0            | 48             | 48              | 0            | 0                  | 0            | 56             | 56              | 0            | 0                  | (8)                      | -14.44%  |  |
| 24                                | IT Hardware Lifecycle Replacement and Additions  | 0            | 638            | 638             | 0            | 0                  | 0            | 712            | 712             | 0            | 0                  | (75)                     | -10.49%  |  |
| 25                                | Other (eg., MDCPS Replacement; STARS Upgrade)  | 0            | 13             | 0               | 1            | 14                 | 0            | 0              | 0               | 0            | 0                  | 0                        | 0        |  |
| 26                                |  | 4,342        | 41,963         | 44,094          | 927          | 3,139              | 4,519        | 52,010         | 52,449          | 263          | 4,342              | (8,355)                  | -15.93%  |  |
| <u>Life Cycle and Growth</u>      |  |              |                |                 |              |                    |              |                |                 |              |                    |                          |          |  |
| 27                                | Aerial and Underground Distribution - Transformers New Services and Life Cycle Replacement | 259          | 6,540          | 6,398           | 34           | 435                | 154          | 5,966          | 5,870           | 9            | 259                | 527                      | 8.98%    |  |
| 28                                | Transformer Capacity Upgrade   | 0            | 0              |                 |              |                    | 0            | (1)            | (1)             | 0            | 0                  | 1                        | -100.00% |  |
| 29                                | Customer Revenue Metering - Growth & Life Cycle Replacements                               | 0            | 3,193          | 3,140           | 3            | 56                 | 0            | 4,203          | 4,203           | 0            | 0                  | (1,063)                  | -25.29%  | 2017 Actual to 2016 Actual variance is primarily due to a decrease in new meter growth residential (666) and apartment (1,986) sties and fewer meter replacements (257).   |
| 30                                | Street Light Service Connections and Security Lighting Addition and Capital Replacement    | 76           | 778            | 818             | 5            | 41                 | 0            | 780            | 706             | 2            | 76                 | 112                      | 15.85%   |  |
| 31                                | Vehicles - Growth and Life Cycle Replacements  | 366          | 9,079          | 8,480           | 73           | 1,038              | 11           | 3,489          | 3,145           | 11           | 366                | 5,335                    | 169.62%  | 2017 Actual to 2016 Actual variance is primarily due to carry over of vehicles to 2017 and life cycle replacements of a number of construction and cube vans. In addition, EDTI converted a number of hired fleet vehicles to add to its own fleet.  |
| 32                                | Sub Total  | 700          | 19,591         | 18,835          | 114          | 1,570              | 164          | 14,438         | 13,924          | 22           | 700                | 4,912                    | 35.28%   |  |
| <u>Life Cycle and Performance</u> |  |              |                |                 |              |                    |              |                |                 |              |                    |                          |          |  |
| 33                                | Meter Reading Equipment  | 0            | 0              |                 |              |                    | 0            | 0              |                 |              | 0                  | 0                        | 0        |  |
| 34                                | Advanced Metering Infrastructure (AMI)   | 7,156        | 17,440         | 24,821          | 225          | 0                  | 890          | 45,135         | 39,077          | 209          | 7,156              | (14,256)                 | -36.48%  | 2017 Actual to 2016 Actual variance is primarily due to a larger scope of work completed in 2016 vs 2017. The AMI project was a 3 year project that was implemented in 2015-2017.  |
| 35                                | GIS - Performance Improvement Project  | 0            | 72             | 0               | 5            | 77                 | 0            | 0              |                 |              | 0                  | 0                        | 0        |  |

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF CAPITAL ADDITIONS**  
**YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 4.2

| Line No. | Description  | 2017 A        |                |                 |              |                    | 2016 A        |                |                 |              |                    | Var Actual to Prior Year |              | Actual to Prior Year Explanation Reference  |
|----------|--|---------------|----------------|-----------------|--------------|--------------------|---------------|----------------|-----------------|--------------|--------------------|--------------------------|--------------|---|
|          |  | Opening CWIP  | 2017 A Cap Exp | 2017 A Cap Adds | 2017 A AFUDC | 2017 A Ending CWIP | Opening CWIP  | 2016 A Cap Exp | 2016 A Cap Adds | 2016 A AFUDC | 2016 A Ending CWIP | Year                     | Var %        |   |
| 36       | OMS/DMS Life Cycle Replacement   | 3,173         | 1,385          | 4,658           | 100          | 0                  | 0             | 3,134          | 54              | 93           | 3,173              | 4,604                    | 8593.99%     | 2017 Actual to 2016 Actual variance is due to completion of the OMS/DMS project. OMS/DMS was a multi-year project and completed in 2017.  |
| 37       | Sub Total  | 10,329        | 18,897         | 29,479          | 330          | 77                 | 890           | 48,269         | 39,131          | 301          | 10,329             | (9,652)                  | -24.67%      |   |
| 38       | <b>Performance Improvement</b>   |               |                |                 |              |                    |               |                |                 |              |                    |                          |              |   |
| 39       | Distribution System Aerial and Underground Fault Indicators and Fusing   | 88            | 1,025          | 763             | 25           | 374                | 46            | 511            | 474             | 4            | 88                 | 289                      | 60.94%       | 2017 Actual to 2016 Actual variance is primarily due to some carry over of 2016 work into 2017. Work was not completed in 2016 due to some of the required material for the job not arriving until early 2017.  |
| 40       | Installation of Automated Switches on Selected 25KV Circuits Program   | 17            | 1,168          | 1,185           | 1            | 0                  | 82            | 512            | 581             | 3            | 17                 | 604                      | 104.01%      |   |
| 41       | Installation of Network Current Limiting Fuse Program  | 0             | 0              |                 |              |                    | 0             | 0              |                 |              |                    | 0                        | 0            |   |
| 42       | Land Purchase for Slurry Placement   | 0             | 0              |                 |              |                    | 0             | 0              |                 |              |                    | 0                        | 0            |   |
| 43       | Engineering and Design Software Modifications  | 0             | 137            | 47              | 6            | 96                 | 0             | 0              |                 |              |                    | 47                       | 100%         |   |
| 44       | Sub Total  | 104           | 2,330          | 1,995           | 31           | 470                | 128           | 1,024          | 1,055           | 7            | 104                | 940                      | 89.08%       |   |
| 45       | <b>Growth</b>  |               |                |                 |              |                    |               |                |                 |              |                    |                          |              |   |
| 46       | Franchise Agreement Driven Relocations and Conversions/Third Party Driven Relocation (QEII; Walterdale Bridge) | 350           | 6,476          | 6,590           | 26           | 263                | 215           | 5,797          | 5,680           | 17           | 350                | 910                      | 16%          | 2017 Actual to 2016 Actual variance is primarily due to the completion of the Walterdale Bridge Replacement project in 2017.  |
| 47       | NLRT Distribution System Relocations   | 0             | 0              |                 |              |                    | 0             | 0              |                 |              |                    | 0                        | 0            |   |
| 48       | New 15kV and 25kV Circuit Additions  | 3,660         | 12,462         | 15,069          | 188          | 1,241              | 128           | 7,803          | 4,382           | 111          | 3,660              | 10,686                   | 243.84%      | 2017 Actual to 2016 Actual variance is primarily due to a larger scope of work in 2017. In addition, three feeders (24C, V29 and V48) originally anticipated to be in service in 2016, were put into service in 2017 (Customer delays impacted EDTIs schedule). |
| 49       | New UG Cable and Aerial Line Reconfigurations and Extensions to Meet Customer Growth                           | 2,308         | 13,530         | 14,050          | 189          | 1,978              | 2,133         | 12,767         | 12,727          | 135          | 2,308              | 1,323                    | 10.40%       |   |
| 50       | New Underground and Aerial Service Connections for Commercial, Industrial, Multifamily and Misc. Customers     | 1,855         | 11,620         | 12,469          | 125          | 1,131              | 1,337         | 16,119         | 15,698          | 96           | 1,855              | (3,229)                  | -20.57%      | 2017 Actual to 2016 Actual variance is primarily due to more complex service connections, than historically, in the downtown core requiring more work in 2016 and not occurring in 2017.  |
| 51       | Work Centre Redevelopment  | 19,224        | 41,405         | 60,629          |              | 0                  | 18,955        | 37,692         | 38,583          | 1,160        | 19,224             | 22,045                   | 57%          |   |
| 52       | Underground Industrial Distribution (UID) Servicing - Rebates, Acceptance Inspections & Terminations           | 0             | 1,899          | 1,896           | 0            | 4                  | 4             | 3,825          | 3,829           | 0            | 0                  | (1,933)                  | -50.48%      | 2017 Actual to 2016 Actual variance is primarily due to a decrease in industrial development requiring energization.  |
| 53       | Underground Residential Distribution (URD) Servicing - Rebates, Acceptance Inspections & Terminations          | 206           | 11,260         | 11,321          | 16           | 161                | 213           | 16,251         | 16,271          | 13           | 206                | (4,951)                  | -30.43%      |   |
| 54       | Network Reconfigurations   | 324           | 1,770          | 1,229           | 65           | 929                | 652           | 1,375          | 1,733           | 30           | 324                | (504)                    | -29.07%      | 2017 Actual to 2016 Actual variance is primarily due to requirements for this project. The project requires unique technical specifications which delayed timelines and limited EDTIs ability to execute the field work.  |
| 55       | LRT Distribution System Relocation   | 1,111         | 3,633          | 2,856           | 155          | 2,043              | 2,167         | 3,570          | 4,727           | 101          | 1,111              | (1,872)                  | -39.59%      |   |
| 56       | Voltage Regulator Additions  | 12            | 230            | 243             | 0            | 0                  | 0             | 12             | 0               | 0            | 12                 | 243                      | #####        |   |
| 57       | Sub Total  | 29,048        | 104,285        | 126,350         | 765          | 7,749              | 25,805        | 105,211        | 103,631         | 1,663        | 29,048             | 22,719                   | 21.92%       | 2017 Actual to 2016 Actual variance is primarily due to EDTI not being able to obtain technical data and/or design approvals from the City of Edmonton's P3 Contractor, TransEd Partners in a timely matter.  |
| 54       | <b>Grand Total</b>   | <u>44,525</u> | <u>187,066</u> | <u>220,753</u>  | <u>2,167</u> | <u>13,004</u>      | <u>31,507</u> | <u>220,951</u> | <u>210,190</u>  | <u>2,256</u> | <u>44,525</u>      | <u>10,564</u>            | <u>5.03%</u> |   |

EDTI has revised Schedule 4.2 to USA/MFR format to be consistent with its Tariff Applications.

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF UTILITY INCOME TAX**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

**SCHEDULE 5**

| Line No. | Description                        | Cross-Reference | 2017<br>Actual | 2016<br>Actual | Var. Actual to<br>Prior Year | Var % | Actual to Prior<br>Year Explanation<br>Reference |
|----------|------------------------------------|-----------------|----------------|----------------|------------------------------|-------|--|
| 1        | <u>Current Tax</u>                 |                 |                |                |                              |       | Note 1   |
| 2        | Federal Income Tax                 |                 |                |                |                              |       |  |
| 3        | Federal Taxable Income             |                 | -              | -              |                              |       |  |
| 4        | Income Tax Rate                    |                 | 0%             | 0%             |                              |       |  |
| 5        | <b>Total Federal Income Tax</b>    |                 | -              | -              |                              |       |  |
| 6        | Provincial Income Tax              |                 |                |                |                              |       |  |
| 7        | Federal Taxable Income             |                 | -              | -              |                              |       |  |
| 8        | Add: CCA Federal Flow Through      |                 | -              | -              |                              |       |  |
| 9        | Less: CCA Provincial Flow Through  |                 | -              | -              |                              |       |  |
| 10       | Provincial Taxable Income          |                 | -              | -              |                              |       |  |
| 11       | Income Tax Rate                    |                 | 0%             | 0%             |                              |       |  |
| 12       | <b>Total Provincial Income Tax</b> |                 | -              | -              |                              |       |  |
| 13       | <b>Total Current Tax</b>           |                 | -              | -              |                              |       |  |
| 14       | <u>Future Tax</u>                  |                 |                |                |                              |       |  |
| 15       | Temporary Differences              |                 | -              | -              |                              |       |  |
| 16       | Income Tax Rate                    |                 | 0%             | 0%             |                              |       |  |
| 17       |                                    |                 | -              | -              |                              |       |  |
| 18       | Other                              |                 | -              | -              |                              |       |  |
| 19       | <b>Total Future Tax</b>            |                 | -              | -              |                              |       |  |
| 20       | <u>Other Items</u>                 |                 |                |                |                              |       |  |
| 21       | Large Corporations Tax             |                 | -              | -              |                              |       |  |
| 22       | Preferred Dividend Tax             |                 | -              | -              |                              |       |  |
| 23       | Other                              |                 | -              | -              |                              |       |  |
| 24       | <b>Total Other Items</b>           | Sch 1 + Sch 10  | -              | -              |                              |       |  |
| 25       | <b>Total Utility Income Tax</b>    | Sch 1 + Sch 10  | -              | -              |                              |       |  |

Note 1: The distribution function of EDTI is not a taxable entity.

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF CUSTOMERS, ENERGY AND REVENUE**  
**FOR YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 6

| Line No.                             | Description         | Cross-Reference | 2017 Actual | 2016 Actual | Var. Actual to Prior Year | Var %   | Actual to Prior Year Explanation Reference |
|--------------------------------------|---------------------|-----------------|-------------|-------------|---------------------------|---------|--|
| <u>Residential</u>                   |                     |                 |             |             |                           |         |  |
| 1                                    | Customers - Average |                 | 359,579     | 352,483     | 7                         | 2.01%   |  |
| 2                                    | Energy Sales (MWh)  |                 | 2,156,418   | 2,118,138   | 38                        | 1.81%   |  |
| 3                                    | Revenue             |                 | 96,116      | 90,252      | 5,863                     | 6.50%   |  |
| 4                                    | kWh per Customer    |                 | 5,997       | 6,009       | (0)                       | -0.20%  |  |
| 5                                    | Cents/kWh           |                 | 4.46        | 4.26        | 0                         | 4.61%   |  |
| <u>Customer Specific</u>             |                     |                 |             |             |                           |         |  |
| 6                                    | Customers - Average |                 | 23          | 20          | 0                         | 13.02%  |  |
| 7                                    | Energy Sales (MWh)  |                 | 676,800     | 631,833     | 45                        | 7.12%   |  |
| 8                                    | Revenue             |                 | 4,765       | 3,699       | 1,066                     | 28.83%  |  |
| 9                                    | kWh per Customer    |                 | 29,426,087  | 31,048,498  | (1,622)                   | -5.23%  |  |
| 10                                   | Cents/kWh           |                 | 0.70        | 0.59        | 0                         | 20.27%  |  |
| <u>Customer Specific - Totalized</u> |                     |                 |             |             |                           |         |  |
| 11                                   | Customers - Average |                 | 1           | 1           | 0                         | 0.00%   |  |
| 12                                   | Energy Sales (MWh)  |                 | 237,898     | 274,849     | (37)                      | -13.44% |  |
| 13                                   | Revenue             |                 | 140         | 134         | 6                         | 4.36%   |  |
| 14                                   | kWh per Customer    |                 | 237,898,000 | 274,848,773 | (36,951)                  | -13.44% |  |
| 15                                   | Cents/kWh           |                 | 0.06        | 0.05        | 0                         | 20.57%  |  |
| <u>Small Commercial</u>              |                     |                 |             |             |                           |         |  |
| 16                                   | Customers - Average |                 | 28,553      | 28,275      | 0                         | 0.98%   |  |
| 17                                   | Energy Sales (MWh)  |                 | 723,456     | 722,319     | 1                         | 0.16%   |  |
| 18                                   | Revenue             |                 | 20,164      | 19,223      | 941                       | 4.90%   |  |
| 19                                   | kWh per Customer    |                 | 25,337      | 25,546      | (0)                       | -0.82%  |  |
| 20                                   | Cents/kWh           |                 | 2.79        | 2.66        | 0                         | 4.73%   |  |
| <u>Medium Commercial</u>             |                     |                 |             |             |                           |         |  |
| 21                                   | Customers - Average |                 | 5,489       | 5,188       | 0                         | 5.80%   |  |
| 22                                   | Energy Sales (MWh)  |                 | 932,343     | 889,448     | 43                        | 4.82%   |  |
| 23                                   | Revenue             |                 | 20,952      | 19,227      | 1,725                     | 8.97%   |  |
| 24                                   | kWh per Customer    |                 | 169,857     | 171,436     | (2)                       | -0.92%  |  |
| 25                                   | Cents/kWh           |                 | 2.25        | 2.16        | 0                         | 3.96%   |  |
| <u>Time of Use</u>                   |                     |                 |             |             |                           |         |  |
| 26                                   | Customers - Average |                 | 1,631       | 1,650       | (0)                       | -1.15%  |  |
| 27                                   | Energy Sales (MWh)  |                 | 1,842,307   | 1,876,829   | (35)                      | -1.84%  |  |
| 28                                   | Revenue             |                 | 38,631      | 37,641      | 990                       | 2.63%   |  |
| 29                                   | kWh per Customer    |                 | 1,129,557   | 1,137,468   | (8)                       | -0.70%  |  |
| 30                                   | Cents/kWh           |                 | 2.10        | 2.01        | 0                         | 4.55%   |  |
| <u>Time of Use Primary</u>           |                     |                 |             |             |                           |         |  |
| 31                                   | Customers - Average |                 | 149         | 146         | 0                         | 2.04%   |  |
| 32                                   | Energy Sales (MWh)  |                 | 640,693     | 651,471     | (11)                      | -1.65%  |  |
| 33                                   | Revenue             |                 | 10,741      | 10,211      | 530                       | 5.19%   |  |
| 34                                   | kWh per Customer    |                 | 4,299,953   | 4,461,548   | (162)                     | -3.62%  |  |
| 35                                   | Cents/kWh           |                 | 1.68        | 1.57        | 0                         | 6.96%   |  |
| <u>Direct Connects</u>               |                     |                 |             |             |                           |         |  |
| 36                                   | Customers - Average |                 | 6           | 6           | 0                         | 0.00%   |  |
| 37                                   | Energy Sales (MWh)  |                 | 381,160     | 363,874     | 17                        | 4.75%   |  |
| 38                                   | Revenue             |                 | 19          | 18          | 1                         | 4.33%   |  |
| 39                                   | kWh per Customer    |                 | 63,526,667  | 60,645,623  | 2,881                     | 4.75%   |  |
| 40                                   | Cents/kWh           |                 | 0.00        | 0.00        | (0)                       | -0.40%  |  |
| <u>Street Lighting</u>               |                     |                 |             |             |                           |         |  |
| 41                                   | Customers - Average |                 | 1           | 1           | 0                         | 0.00%   |  |
| 42                                   | Energy Sales (MWh)  |                 | 62,706      | 65,596      | (3)                       | -4.41%  |  |
| 43                                   | Revenue             |                 | 1,841       | 1,849       | (9)                       | -0.48%  |  |
| 44                                   | kWh per Customer    |                 | 62,706,000  | 65,596,458  | (2,890)                   | -4.41%  |  |
| 45                                   | Cents/kWh           |                 | 2.94        | 2.82        | 0                         | 4.11%   |  |
| <u>Traffic Lighting</u>              |                     |                 |             |             |                           |         |  |
| 46                                   | Customers - Average |                 | 1           | 1           | 0                         | 0.00%   |  |
| 47                                   | Energy Sales (MWh)  |                 | 3,853       | 3,683       | 0                         | 4.62%   |  |
| 48                                   | Revenue             |                 | 67          | 61          | 6                         | 9.59%   |  |
| 49                                   | kWh per Customer    |                 | 3,853,000   | 3,682,757   | 170                       | 4.62%   |  |
| 50                                   | Cents/kWh           |                 | 1.73        | 1.65        | 0                         | 4.75%   |  |
| <u>Lane Lighting</u>                 |                     |                 |             |             |                           |         |  |

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**SUMMARY OF CUSTOMERS, ENERGY AND REVENUE**  
**FOR YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 6

| Line No.                 | Description                           | Cross-Reference | 2017 Actual      | 2016 Actual      | Var. Actual to Prior Year | Var %        | Actual to Prior Year Explanation Reference |
|--------------------------|---------------------------------------|-----------------|------------------|------------------|---------------------------|--------------|--|
| 51                       | Customers - Average                   |                 | 1                | 1                | 0                         | 0.00%        |  |
| 52                       | Energy Sales (MWh)                    |                 | 4,150            | 4,413            | (0)                       | -5.96%       |  |
| 53                       | Revenue                               |                 | 75               | 77               | (1)                       | -1.88%       |  |
| 54                       | kWh per Customer                      |                 | 4,150,000        | 4,413,081        | (263)                     | -5.96%       |  |
| 55                       | Cents/kWh                             |                 | 1.81             | 1.74             | 0                         | 4.34%        |  |
| <u>Security Lighting</u> |                                       |                 |                  |                  |                           |              |  |
| 56                       | Customers - Average                   |                 | 1,575            | 1,608            | (0)                       | -2.05%       |  |
| 57                       | Energy Sales (MWh)                    |                 | 5,211            | 5,346            | (0)                       | -2.52%       |  |
| 58                       | Revenue                               |                 | 1,472            | 1,444            | 28                        | 1.93%        |  |
| 59                       | kWh per Customer                      |                 | 3,309            | 3,325            | (0)                       | -0.48%       |  |
| 60                       | Cents/kWh                             |                 | 28.24            | 27.01            | 1                         | 4.58%        |  |
| 61                       | Other Revenues/Adjustments            |                 |                  |                  |                           |              |  |
| 62                       | Subtotal Revenues                     |                 | 194,981          | 183,835          | 11,145                    | 6.06%        | Note 1                                     |
| 63                       | Provisions & Adjustments              |                 | (2,817)          | (18)             | (2,799)                   | 15551.53%    | Note 2                                     |
| 64                       | <b>Total Utility Revenue (\$000s)</b> |                 | <b>192,163</b>   | <b>183,817</b>   | <b>8,346</b>              | <b>4.54%</b> |  |
| 65                       | <b>Energy Sales (MWh)</b>             |                 | <b>7,666,995</b> | <b>7,607,798</b> | <b>59</b>                 | <b>0.78%</b> |  |

Note 1: 2017 Revenues based on approved 2017 DAS rates as per Decision 21979-D01-2016 (Errata).  
Year over year increase in revenue is attributable to an increase in rates and customers.

Note 2: 2017 Actual includes a \$2.82 million refund to customers for the 2015 K-Factor true-up.  
The Rider was approved in Decision 22392-D01-2015 and was refunded during Q2 of 2017.

**EPCOR Distribution & Transmission Inc. (Distribution)**  
**EXPLANATION OF TRANSACTIONS WITH AFFILIATED COMPANIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(\$000s)

SCHEDULE 7

| Line No.                             | Affiliate         | Nature of Service  | 2017 Actual      | 2016 Actual      | Transactions In To Transmission | Transactions Out From Transmission | Var. Actual to Prior Year | Var %           | Actual to Prior Year Explanation Reference |
|--------------------------------------|-------------------|--|------------------|------------------|---------------------------------|------------------------------------|---------------------------|-----------------|--|
| EDTI (Distribution)                  |                   |  |                  |                  |                                 |                                    |                           |                 |  |
| 1                                    | (accts 5810/5349) | Asset Usage Fee  | (2,613)          | (1,034)          | Administration                  |                                    | (1,579)                   | 152.69%         | Note 1                                     |
| 2                                    |                   | Depreciation   | 976              | 962              | Contributions                   |                                    | 14                        | 1.43%           |  |
| 3                                    |                   |  | <u>(2,613)</u>   | <u>(72)</u>      |                                 |                                    | <u>(1,579)</u>            | <u>2186.14%</u> |  |
| EPCOR Energy Alberta (EEA) (75)      |                   |  |                  |                  |                                 |                                    |                           |                 |  |
| 4                                    |                   | EEA IT employees working on EDI capital projects                                     | 0                | 0                | Capital                         |                                    | (0)                       | -100%           |  |
| 5                                    |                   | Operational Communication Mgmt Oversight & Admin Support                             | (229)            | (217)            | Revenues                        |                                    | (12)                      | 5%              |  |
| 6                                    |                   | Regulatory Affairs Mgmt Oversight & Admin Support                                    | (23)             | (110)            | Revenues                        |                                    | 88                        | -79%            |  |
| 7                                    |                   | Supply Chain Mgmt: Procurement & Strategic Sourcing                                  | (50,481)         | (47)             | Revenues                        |                                    | (3)                       | 7%              |  |
| 8                                    |                   | Service Requests & Late Payment Fees   | (1,660)          | (1,844)          | Revenues                        |                                    | 184                       | -10%            |  |
| 9                                    |                   | Human Resources  | 0                | (30)             |                                 |                                    | 30                        | -100%           |  |
| 10                                   |                   | Tariff Charges   | (178,908)        | (162,438)        | Revenues                        |                                    | (16,470)                  | 10%             | Note 2                                     |
| 11                                   |                   | Streamline Escalations   | 58               | 57               | Revenues                        |                                    | 1                         | 2%              |  |
| 12                                   |                   | Services Provided for Power Trouble Dispatch   | 2                | 15               | Revenues                        |                                    | (14)                      | -90%            |  |
| 13                                   |                   | Internal Communications  | 14               | 0                | Revenues                        | Capital                            | 14                        | 100%            |  |
| 14                                   |                   | Utility Information System Access  | 362              | 920              |                                 | Operations                         | (558)                     | -61%            | Note 3                                     |
| 15                                   |                   | IVR Asset Usage Fee  | 1                | 0                |                                 | Customer Service                   | 1                         | 100%            |  |
| 16                                   |                   | Utilities for Substations & Service Centers  | 59               | 117              |                                 |                                    | (58)                      | -50%            |  |
| 17                                   |                   |  | <u>(180,375)</u> | <u>(163,577)</u> |                                 |                                    | <u>(16,797)</u>           | <u>10.27%</u>   |  |
| EPCOR Technologies Inc. (ETECH) (35) |                   |  |                  |                  |                                 |                                    |                           |                 |  |
| 18                                   |                   | High Load Escorts  | 0                | (233)            | Revenues                        |                                    | 233                       | -100.00%        |  |
| 19                                   |                   | URD & Material Sales   | (508)            | (1,548)          | Revenues                        |                                    | 1,040                     | -67.17%         | Note 4                                     |
| 20                                   |                   | System Control   | (458)            | (585)            | Revenues                        |                                    | 127                       | -21.71%         |  |
| 21                                   |                   | Emergency Dispatch Services  | (338)            | (236)            | Revenues                        |                                    | (102)                     | 43.36%          |  |
| 22                                   |                   | High Voltage Test Lab  | (44)             | (36)             | Revenues                        |                                    | (8)                       | 23.34%          |  |
| 23                                   |                   | Survey Services  | (81)             | (85)             | Revenues                        |                                    | 4                         | -4.61%          |  |
| 24                                   |                   | Switching Cubicle and Transformer Acceptance Testing                                 | (65)             | (194)            | Revenues                        |                                    | 129                       | -66.47%         |  |
| 25                                   |                   | Technical Training Services  | (401)            | (388)            | Revenues                        |                                    | (14)                      | 3.51%           |  |
| 26                                   |                   | Aerial Jobbing   | (171)            | 0                | Revenues                        |                                    | (171)                     | 100.00%         |  |
| 27                                   |                   | Trouble Services   | (184)            | (312)            | Revenues                        |                                    | 128                       | -40.96%         |  |
| 28                                   |                   | Fiber Pulls and Testing  | (193)            | 0                | Revenues                        | Operations & Admin                 | (193)                     | 100.00%         |  |
| 29                                   |                   | Damage Claim   | (6)              | (92)             | Revenues                        |                                    | 86                        | -93.85%         |  |
| 30                                   |                   | Shared Services  | (5)              | 0                | Revenues                        |                                    | (5)                       | 100.00%         |  |
| 31                                   |                   | Soil & Water Dumping   | 0                | (2)              |                                 |                                    | 2                         | -100.00%        |  |
| 32                                   |                   | Rent at St. Albert Trail   | 1,327            | 1,135            |                                 |                                    | 192                       | 16.94%          |  |
| 33                                   |                   | R&M, Security Lighting, Engineering Services, Hydrovacccing & other Jobbing Services | 10,698           | 10,377           |                                 | Operations                         | 321                       | 3.09%           |  |
| 34                                   |                   | Sale of Inventory to EDTI  | 135              | 494              |                                 | Operations & Capital               | (359)                     | -72.69%         |  |
| 35                                   |                   | Shared Services  | 2                | 0                |                                 | Operations                         | 2                         | 100.00%         |  |
| 36                                   |                   |  | <u>9,707</u>     | <u>8,295</u>     |                                 |                                    | <u>1,412</u>              | <u>17.02%</u>   |  |



| Line No. | Affiliate                             | Nature of Service                                     | 2017 Actual      | 2016 Actual      | Transactions In To Transmission | Transactions Out From Transmission | Var. Actual to Prior Year | Var %          | Actual to Prior Year Explanation Reference |
|----------|---------------------------------------|---|------------------|------------------|---------------------------------|------------------------------------|---------------------------|----------------|--|
| 37       | EPCOR Water Services Inc. (EWSI) (80) | Meter Reading Services                                | 0                | (4,824)          | Revenues                        |                                    | 4,824                     | -100.00%       | Note 5                                     |
| 38       |                                       | Technical Training Services                           | (890)            | (852)            | Revenues                        |                                    | (38)                      | 4.46%          |  |
| 39       |                                       | Electrical Apparatus & Relay Maintenance for WWTP     | 0                | (28)             | Revenues                        |                                    | 28                        | -100.00%       |  |
| 40       |                                       | Reference Library Services                            | (2)              | (15)             | Revenues                        |                                    | 13                        | -84.97%        |  |
| 41       |                                       | Repairs & Maintenance                                 | (0)              | 0                |                                 |                                    | (0)                       | 100.00%        |  |
| 42       |                                       | Soil & Water Dumping                                  | 0                | (8)              | Revenues                        |                                    | 8                         | -100.00%       |  |
| 43       |                                       | Survey Services                                       | (258)            | (221)            | Revenues                        |                                    | (37)                      | 16.66%         |  |
| 44       |                                       | Customer Jobbing                                      | (5)              | 0                | Revenues                        | Operations & Capital               | (5)                       | 100.00%        |  |
| 45       |                                       | Customer Engineering                                  | (136)            | 0                | Revenues                        |                                    | (136)                     | 100.00%        |  |
| 46       |                                       | Meter Reading Services                                | 446              | 0                |                                 | Administration                     | 446                       | 100.00%        |  |
| 47       |                                       | Environment & Waste Management                        | 0                | 0                |                                 | Operations                         | 0                         | 100.00%        |  |
| 48       |                                       | Facility Operations                                   | 0                | 1                |                                 | Operations                         | (1)                       | -100.00%       |  |
| 49       |                                       |   | <u>(844)</u>     | <u>(5,946)</u>   |                                 |                                    | <u>4,656</u>              | <u>-78.31%</u> |  |
| 50       | EPCOR Drainage (9K)                   | Fiber Pulls and Testing                               | <u>(13)</u>      | <u>0</u>         | Revenue                         |                                    | <u>(13)</u>               | <u>100.00%</u> |  |
| 51       |                                       |   | <u>(13)</u>      | <u>0</u>         |                                 |                                    | <u>(13)</u>               | <u>0</u>       |  |
| 52       | EPCOR Utilities Inc. (EUI) (40/71)    | EUI employees working on EDI Capital Projects         | 2,897            | 5,290            |                                 | Administration & Capital           | (2,393)                   | -45.24%        | Note 6                                     |
| 53       |                                       | Shared Services Management Fee (net of disallowances) | 10,009           | 13,387           |                                 | Administration                     | (3,378)                   | -25.23%        | Note 7                                     |
| 54       |                                       | EPCOR Tower Rent (net of disallowances)               | 293              | 392              |                                 | Administration                     | (99)                      | -25.17%        |  |
| 55       |                                       | Asset Usage Fee                                       | 4,422            | 4,683            |                                 | Financing Exp.                     | (261)                     | -5.58%         |  |
| 56       |                                       | Interest and Financing Charges                        | 36,565           | 30,933           |                                 | Administration                     | 5,632                     | 18.21%         | Note 8                                     |
| 57       |                                       | Duct Line Rentals                                     | (95)             | (97)             |                                 | Financing Exp.                     | 2                         | -2.40%         |  |
| 58       |                                       | Information Technology Services                       | 4,918            | 4,455            |                                 | Operations                         | 462                       | 10.38%         |  |
| 59       |                                       |   | <u>59,008</u>    | <u>59,044</u>    |                                 |                                    | <u>(35)</u>               | <u>-0.06%</u>  |  |
| 60       | ENCOR (28)                            | Service Requests & Late Payment Fees                  | (107)            | (103)            | Revenues                        |                                    | (4)                       | 4.28%          |  |
| 61       |                                       | Tariff Charges  | (13,410)         | (7,771)          | Revenues                        |                                    | (5,639)                   | 72.57%         | Note 9                                     |
| 62       |                                       |   | <u>(13,517)</u>  | <u>(7,874)</u>   |                                 |                                    | <u>(5,644)</u>            | <u>1</u>       |  |
| 63       | Commercial Services (5A)              | Business Development Project                          | 0                | (27)             | Revenues                        |                                    | 27                        | -100.00%       |  |
| 64       |                                       |   | <u>0</u>         | <u>(27)</u>      |                                 |                                    | <u>27</u>                 | <u>(1)</u>     |  |
| 65       | <b>TOTAL</b>                          |   | <u>(128,647)</u> | <u>(110,157)</u> |                                 |                                    | <u>(17,961)</u>           | <u>16.30%</u>  |  |

Note 1: The variance is primarily due to an increased recovery from the Transmission function due to completion of the Work Centre Redevelopment capital program

Note 2: The variance is primarily due to higher DAS and SAS rates and increased volume in 2017.

Note 3: Lower costs for Utility Information System Access due to transfer of Meter Readers to EPCOR Water.

Note 4: Decreased material sales to EPCOR Technologies in 2017 versus 2016.

Note 5: Lower Meter Reading revenue of (\$4,824K) due to AMI project and transfer of Meter Readers to EPCOR Water.

Note 6: Reduction in EUI employees working on EDI Capital Projects

Note 7: Lower corporate costs in 2017 due to decreased allocation percentages with the addition of Drainage to the EPCOR group of companies.

Note 8: Financing costs are higher in 2017 due to issuance of new debt and higher interest on short-term indebtedness due to higher principal portion.

Note 9: The variance is due to higher DAS and SAS rates and increased volume in 2017.

EPCOR Distribution & Transmission Inc. (Distribution)  
SUMMARY OF PAYROLL AND MANPOWER STATISTICS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(\$000s)

SCHEDULE 8

**SALARIES, WAGES AND EMPLOYEE BENEFITS**

| Line No.   | Description   | Cross-Reference | 2017 Actual   |               | 2016 Actual |             | Var. Actual to Prior Year |            | Actual to Prior Year Explanation Reference |
|--|---|-----------------|---------------|---------------|-------------|-------------|---------------------------|------------|--|
|  |   |                 | 2017 Actual   | 2016 Actual   | 2017 Actual | 2016 Actual | Var %                     | Var %      |  |
| <u>Gross Salaries, Wages, Stat and Vacation (Excluding Overtime)</u> |   |                 |               |               |             |             |                           |            |  |
| 1  | Distribution Operating                                  |                 | 35,879        | 38,968        |             |             | (3,089)                   | -8%        | Note 1                                     |
| 2  | Distribution Capital                                    |                 | 20,316        | 20,863        |             |             | (547)                     | -3%        |  |
| 3  | <b>Salaries and Wages Charged to Utility Operations</b> |                 | <u>56,195</u> | <u>59,831</u> |             |             | <u>(3,636)</u>            | <u>-6%</u> |  |
| <u>Employee Benefits</u>   |   |                 |               |               |             |             |                           |            |  |
| 4  | Distribution Operating                                  |                 | 6,389         | 7,083         |             |             | (695)                     | -10%       | Note 2                                     |
| 6  | Distribution Capital                                    |                 | 9,183         | 9,018         |             |             | 165                       | 2%         |  |
| 7  | <b>Benefits Charged to Utility Operations</b>           |                 | <u>15,571</u> | <u>16,101</u> |             |             | <u>(530)</u>              | <u>-3%</u> |  |

| Line No.                   | Description                                | Cross-Reference | 2017 Actual |             | 2016 Actual |             | Var. Actual to Prior Year |             | Actual to Prior Year Explanation Reference |
|----------------------------|--|-----------------|-------------|-------------|-------------|-------------|---------------------------|-------------|--|
|                            |  |                 | 2017 Actual | 2016 Actual | 2017 Actual | 2016 Actual | Var %                     | Var %       |  |
| <u>Manpower Statistics</u> |  |                 |             |             |             |             |                           |             |  |
| 8                          | Total Regular & Temporary Employees (FTEs) |                 | 575         | 641         |             |             | (66)                      | -10%        | Note 3                                     |
| 9                          | <b>Total Manpower</b>                      |                 | <u>575</u>  | <u>641</u>  |             |             | <u>(66)</u>               | <u>-10%</u> |  |
| 10                         | Less: Allocated to Non-Regulated           |                 | 0           | 0           |             |             | 0                         | 0%          |  |
| 11                         | <b>Total Manpower - Utility Operations</b> |                 | <u>575</u>  | <u>641</u>  |             |             | <u>(66)</u>               | <u>-10%</u> |  |

Note 1: Distribution Operating is \$3.08 million lower in 2017 primarily due to the transfer of the Meter Readers to EPCOR Water Services Inc. (EWSI)

Note 2: 2017 Actual benefits for Distribution Operating are \$0.69 million lower than the 2017 primarily due to the transfer of the Meter Readers to EWSI

Note 3: The 66 FTE decrease in 2017 from 2016 is primarily due to the transfer of the Meter Readers (63 FTE's) to EWSI

EPCOR Distribution & Transmission Inc. (Distribution)  
SUMMARY OF RESERVE/DEFERRAL ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(\$000s)

SCHEDULE 9

| Line No.                         | Description   | Cross-Reference | 2017 Actuals    |                  |                    |              |                      | 2016 Actuals |                 |                 |              |                    | Var. Actual to Prior Year |                      | Actual to Prior Year Explanation Reference |                 |                 |                |
|----------------------------------|---|-----------------|-----------------|------------------|--------------------|--------------|----------------------|--------------|-----------------|-----------------|--------------|--------------------|---------------------------|----------------------|--|-----------------|-----------------|----------------|
|                                  |   |                 | Opening Balance | Adds             | Amort. & Drawdowns | Provisions   | Refunds & Recoveries | Reclass      | Ending Balance  | Opening Balance | Adds         | Amort. & Drawdowns | Provisions                | Refunds & Recoveries |  | Reclass         | Ending Balance  | Var %          |
| <i>List of Deferral Accounts</i> |   |                 |                 |                  |                    |              |                      |              |                 |                 |              |                    |                           |                      |  |                 |                 |                |
| 1                                | Transmission Charge Deferral Account                |                 | 0               |                  |                    |              |                      | -            | 0               |                 |              |                    |                           |                      |  | 0               | -               |                |
| 2                                | Hearing Costs                                       |                 | 248             | 1,494            | (1,557)            |              |                      | (22)         | 162             |                 |              |                    |                           |                      | 248  | (86)            | -34.56%         |                |
| 3                                | AESO Load Settlement Charges Deferral Account       |                 | (102)           | 165              | (144)              |              |                      |              | (81)            |                 |              |                    |                           |                      | (102)                                      | 22              | -21.33%         |                |
| 4                                | Property, Business & Linear Tax Deferral Account    |                 | 22              |                  | (22)               |              |                      |              | (0)             |                 |              |                    |                           |                      | 22   | (22)            | -100.00%        |                |
| 5                                | Tariff Bill Code (2013 Initiative)                  |                 | 58              |                  | (26)               |              |                      |              | 32              |                 |              |                    |                           |                      | 58   | (26)            | -44.47%         |                |
| 6                                |   |                 | <u>225</u>      | <u>1,659,568</u> | <u>(1,748)</u>     | <u>0</u>     | <u>0</u>             | <u>(22)</u>  | <u>113,715</u>  | <u>593</u>      | <u>1,462</u> | <u>(1,865)</u>     | <u>35</u>                 | <u>0</u>             | <u>0</u>                                   | <u>225</u>      | <u>(111)</u>    | <u>-49%</u>    |
| 7                                | Transmission Charge Deferral Account                |                 | (3,102)         |                  |                    |              |                      | (24)         | (3,126)         |                 |              |                    |                           |                      | (3,102)                                    | (24)            | 0.78%           |                |
| 8                                | Interim to Final Rider J                            |                 | 0               |                  |                    |              |                      |              | 0               |                 |              |                    |                           |                      | 0  | 0               | -               |                |
| 9                                | <b>Total Deferred Assets</b>                        | Sch 11          | <u>(2,877)</u>  | <u>1,660</u>     | <u>(1,748)</u>     | <u>0</u>     | <u>(24)</u>          | <u>(22)</u>  | <u>(3,013)</u>  | <u>2,508</u>    | <u>1,462</u> | <u>(1,865)</u>     | <u>35</u>                 | <u>(5,017)</u>       | <u>0</u>                                   | <u>(2,877)</u>  | <u>(111)</u>    | <u>4%</u>      |
| 10                               | Hearing Costs                                       |                 | (22)            |                  |                    |              |                      |              | 22              |                 |              |                    |                           |                      | (22)                                       | 22              | -100.00%        |                |
| 11                               | Tariff Bill Code (2017-2012 Initiative)             |                 | 0               |                  |                    |              |                      |              | 0               |                 |              |                    |                           |                      | 0  | 0               | 0.00%           |                |
| 12                               | AESO Load Settlement Charges Deferral Account       |                 | (0)             |                  |                    |              |                      |              | (0)             |                 |              | 139                |                           |                      | (0)  | 0               | 0.00%           |                |
| 13                               | Short Term Incentive Deferral Account               |                 | 0               |                  |                    |              |                      |              | 0               |                 |              |                    |                           |                      | 0  | 0               | -               |                |
| 14                               | Asset Removal (Refund Dept's & Return)              |                 | 0               |                  |                    |              |                      |              | 0               |                 |              |                    |                           |                      | 0  | 0               | -               |                |
| 15                               | Property, Business & Linear Tax Deferral Account    |                 | (243)           |                  | 160                | (117)        |                      |              | (200)           | (265)           |              | 265                | (243)                     |                      | (243)                                      | 44              | -17.94%         |                |
| 16                               |   |                 | <u>(266)</u>    | <u>0</u>         | <u>160</u>         | <u>(117)</u> | <u>0</u>             | <u>22</u>    | <u>(200)</u>    | <u>(454)</u>    | <u>0</u>     | <u>411</u>         | <u>(243)</u>              | <u>0</u>             | <u>0</u>                                   | <u>(266)</u>    | <u>66</u>       | <u>-24.87%</u> |
| 17                               | Transmission Charge Deferral Account                |                 | (10,843)        |                  |                    |              |                      | 8,214        | (2,629)         | (1,136)         |              |                    | (9,707)                   |                      | (10,843)                                   |                 |                 |                |
| 18                               | Interim to Final Rider J                            |                 | (760)           |                  |                    |              |                      | (11,522)     | (12,281)        | 0               |              |                    | (760)                     |                      | (760)                                      | (11,522)        | 1516.90%        |                |
| 19                               | <b>Total Deferred Liabilities</b>                   | Sch 11          | <u>(11,868)</u> | <u>0</u>         | <u>160</u>         | <u>(117)</u> | <u>(3,308)</u>       | <u>22</u>    | <u>(15,110)</u> | <u>(1,569)</u>  | <u>0</u>     | <u>411</u>         | <u>(243)</u>              | <u>(10,466)</u>      | <u>0</u>                                   | <u>(11,868)</u> | <u>(11,456)</u> | <u>96.52%</u>  |
| 20                               | <b>Impact on Income Statement:</b>                  |                 |                 |                  |                    |              |                      |              |                 |                 |              |                    |                           |                      |  |                 |                 |                |
| 21                               | Provision for Interim to Finas DAS revenues         |                 |                 |                  |                    |              |                      |              | 0               |                 |              |                    |                           |                      | 0  |                 |                 |                |
| 22                               | Provision for DAS refund for Capital Trackers       |                 |                 |                  |                    |              |                      |              | 0               |                 |              |                    |                           |                      | 0  |                 |                 |                |
| 23                               | Amortization of Deferral Accounts                   |                 |                 |                  | 1,588              |              |                      |              | 1,588           |                 |              | 1,454              |                           |                      | 1,454                                      |                 |                 |                |
| 24                               | Provision for refund/collection (Deferral Accounts) |                 |                 |                  |                    | 117          | 0                    |              | 117             |                 |              |                    | 208                       |                      | 208  |                 |                 |                |
| 25                               | Total impact to Income Statement Sch 1              |                 |                 |                  | <u>1,588</u>       | <u>117</u>   | <u>0</u>             | <u>0</u>     | <u>1,705</u>    |                 |              | <u>1,454</u>       | <u>208</u>                | <u>0</u>             | <u>0</u>                                   | <u>1,662</u>    |                 |                |

EPCOR Distribution & Transmission Inc. (Distribution)  
RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
BALANCE SHEET ITEMS  
(\$000s)

SCHEDULE 10

| Line No. | Description  | Cross- Reference | Regulatory<br>Financial<br>Statements | Adjustments | Utility Total |
|----------|--|------------------|---------------------------------------|-------------|---------------|
| 1        | <b>Revenues</b>  |                  |                                       |             |               |
| 2        | Franchise Fee Revenue  |                  | 62,910                                |             | 62,910        |
| 3        | Transmission System Access Tariff  | Sch 6 + Sch 9    | 250,326                               |             |               |
| 4        | Reclassification of SAS Volume Variance to Return Section                                  |                  |                                       | (41)        | 250,285       |
| 5        | Distribution Access System   |                  | 192,047                               |             |               |
| 6        | Reclassification to Other Adj. to Revenue Requirement                                      |                  |                                       | 117         | 192,163       |
| 7        | <b>Other Revenues</b>  |                  | 9,058                                 |             |               |
| 8        | Reclassification to Revenue Offsets  |                  |                                       | (9,058)     | 0             |
| 9        |  | Sch 1            | 514,341                               | (8,982)     | 505,359       |
| 10       |  |                  |                                       |             |               |
| 11       | <b>Energy purchases and system access fees</b>   |                  |                                       |             |               |
| 12       | Energy Purchases   |                  | 250,285                               |             | 250,285       |
| 13       | Inter-Utility Distribution Charges   |                  | 0                                     |             | 0             |
| 14       |  |                  | 250,285                               | 0           | 250,285       |
| 15       |  |                  |                                       |             |               |
| 16       | <b>Other raw materials and operating charges</b>   |                  | 14,073                                | 3           | 14,077        |
| 17       | <b>Staff costs and employee benefits expense</b>   |                  | 36,406                                |             | 36,406        |
| 18       | <b>Other administrative expenses</b>   |                  | 32,555                                |             | 32,555        |
| 19       | Reclassification of Revenues to Revenue Offsets  |                  |                                       | (238)       | (238)         |
| 20       | Reclassification of amortization of deferral accounts to Other adj. to Revenue Requirement | Sch 9            |                                       | (1,748)     | (1,748)       |
| 21       | Reclassification of Non-Recoverable Expenses to Return Section                             |                  |                                       | (938)       | (938)         |
| 22       | <b>Franchise fees and property taxes</b>   |                  |                                       |             | 0             |
| 23       | Franchise Fees   |                  | 62,910                                |             | 62,910        |
| 24       | Property Taxes   |                  | 8,315                                 |             |               |
| 25       | Reclassification of Property Deferral Accounts to Other Adj to Revenue Requirement         |                  |                                       | 160         | 8,475         |
| 26       |  | Sch 1 + Sch 3    | 154,261                               | (2,761)     | 151,499       |
| 27       |  |                  |                                       |             |               |
| 28       | <b>Depreciation and amortization</b>   |                  | 49,352                                |             |               |
| 29       |  | Sch 1 + Sch 4    | 49,352                                | 0           | 49,352        |
| 30       |  |                  |                                       |             |               |
| 31       | <b>Income Tax</b>  |                  | 0                                     |             | 0             |
| 32       |  | Sch 1 + Sch 5    | 0                                     | 0           | 0             |
| 33       |  |                  |                                       |             |               |
| 34       | <b>Revenue Offsets</b>   |                  |                                       |             |               |
| 35       | Reclassification from Revenues and Operating Costs   |                  |                                       | (8,820)     |               |
| 36       |  | Sch 1            | 0                                     | (8,820)     | (8,820)       |
| 37       |  |                  |                                       |             |               |
| 38       | <b>Other Adj. to Revenue Requirement</b>   |                  |                                       |             |               |
| 39       | Reclassification of Other Adjustments to Revenue Requirement                               |                  |                                       | 1,705       |               |
| 40       |  | Sch 1 + Sch 9    | 0                                     | 1,705       | 1,705         |
| 41       |  |                  |                                       |             |               |
| 42       | <b>Return</b>  |                  |                                       |             |               |
| 43       | Return on Debt   |                  | 34,402                                |             | 34,402        |
| 44       | Reclass of non-recoverable financing expenses - AFUDC                                      |                  |                                       | 2,167       | 2,167         |
| 45       | Adjustment due to use of deemed equity thickness and mid-year cost of debt                 |                  |                                       | (1,150)     | (1,150)       |
| 46       | <b>Return on Debt after adjustments</b>  |                  | 34,402                                | 1,018       | 35,420        |
| 47       |  |                  |                                       |             |               |
| 48       |  |                  |                                       |             |               |
| 49       | Return on Equity   |                  | 26,041                                |             |               |
| 50       | SAS Volume Variances   |                  |                                       | (41)        |               |
| 51       | Reclassification of Non-Recoverable Expenses   |                  |                                       | (1,229)     |               |
| 52       | Adjustment due to use of deemed equity thickness and mid-year cost of debt                 |                  |                                       | 1,146       |               |
| 53       | <b>Return on Equity after adjustments</b>  | Sch 2            | 26,041                                | (124)       | 25,917        |
| 54       |  |                  |                                       |             |               |
| 55       |  |                  |                                       |             |               |
| 56       | Return on Debt   |                  |                                       |             | 35,420        |
| 57       | Return on Equity   |                  |                                       |             | 25,917        |
| 58       | <b>Total Return</b>  | Sch 1            |                                       |             | 61,338        |

EPCOR Distribution & Transmission Inc. (Distribution)  
RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO REGULATORY STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
BALANCE SHEET ITEMS  
(\$000s)

SCHEDULE 11

| Line No. | Description                                      | Cross-Reference | Regulatory Financial Statements | Adjustments | Total            |
|----------|--|-----------------|---------------------------------|-------------|------------------|
| 1        | <b>ASSETS</b>                                    |                 |                                 |             |                  |
| 2        | Current Assets:                                  |                 |                                 |             |                  |
| 3        | Trade and other receivables                      |                 | 57,181                          |             | 57,181           |
| 4        | Inventories                                      |                 | 23,322                          |             | 23,322           |
| 5        | Prepaid expenses                                 |                 | 97                              |             | 97               |
| 6        | Regulatory assets                                | Sch 9           | (3,013)                         |             | (3,013)          |
| 7        |  |                 | <u>77,587</u>                   |             | <u>77,587</u>    |
| 8        | Non-Current Assets:                              |                 |                                 |             |                  |
| 9        | Property, plant and equipment                    |                 | 1,209,818                       |             | 1,209,818        |
| 10       | Intangible assets                                |                 | 25,229                          |             | 25,229           |
| 11       | Regulatory assets                                | Sch 9           | 0                               |             | 0                |
| 12       |  |                 | <u>1,235,046</u>                |             | <u>1,235,046</u> |
| 13       |  |                 |                                 |             |                  |
| 14       | <b>TOTAL ASSETS</b>                              |                 | <u>1,312,634</u>                |             | <u>1,312,634</u> |
| 15       |  |                 |                                 |             |                  |
| 16       | <b>LIABILITIES AND EQUITY</b>                    |                 |                                 |             |                  |
| 17       | Current Liabilities:                             |                 |                                 |             |                  |
| 18       | Trade and other payables                         |                 | 94,664                          |             | 94,664           |
| 19       | Loans and borrowings                             |                 | (21,706)                        |             | (21,706)         |
| 20       | Provisions                                       |                 | 3,858                           |             | 3,858            |
| 21       | Regulatory liabilities                           | Sch 9           | 15,110                          |             | 15,110           |
| 22       |  |                 | <u>91,925</u>                   |             | <u>91,925</u>    |
| 23       | Non-Current Liabilities                          |                 |                                 |             |                  |
| 24       | Loans and borrowings                             |                 | 775,765                         |             | 775,765          |
| 25       | Provisions                                       |                 | 3,493                           |             | 3,493            |
| 26       | Regulatory liabilities                           | Sch 9           | 0                               |             | 0                |
| 27       |  |                 | <u>779,258</u>                  |             | <u>779,258</u>   |
| 28       |  |                 |                                 |             |                  |
| 29       | Total Liabilities                                |                 | <u>871,183</u>                  |             | <u>871,183</u>   |
| 30       |  |                 |                                 |             |                  |
| 31       | Equity attributable to the Owner of the Company: |                 |                                 |             |                  |
| 32       | Share capital                                    |                 | 235,220                         |             | 235,220          |
| 33       | Retained earnings                                |                 | 206,231                         |             | 206,231          |
| 34       | Total Equity                                     | Sch 2.2         | <u>441,450</u>                  |             | <u>441,450</u>   |
| 35       |  |                 |                                 |             |                  |
| 36       | <b>TOTAL LIABILITIES AND EQUITY</b>              |                 | <u>1,312,633</u>                |             | <u>1,312,633</u> |

**EPCOR DISTRIBUTION & TRANSMISSION INC.**  
**Reconciliation of Statement of Income, Comprehensive Income and Retained Earnings from AUC Rule 005 to Audited Financial Statements**  
**As of DECEMBER 31, 2017**  
**(\$000s)**

SCHEDULE 12

| Line No | Notes  | Distribution Regulatory per Schedule 11 | Measurement Adjustment | Presentation Adjustments | Distribution (IFRS) | Transmission Regulatory per Schedule 11 | Measurement Adjustment | Presentation Adjustments | Transmission (IFRS) | Distribution & Transmission Combined (IFRS) | EDTI Audited F/S (IFRS) | Variances Note 10 |
|---------|--|---|------------------------|--------------------------|---------------------|---|------------------------|--------------------------|---------------------|---|-------------------------|-------------------|
| 1       | Revenues   |   |                        |                          |                     |   |                        |                          |                     |   |                         |                   |
| 2       | Franchise fees   | 62,910                                  |                        |                          | 62,910              | 0                                       |                        |                          | 0                   |   |                         |                   |
| 3       | Transmission system access tariff  | 250,326                                 | (3,332)                |                          | 253,658             | 0                                       |                        |                          | 0                   |   |                         |                   |
| 4       | DAS revenue  | 192,047                                 | (117)                  |                          | 192,163             | 0                                       |                        |                          | 0                   |   |                         |                   |
| 5       | Transmission tariff  | 0                                       |                        |                          | 0                   | 96,330                                  | (3,215)                |                          | 99,545              |   |                         |                   |
| 6       | Total energy sales   | 505,283                                 | (3,449)                |                          | 508,732             | 96,330                                  | (3,215)                |                          | 99,545              | 608,277                                     | 608,277                 | (0)               |
| 7       | Other Income   | 9,058                                   | 354                    | (5,364)                  | 14,069              | 707                                     | 95                     | (1,910)                  | 2,522               | 16,590                                      | 15,615                  | 976               |
| 8       |  | 514,341                                 | (3,095)                | (5,364)                  | 522,800             | 97,037                                  | (3,120)                | (1,910)                  | 102,067             | 624,867                                     | 623,891                 | 976               |
| 9       | Energy purchases and system access fees  | 250,285                                 |                        |                          | 250,285             | 0                                       |                        |                          | 0                   | 250,285                                     | 250,285                 | 0                 |
| 10      | Other raw materials and operating charges  | 14,073                                  | 847                    |                          | 13,227              | 6,384                                   |                        |                          | 6,384               | 19,611                                      | 19,611                  | 0                 |
| 11      | Staff costs and employee benefit expenses  | 36,406                                  | 1,125                  |                          | 35,281              | 13,673                                  |                        |                          | 13,673              | 48,954                                      | 48,954                  | 0                 |
| 12      | Depreciation and amortization  | 49,352                                  | (176)                  | (5,364)                  | 54,891              | 24,488                                  | (2,982)                | (1,910)                  | 29,380              | 84,272                                      | 83,296                  | 976               |
| 13      | Franchise fees and property taxes  | 71,226                                  |                        |                          | 71,226              | 7,453                                   |                        |                          | 7,453               | 78,679                                      | 78,679                  | 0                 |
| 14      | Other administrative expenses  | 32,555                                  | 8,781                  |                          | 23,774              | 11,944                                  | 2,826                  |                          | 9,118               | 32,892                                      | 32,892                  | 0                 |
| 15      |  | 453,897                                 | 10,577                 | (5,364)                  | 448,684             | 63,941                                  | (156)                  | (1,910)                  | 66,008              | 514,692                                     | 513,716                 | 976               |
| 16      | Operating income   | 60,444                                  | (13,673)               | 0                        | 74,116              | 33,095                                  | (2,964)                | 0                        | 36,059              | 110,175                                     | 110,175                 | (0)               |
| 17      | Financing expenses   | 34,402                                  | (919)                  |                          | 35,321              | 18,894                                  | (1,975)                |                          | 20,869              | 56,190                                      | 56,190                  | 0                 |
| 18      | Total comprehensive income for the period - all attributable to the Owner of the Company | 26,041                                  | (12,754)               |                          | 38,795              | 14,202                                  | (989)                  |                          | 15,190              | 53,985                                      | 53,985                  | (0)               |
| 19      | Retained earnings, beginning of the year   | 180,190                                 | 14,566                 |                          | 165,624             | 107,331                                 | (4,469)                |                          | 111,800             | 277,424                                     | 277,424                 | 0                 |
| 20      | Dividends paid for the period  | 0                                       |                        |                          | 0                   | (19,000)                                |                        |                          | (19,000)            | (19,000)                                    | (19,000)                | 0                 |
| 21      | Retained earnings, end of the year   | 206,231                                 | 1,812                  | 0                        | 204,419             | 102,532                                 | (5,458)                | 0                        | 107,990             | 312,409                                     | 312,409                 | 0                 |

EDTI's financial statements have been presented in accordance with IFRS. EDTI has also adopted the new presentation formats prescribed by IFRS. Under IFRS, revenues and expenses are recognized as incurred. The timing of the company's recognition of certain revenues and expenses differs under regulatory accounting.

- Note 1: Under IFRS, revenues are recognized as they become billed or billable and there is no recognition of deferral accounts. In Regulatory Accounting, the Transmission System Access Tariff revenues have been adjusted to reflect the collection of the outstanding balance in the Transmission Charge Deferral Account (TCDA) and the build-up of the TCDA for 2017.
- Note 2: Under IFRS, revenues are recognized as they become billed or billable.
- Note 3: Under IFRS, revenues are recognized as they become billed or billable. In Regulatory Accounting, Transmission Tariff revenues have been adjusted to reflect provisions to refund: (1) \$2.65 million for depreciation and return differences on AESO directed projects for 2015 to 2017. (2) Provision to refund \$0.57 million for property tax over collection in 2015 and 2017.
- Note 4: Under IFRS, contributions in aid of construction of PP&E are classified as deferred revenues and the amortization of the contributions is presented in Other income.
- Note 5: Under IFRS, the amortization of contributions received in aid of construction of PP&E used to provide ongoing access to electricity is treated Other income. Under regulatory accounting, such amortization is classified as depreciation.
- Note 6: Inspection costs have been expensed and removed from capital costs to align with direction received in the 2016-2017 Capital Tracker Decision 20407-D01-2016.
- Note 7: PP&E has been adjusted for the removal of non-directly attributable overhead, deferred gains and losses on derecognized assets and changes to net book value as a result of the adjustments to useful lives of components of the Company's assets as required by IAS 16. As a result of the change in PP&E, depreciation and amortization expense is lower under IFRS.
- Note 8: Under IFRS, expenses are recognized as incurred. In regulatory accounting other administrative expenses have been adjusted to defer rate regulated recoverable expenses within current regulatory assets and current regulatory liabilities to match recoveries from customers in future periods.
- Note 9: Under Regulatory accounting, an allowance for funds used during construction (AFUDC) is capitalized, however under IFRS the amount capitalized is different due to different criteria for the eligibility of financing costs.
- Note 10: Variances to EDTI's Audited financial statements are elimination entries for transactions between Distribution and Transmission. Elimination entries are done for consolidation purposes.

**EPCOR DISTRIBUTION & TRANSMISSION INC.**  
**Reconciliation of Balance Sheet for AUC Rule 005 and Audited Financial Statements**  
**As of DECEMBER 31, 2017**  
**(\$000s)**

SCHEDULE 13

| Line No  | Notes | Distribution Regulatory per Schedule 11 | Measurement Adjustment | Presentation Adjustments | Distribution (IFRS) | Transmission Regulatory per Schedule 11 | Measurement Adjustment | Presentation Adjustments | Transmission (IFRS) | Distribution & Transmission Combined (IFRS) | EDTI Audited F/S (IFRS) | Variances Note 6 |
|--|-------|---|------------------------|--------------------------|---------------------|---|------------------------|--------------------------|---------------------|---|-------------------------|------------------|
| <b>ASSETS</b>                                    |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| Current Assets:                                  |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 1  |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 2  |       | 57,181                                  |                        |                          | 57,181              | 8,589                                   |                        |                          | 8,589               | 65,770                                      | 65,770                  | (0)              |
| 3  |       | 23,322                                  |                        |                          | 901                 | 1,044                                   |                        |                          | 282                 | 1,183                                       | 1,183                   | 0                |
| 4  |       | 97                                      | (273)                  | 22,421                   | 369                 | 262                                     |                        | 762                      | 262                 | 631   | 631                     | 0                |
| 5  |       | (3,013)                                 | (3,013)                |                          |                     | 880                                     | 880                    |                          |                     | 0   | 0                       | 0                |
| 6  |       | 77,587                                  | (3,285)                | 22,421                   | 58,451              | 10,775                                  | 880                    | 762                      | 9,133               | 67,584                                      | 67,584                  | (0)              |
| Non-Current Assets:                              |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 8  |       | 1,209,818                               | 18,767                 | (173,077)                | 1,364,127           | 685,807                                 | (1,724)                | (57,289)                 | 744,820             | 2,108,947                                   | 2,080,400               | 28,547           |
| 9  |       | 25,229                                  | 1,106                  |                          | 24,123              | 13,303                                  | (408)                  |                          | 13,710              | 37,833                                      | 37,833                  | (0)              |
| 10   |       | 0                                       | 0                      |                          |                     | (2,984)                                 | (2,984)                |                          |                     | 0   | 0                       | 0                |
| 11   |       | 1,235,046                               | 19,873                 | (173,077)                | 1,388,250           | 696,125                                 | (5,116)                | (57,289)                 | 758,530             | 2,146,780                                   | 2,118,233               | 28,547           |
| 12   |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 13   |       | 1,312,634                               | 16,588                 | (150,655)                | 1,446,701           | 706,901                                 | (4,236)                | (56,527)                 | 767,663             | 2,214,364                                   | 2,185,817               | 28,547           |
| <b>LIABILITIES AND EQUITY</b>                    |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| Current Liabilities:                             |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 16   |       | 94,664                                  | 15,110                 | (15,110)                 | 94,664              | (2,520)                                 | 837                    | (848)                    | (2,510)             | 92,155                                      | 92,156                  | (1)              |
| 17   |       | (21,706)                                | (334)                  |                          | (21,372)            | 68,067                                  | 334                    |                          | 67,732              | 46,360                                      | 46,360                  | 0                |
| 18   |       | 3,858                                   |                        |                          | 3,858               | 1,118                                   |                        |                          | 1,118               | 4,976                                       | 4,976                   | 0                |
| 19   |       | 15,110                                  |                        | 15,110                   |                     | 848                                     |                        | 848                      |                     | 0   | 0                       | 0                |
| 20   |       | 0                                       |                        | (4,875)                  | 4,875               | 0                                       |                        | (835)                    | 835                 | 5,710                                       | 5,710                   | 0                |
| 21   |       | 91,925                                  | 14,775                 | (4,875)                  | 82,025              | 67,512                                  | 1,171                  | (835)                    | 67,176              | 149,201                                     | 149,202                 | (1)              |
| Non-Current Liabilities:                         |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 23   |       | 775,765                                 |                        |                          | 775,765             | 384,253                                 |                        |                          | 384,253             | 1,160,018                                   | 1,160,018               | 0                |
| 24   |       | 3,493                                   |                        |                          | 3,493               | 518                                     |                        |                          | 518                 | 4,011                                       | 4,011                   | 0                |
| 25   |       | 0                                       |                        | (145,781)                | 145,781             | 0                                       |                        | (55,691)                 | 55,691              | 201,472                                     | 172,925                 | 28,547           |
| 26   |       | 0                                       |                        |                          |                     | 51                                      | 51                     | (55,691)                 |                     | 0   | 0                       | 0                |
| 27   |       | 779,258                                 | 0                      | (145,781)                | 925,038             | 384,822                                 | 51                     | (55,691)                 | 440,462             | 1,365,500                                   | 1,336,953               | 28,547           |
| 28   |       | 871,183                                 | 14,775                 | (150,655)                | 1,007,063           | 452,334                                 | 1,222                  | (56,527)                 | 507,638             | 1,514,701                                   | 1,486,155               | 28,546           |
| Equity attributable to the Owner of the Company: |       |   |                        |                          |                     |   |                        |                          |                     |   |                         |                  |
| 30   |       | 235,220                                 |                        |                          | 235,220             | 152,035                                 |                        |                          | 152,035             | 387,254                                     | 387,254                 | 0                |
| 31   |       | 206,231                                 | 1,812                  |                          | 204,419             | 102,532                                 | (5,458)                |                          | 107,990             | 312,409                                     | 312,409                 | 0                |
| 32   |       | 441,450                                 | 1,812                  | 0                        | 439,638             | 254,567                                 | (5,458)                | 0                        | 260,025             | 699,663                                     | 699,663                 | 0                |
| 33   |       | 1,312,633                               | 16,588                 | (150,655)                | 1,446,701           | 706,901                                 | (4,236)                | (56,527)                 | 767,663             | 2,214,364                                   | 2,185,818               | 28,546           |
|  |       | 0                                       | 0                      | 0                        | (0)                 | (0,000)                                 | 0,000                  | 0,000                    | (0,000)             | (0)   | (1)                     | 1                |

EDTI's financial statements have been presented in accordance with IFRS. EDTI has also adopted the new presentation formats prescribed by IFRS.

Note 1: Capitalized spares have been reclassified from inventory to PP&E.

Note 2: IFRS does not contain any separate guidance relating to recognition of assets and liabilities that have arisen as a result of rate regulation. Under IFRS, such items are not recognized.

Note 3: PP&E and Intangibles have been adjusted for the removal of non-directly attributable overhead, deferred gains and losses on derecognized assets and changes to net book value as a result of adjustments to useful lives of components of the Company's assets as required by IAS 16.

Note 4: Under Regulatory accounting, contributions in aid of construction of PP&E are offset against the cost of the constructed asset. Under IFRS, contributions received in order to construct an item of PP&E that is used to provide ongoing access to electricity is treated as deferred revenues.

Note 5: Under IFRS, contributions received which related to the disposal or replacement of assets were reclassified to the income statement as proceeds on disposal of assets. This is presented as Depreciation.

Note 6: Variances to EDTI's Audited financial statements are elimination entries for cumulative transactions between Distribution and Transmission. Elimination entries are done for consolidation purposes.

Financial Statements of

**EPCOR DISTRIBUTION & TRANSMISSION INC.**

Years ended December 31, 2017 and 2016



|                               |   |
|-------------------------------|---|
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**Financial Statements:**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of EPCOR Distribution and Transmission Inc.,

We have audited the accompanying financial statements of EPCOR Distribution and Transmission Inc., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of EPCOR Distribution and Transmission Inc. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants  
February 15, 2018  
Edmonton, Canada

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Statements of Comprehensive Income  
(In thousands of Canadian dollars)

Years ended December 31, 2017 and 2016

|  | 2017       | 2016       |
|--|------------|------------|
| Revenues and other income:                     |            |            |
| Electricity services                           | \$ 608,276 | \$ 532,969 |
| Other (note 5)                                 | 15,615     | 21,383     |
|  | 623,891    | 554,352    |
| Operating expenses:                            |            |            |
| Electricity purchases and system access fees   | 250,285    | 182,117    |
| Other raw materials and operating charges      | 19,610     | 17,821     |
| Staff costs and employee benefits expenses     | 48,954     | 53,200     |
| Depreciation and amortization (note 6)         | 83,296     | 77,505     |
| Franchise fees and property taxes              | 78,679     | 71,055     |
| Other administrative expenses                  | 32,892     | 37,455     |
|  | 513,716    | 439,153    |
| Operating income                               | 110,175    | 115,199    |
| Finance expenses (note 7)                      | (56,190)   | (50,024)   |
| Comprehensive income for the year              |            |            |
| - all attributable to the Owner of the Company | \$ 53,985  | \$ 65,175  |

The accompanying notes are an integral part of these financial statements

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Statements of Financial Position  
(In thousands of Canadian dollars)

December 31, 2017 and 2016

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>ASSETS</b>                                    |                     |                     |
| Current assets:                                  |                     |                     |
| Trade and other receivables (note 8)             | \$ 65,770           | \$ 51,972           |
| Inventories (note 9)                             | 1,183               | 907                 |
| Prepaid expenses                                 | 631                 | 483                 |
|  | <u>67,584</u>       | <u>53,362</u>       |
| Non-current assets:                              |                     |                     |
| Property, plant and equipment (note 10)          | 2,080,400           | 1,930,773           |
| Intangible assets (note 11)                      | 37,833              | 37,546              |
|  | <u>2,118,233</u>    | <u>1,968,319</u>    |
| <b>TOTAL ASSETS</b>                              | <b>\$ 2,185,817</b> | <b>\$ 2,021,681</b> |
| <b>LIABILITIES AND EQUITY</b>                    |                     |                     |
| Current liabilities:                             |                     |                     |
| Trade and other payables (note 12)               | \$ 92,155           | \$ 69,726           |
| Loans and borrowings (note 13)                   | 46,360              | 105,409             |
| Deferred revenue (note 14)                       | 5,710               | 5,504               |
| Provisions (note 15)                             | 4,976               | 5,327               |
|  | <u>149,201</u>      | <u>185,966</u>      |
| Non-current liabilities:                         |                     |                     |
| Loans and borrowings (note 13)                   | 1,160,018           | 1,032,210           |
| Deferred revenue (note 14)                       | 172,925             | 162,644             |
| Provisions (note 15)                             | 4,010               | 5,183               |
|  | <u>1,336,953</u>    | <u>1,200,037</u>    |
| <b>Total liabilities</b>                         | <b>1,486,154</b>    | <b>1,386,003</b>    |
| Equity attributable to the Owner of the Company: |                     |                     |
| Share capital (note 16)                          | 387,254             | 358,254             |
| Retained earnings                                | 312,409             | 277,424             |
| <b>Total equity</b>                              | <b>699,663</b>      | <b>635,678</b>      |
| <b>TOTAL LIABILITIES AND EQUITY</b>              | <b>\$ 2,185,817</b> | <b>\$ 2,021,681</b> |

Approved on behalf of the EPCOR Board,



Hugh J. Bolton  
Director, EPCOR Utilities Inc.



Vito Culmone  
Director, EPCOR Utilities Inc.

The accompanying notes are an integral part of these financial statements

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Statements of Changes in Equity  
(In thousands of Canadian dollars)

December 31, 2017 and 2016

|  | Share<br>capital<br>(note 16) | Contributed<br>surplus<br>(note 16) | Retained<br>earnings | Equity<br>attributable<br>to the Owner<br>of the<br>Company |
|--|-------------------------------|-------------------------------------|----------------------|---|
| Equity at December 31, 2015                        | \$ 191,254                    | \$ 167,000                          | \$ 242,249           | \$ 600,503  |
| Comprehensive income for the year                  | -                             | -                                   | 65,175               | 65,175  |
| Dividends  | -                             | -                                   | (30,000)             | (30,000)  |
| Equity at December 31, 2016                        | 191,254                       | 167,000                             | 277,424              | 635,678   |
| Comprehensive income for the year                  | -                             | -                                   | 53,985               | 53,985  |
| Capital contribution from the Owner of the Company | -                             | 29,000                              | -                    | 29,000  |
| Dividends  | -                             | -                                   | (19,000)             | (19,000)  |
| Equity at December 31, 2017                        | \$ 191,254                    | \$ 196,000                          | \$ 312,409           | \$ 699,663  |

The accompanying notes are an integral part of these financial statements

# EPCOR DISTRIBUTION & TRANSMISSION INC.

## Statement of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2017 and 2016

|  | 2017             | 2016             |
|--|------------------|------------------|
| Cash flows from (used in) operating activities:  |                  |                  |
| Comprehensive income for the year  | \$ 53,985        | \$ 65,175        |
| Reconciliation of comprehensive income for the year to cash from (used in) operating activities: |                  |                  |
| Interest paid  | (54,790)         | (49,572)         |
| Finance expenses (note 7)  | 56,190           | 50,024           |
| Depreciation and amortization (note 6)   | 83,296           | 77,505           |
| Contributions received (note 14)   | 13,012           | 11,761           |
| Deferred revenue recognized (note 14)  | (5,849)          | (7,013)          |
| Change in employee benefits provisions (note 15)   | (1,524)          | (1,930)          |
| Funds from operations  | 144,320          | 145,950          |
| Change in non-cash operating working capital (note 17)   | (4,664)          | 7,091            |
| <b>Net cash flows from operating activities</b>  | <b>139,656</b>   | <b>153,041</b>   |
| Cash flows from (used in) investing activities:  |                  |                  |
| Acquisition or construction of property, plant and equipment <sup>1</sup> (note 10)              | (230,309)        | (269,734)        |
| Acquisition or development of intangible assets <sup>2</sup> (note 11)                           | (4,489)          | (6,580)          |
| Proceeds on disposal of property, plant and equipment  | 4,912            | 4,181            |
| Change in non-cash investing working capital (note 17)   | 11,471           | 9,338            |
| <b>Net cash flows (used in) investing activities</b>   | <b>(218,415)</b> | <b>(262,795)</b> |
| Cash flows from (used in) financing activities:  |                  |                  |
| Net proceeds from (repayment of) short-term loans and borrowings (note 18)                       | (59,790)         | 10,509           |
| Proceeds from issuance of long-term loans and borrowings (note 18)                               | 140,000          | 140,000          |
| Repayments of long-term loans and borrowings (note 18)   | (11,451)         | (10,755)         |
| Proceeds from capital contributions from the Owner of the Company (note 16)                      | 29,000           | -                |
| Dividends paid   | (19,000)         | (30,000)         |
| <b>Net cash flows from financing activities</b>  | <b>78,759</b>    | <b>109,754</b>   |
| Increase in cash   | -                | -                |
| Cash, beginning of year  | -                | -                |
| <b>Cash, end of year</b>   | <b>\$ -</b>      | <b>\$ -</b>      |

<sup>1</sup> Interest payments of \$2,416 (2016 – \$2,630) is included in acquisition or construction of property, plant and equipment.

<sup>2</sup> Interest payment of \$40 (2016 – \$140) is included in acquisition or development of intangible assets.

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2017 and 2016

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## 1. Description of business

### (a) Nature of operations

EPCOR Distribution & Transmission Inc. (the Company or EDTI) owns and operates high voltage substations and transmission lines which form part of the Alberta provincial power grid. The Company also owns and operates aerial and underground distribution lines and cables with voltages of 25 kilovolts (kV) or less and related facilities for the distribution of power within the City of Edmonton (the City).

The Company operates in Alberta with its registered head office located at 2000, 10423 – 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

EDTI is a limited company incorporated in Canada. EDTI is owned by EPCOR Utilities Holdings Inc., a wholly-owned subsidiary of EPCOR Utilities Inc. (EPCOR).

### (b) Rate regulation

The Company's operations are regulated by the Alberta Utilities Commission (AUC), pursuant to the *Electric Utilities Act* (Alberta) and the *Public Utilities Act* (Alberta). The AUC administers these acts and regulations regarding tariffs, rates, construction, financing, operations, accounting and service area. The distribution business operates under performance based regulation (PBR) following a five year PBR plan applicable for years 2013 through 2017. Under the PBR regulation, rates change annually based on a formula comprised of the following factors: inflation factor, productivity factor, capital trackers, flow-through items and exogenous adjustments for unforeseen significant items not under management's control. The capital tracker mechanism provides compensation for capital asset additions that would not otherwise be recoverable under the rate formula.

The transmission business continues to operate under cost-of-service regulation, whereby the AUC issues rate orders establishing the revenue requirements, which are those revenues required to recover approved operating costs and to provide a rate of return on a deemed capital structure applied to approved rate base assets. The Company is required to file rate applications with the AUC for the approval of energy billing rates. After a process of public consultation is completed, the AUC approves the rates for the specified period.

## 2. Basis of presentation

### (a) Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements were approved and authorized for issue by the EPCOR Board of Directors on February 15, 2018.

### (b) Basis of measurement

The Company's financial statements are prepared on the historical cost basis.

### (c) Functional and presentation currency

These financial statements are presented in Canadian dollars and all rounded to the nearest thousand dollars, except where otherwise stated.

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2017 and 2016

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## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

### (a) Changes in significant accounting policies

The Company adopted amendments to various accounting standards effective from January 1, 2017, that did not have a significant impact on these financial statements.

### (b) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company for the provision of services and where the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or to be received, excluding discounts, rebates and sales taxes or duty.

Revenues from the provision of electricity distribution and transmission services are recognized over the period in which the service is performed and collectability is probable. Revenues include an estimate of the value of electricity delivered to retailers and billed subsequent to the reporting period.

### (c) Income taxes

The Company is an indirect, wholly-owned subsidiary of a municipally owned corporation. Under the Income Tax Act (Canada) (ITA), a municipally owned corporation is subject to income tax on its taxable income if the income from activities for any relevant period that was earned outside the geographical boundaries of the municipality exceeds 10% of the corporation's total income for that period. For the current and previous year, the Company has not earned more than 10% of its income outside of the boundaries of the City. As a result, the Company is not taxable under the ITA or provincial income tax act.

### (d) Inventories

Small parts and other consumables, the majority of which are consumed by the Company in the provision of its services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Previous write-downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstances. The Company estimates the value of inventory that is expected to be used in the construction of property, plant and equipment (PP&E) and reports this value as capital inventory under PP&E.

### (e) Property, plant and equipment

PP&E are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes contracted services, materials, direct labor, directly attributable overhead costs and borrowing costs on qualifying assets. Where parts of an item of PP&E have different estimated economic useful lives, they are accounted for as separate items (major components) of PP&E.

The cost of major inspections and maintenance is recognized in the carrying amount of the item if the asset recognition criteria are satisfied. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing are expensed as incurred.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of PP&E, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land, capital inventory and construction work in progress are not depreciated. Estimating the appropriate economic useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The estimated economic useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.



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The ranges of estimated economic useful lives for PP&E assets used are as follows:

|                          |              |
|--------------------------|--------------|
| Electricity distribution | 3 – 65 years |
| Electricity transmission | 3 – 65 years |

Gains or losses on the disposal of PP&E are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are included within depreciation and amortization.

(f) Capitalized borrowing costs

The Company capitalizes interest during construction of a qualifying asset using the weighted average cost of debt incurred on EPCOR's external borrowings or specific borrowings used to finance qualifying assets. Qualifying assets are considered to be those that take a substantial period of time to construct.

(g) Intangible assets

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair value.

Land right of ways represent the costs to acquire rights to access electricity delivery corridors for a finite period of time. Land right of ways are recorded at cost at the date of acquisition. A subsequent expenditure is capitalized only when it increases the future economic benefits in the specific asset to which it relates.

The cost of intangible software includes the cost of license acquisitions, contracted services, materials, direct labor, along with directly attributable overhead costs and borrowing costs on qualifying assets.

Amortization of the cost of finite life intangible assets is recognized on a straight-line basis over the estimated economic useful lives of the assets, from the date they are available for use, as this most closely reflects the expected usage of the asset. Work in progress is not amortized. The estimated economic useful lives and methods of amortization are reviewed annually with any changes adopted on a prospective basis.

The estimated economic useful lives for intangible assets with finite lives are as follows:

|                    |              |
|--------------------|--------------|
| Land right of ways | 50 years     |
| Software           | 6 – 10 years |

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are included within depreciation and amortization.

(h) Deferred revenue

Certain assets may be acquired or constructed using non-repayable government grants, contributions from developers or customers. Non-refundable contributions received towards construction or acquisition of an item of PP&E which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight line basis over the estimated economic useful lives of the assets to which they relate.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a financing expense over the estimated time period until settlement of the obligation.

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(j) Non-derivative financial instruments

Financial assets are identified and classified as loans and receivables. Financial liabilities are classified as other financial liabilities.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Loans and receivables*

Trade and other receivables are classified as loans and receivables.

The Company's loans and receivables are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost using the effective interest method less any impairment as described in note 3(k). The effective interest method calculates the amortized cost of a financial asset or liability and allocates the finance income or expense over the term of the financial asset or liability using an effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability.

*Other financial liabilities*

The Company's trade and other payables, and loans and borrowings are recognized on the date at which the Company becomes a party to the contractual arrangement. Other financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Other financial liabilities are initially recognized at fair value plus directly attributable transaction costs, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

(k) Impairment of financial assets

The Company's financial assets held as loans and receivables are assessed for indicators of impairment at each reporting date. An impairment loss for financial assets is recorded when it is identified that there is objective evidence that one or more events has occurred, after the initial recognition of the asset, that has had a negative impact on the estimated future cash flows of the asset and that can be reliably estimated. Trade receivables and other assets that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the Company's past experience of collecting payments as well as observable changes in national or local economic conditions.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is adjusted within net income. An impairment loss is reversed only to the extent that the financial asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

(l) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Non-financial assets include PP&E and intangible assets. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at least once each year.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the

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asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or CGU).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated to the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a fundamental change, since the date of impairment, which may improve the financial performance of the non-financial asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations have been issued by the IASB and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2018. Those which may be relevant to the Company and may impact the accounting policies of the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 – *Financial Instruments* (IFRS 9) which replaces IAS 39 – *Financial Instruments: Recognition and Measurement*, includes a new classification and measurement approach for financial assets that reflects the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets including (i) measured at amortized cost, (ii) fair value through other comprehensive income, and (iii) fair value through profit or loss. IFRS 9 also replaces the “incurred loss” model under IAS 39 with a forward looking “expected credit loss” (ECL) model for recognition of impairment on financial instruments. The effective date for implementation of IFRS 9 has been set for annual periods beginning on or after January 1, 2018.

Based on the assessment of the Company's existing financial instruments, the Company does not expect any material impact on the accounting for its financial instruments as a result of the adoption of IFRS 9. The Company expects to record an adjustment to the provision of allowance of doubtful accounts on its trade receivables resulting from the application of the methodology of the calculation prescribed by the new standard. As per the Company's existing policy, the allowance for doubtful accounts is calculated on the overdue balances of trade receivables only, whereas the new impairment model requires the Company to calculate the lifetime ECL on the initial recognition of trade receivables, instead of on the overdue balances only. Accordingly, the Company will be required to recognize the lifetime ECL on all outstanding trade receivables. As the Company has very short credit periods for trade receivables, the Company does not expect any material impact due to implementation of the new requirements in IFRS 9.

IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11 - *Construction Contracts* and IAS 18 - *Revenue* and related interpretations, is effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

There are two methods by which the new standard can be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in retained earnings as of the date of adoption. The Company will adopt IFRS 15 using the modified retrospective approach with the cumulative effect of the adjustment, if any, recognized as of January 1, 2018, subject to allowable and elected practical expedients.

The Company has performed detailed analysis on each revenue stream that is within the scope of the new standard through review of the underlying contracts with customers to determine the impact of IFRS 15 on these financial statements. A significant portion of the Company's revenue is generated from the provision of utility services. The

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Company will continue to recognize utility revenue over time as the Company's customers simultaneously receive and consume the services they are provided.

The Company is finalizing its review and quantification of IFRS 15 application to contributions from customers and developers. Contributions, which may be in the form of physical assets or financial contributions, help fund infrastructure that will be used by the utility to provide ongoing services to customers. Such contributions are currently recorded as deferred revenue when received and are amortized and recognized as revenue on a straight-line basis over the estimated economic useful lives of the assets to which they relate. The Company is finalizing its review of all contributions recognized as deferred revenue to identify the contributions which will fall under the scope of IFRS 15, which includes the quantification of the impact of any change in the accounting treatment to contributions that fall within the scope of the new standard. Preliminary analysis suggests that contributions received where the utility will have an ongoing performance obligation with the contributor will fall under the scope of IFRS 15, with the fair value of the contributed assets recognized as revenue over the period which the related services will be provided. However, contributions where the utility has no ongoing performance obligation with the contributor will likely fall outside the scope of IFRS 15, and as a result, the Company is assessing whether a change in accounting treatment is required.

The Company is also finalizing its review and quantification of the impact of IFRS 15 on the recognition and presentation of system access fees. Any potential adjustment would relate only to the classification of these amounts under IFRS 15 and would not have a material impact on the adjustment recorded under the modified retrospective approach. The Company currently recognizes gross revenues which include collection of provincial transmission system access service charges. All provincial transmission system access service costs are recognized as operating expenses under electricity purchases and system access fees. The Company is finalizing its position as to whether the collection of provincial transmission system access service costs charged to customers will constitute consideration received for fulfillment of a performance obligation or are a flow-through.

For all other contracts with customers, the Company does not expect the implementation of IFRS 15 to have material changes in the timing or amounts of revenues recognized.

As a result of the adoption of the new standard, the Company will be required to include significant disclosures in the financial statements based on prescribed requirements. These new disclosures will include information regarding the significant judgments used in evaluating how and when revenues are recognized and information related to contract assets and deferred revenues. In addition, IFRS 15 requires that the Company's revenue recognition policy disclosure includes additional detail regarding the various performance obligations and the nature, amount, timing, and estimates of revenues and cash flows generated from contracts with customers. The Company is in the process of preparing its draft disclosures, which will be required for the December 31, 2018 financial statements.

IFRS 16 - Leases (IFRS 16), which replaces IAS 17 – Leases (IAS 17), is effective for annual periods commencing on or after January 1, 2019. IFRS 16 combines the existing dual model of operating and finance leases under IAS 17 into a single lessee model. Under the new single lessee model, a lessee will recognize lease assets and lease liabilities on the statement of financial position initially measured at the present value of unavoidable lease payments. IFRS 16 will also cause expenses to be higher at the beginning and lower towards the end of a lease, even when payments are consistent throughout the term. Leases for duration of twelve months or less and leases of low value assets are exempted from recognition on the statement of financial position. Lessors will continue with a dual lease classification model and the classification will determine how and when a lessor will recognize lease revenue and what assets will be recorded.

The Company is currently reviewing the contracts that are identified as leases or that could be classified as leases under IFRS 16, in order to evaluate the impact of adoption of IFRS 16 on these financial statements.

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## 4. Use of estimates

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements.

The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, are recorded in the period they become known. Actual results may differ from these estimates.

Assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

### Revenues

By regulation, electricity wire service providers in Alberta have four months to submit the final electricity load settlement data after the month in which such electricity was consumed. The data and associated processes and systems used by the Company to estimate electricity revenues and costs, including unbilled consumption, are complex. The Company's estimation procedures will not necessarily detect errors in underlying data provided by industry participants and load settlement agents.

### Fair value measurement

The Company is required to estimate fair value for determination of asset impairments. Estimates of fair value may be based on readily determinable market values or depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate.

## 5. Other

|                                  | 2017      | 2016      |
|----------------------------------|-----------|-----------|
| Fee for services                 | \$ 510    | \$ 5,418  |
| Deferred revenue recognized      | 5,849     | 7,013     |
| Provision of commercial services | 9,256     | 8,952     |
|                                  | \$ 15,615 | \$ 21,383 |

## 6. Depreciation and amortization

|  | 2017      | 2016      |
|--|-----------|-----------|
| Depreciation of property, plant and equipment      | \$ 73,812 | \$ 67,933 |
| Amortization of intangible assets                  | 4,202     | 3,993     |
| Loss on disposals of property, plant and equipment | 5,282     | 5,579     |
|  | \$ 83,296 | \$ 77,505 |

## 7. Finance expenses

|   | 2017      | 2016      |
|---|-----------|-----------|
| Interest on loans and borrowings                                | \$ 58,646 | \$ 52,794 |
| Capitalized interest on property, plant and equipment (note 10) | (2,416)   | (2,630)   |
| Capitalized interest on intangible assets (note 11)             | (40)      | (140)     |
|   | \$ 56,190 | \$ 50,024 |

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## 8. Trade and other receivables

|                                 | 2017      | 2016      |
|---------------------------------|-----------|-----------|
| Trade receivables               | \$ 19,222 | \$ 17,835 |
| Accrued revenues                | 46,750    | 34,389    |
| Gross accounts receivables      | 65,972    | 52,224    |
| Allowance for doubtful accounts | (202)     | (252)     |
|                                 | \$ 65,770 | \$ 51,972 |

Details of the aging of accounts receivables and analysis of the changes in the allowance for doubtful accounts are provided in note 21.

## 9. Inventories

|                                   | 2017     | 2016     |
|-----------------------------------|----------|----------|
| General stock                     | \$ 8,786 | \$ 9,140 |
| Transformers                      | 4,882    | 6,081    |
| Cables and wires                  | 6,392    | 7,206    |
| Cubicles                          | 3,512    | 4,808    |
|                                   | 23,572   | 27,235   |
| Less: capital inventory (note 10) | 22,389   | 26,328   |
|                                   | \$ 1,183 | \$ 907   |

During the year ended December 31, 2017, inventory of \$1,408 (2016 – \$884) was expensed to other raw materials and operating charges.

An inventory write-down of \$153 (2016 – \$67) was recognized in the year ended December 31, 2017. No reversals of previous write-downs were recorded in the years ended December 31, 2017 or 2016.

At December 31, 2017 or 2016, no inventories were pledged as security for liabilities.

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## 10. Property, plant and equipment

|                                    | Land             | Capital inventory | Construction work in progress | Distribution        | Transmission      | Total               |
|------------------------------------|------------------|-------------------|-------------------------------|---------------------|-------------------|---------------------|
| <b>Cost</b>                        |                  |                   |                               |                     |                   |                     |
| Balance, beginning of 2017         | \$ 31,747        | \$ 26,328         | \$ 56,585                     | \$ 1,506,971        | \$ 922,494        | \$ 2,544,125        |
| Additions                          | 617              | 32,450            | 197,269                       | 3,297               | -                 | 233,633             |
| Transfers into service             | -                | (36,389)          | (227,470)                     | 228,776             | 35,083            | -                   |
| Disposals and retirements          | (7,582)          | -                 | -                             | (20,399)            | (931)             | (28,912)            |
| Balance, end of 2017               | 24,782           | 22,389            | 26,384                        | 1,718,645           | 956,646           | 2,748,846           |
| <b>Accumulated depreciation</b>    |                  |                   |                               |                     |                   |                     |
| Balance, beginning of 2017         | -                | -                 | -                             | 389,119             | 224,233           | 613,352             |
| Depreciation                       | -                | -                 | -                             | 50,021              | 23,791            | 73,812              |
| Disposals and retirements          | -                | -                 | -                             | (17,959)            | (759)             | (18,718)            |
| Balance, end of 2017               | -                | -                 | -                             | 421,181             | 247,265           | 668,446             |
| <b>Net book value, end of 2017</b> | <b>\$ 24,782</b> | <b>\$ 22,389</b>  | <b>\$ 26,384</b>              | <b>\$ 1,297,464</b> | <b>\$ 709,381</b> | <b>\$ 2,080,400</b> |

|                                    | Land             | Capital inventory | Construction work in progress | Distribution        | Transmission      | Total               |
|------------------------------------|------------------|-------------------|-------------------------------|---------------------|-------------------|---------------------|
| <b>Cost</b>                        |                  |                   |                               |                     |                   |                     |
| Balance, beginning of 2016         | \$ 32,385        | \$ 24,316         | \$ 35,057                     | \$ 1,311,324        | \$ 888,322        | \$ 2,291,404        |
| Additions                          | 816              | 69,422            | 199,527                       | 4,281               | -                 | 274,046             |
| Transfers into service             | -                | (67,410)          | (177,999)                     | 209,934             | 35,475            | -                   |
| Transfers                          | -                | -                 | -                             | 619                 | 25                | 644                 |
| Disposals and retirements          | (1,454)          | -                 | -                             | (19,187)            | (1,328)           | (21,969)            |
| Balance, end of 2016               | 31,747           | 26,328            | 56,585                        | 1,506,971           | 922,494           | 2,544,125           |
| <b>Accumulated depreciation</b>    |                  |                   |                               |                     |                   |                     |
| Balance, beginning of 2016         | -                | -                 | -                             | 355,749             | 201,879           | 557,628             |
| Depreciation                       | -                | -                 | -                             | 44,636              | 23,297            | 67,933              |
| Disposals and retirements          | -                | -                 | -                             | (11,266)            | (943)             | (12,209)            |
| Balance, end of 2016               | -                | -                 | -                             | 389,119             | 224,233           | 613,352             |
| <b>Net book value, end of 2016</b> | <b>\$ 31,747</b> | <b>\$ 26,328</b>  | <b>\$ 56,585</b>              | <b>\$ 1,117,852</b> | <b>\$ 698,261</b> | <b>\$ 1,930,773</b> |

Additions include non-cash contributed assets of \$3,324 (2016 - \$4,312) (note 14).

Borrowing costs capitalized during the year ended December 31, 2017, were \$2,416 (2016 - \$2,630) (note 7). The weighted average rate used to determine the borrowing costs eligible for capitalization was 5.65% (2016 - 5.52%).

There are no security charges over the Company's property, plant and equipment.

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## 11. Intangible assets

|                                    | Work in<br>progress | Land<br>right<br>of ways | Software         | Total            |
|------------------------------------|---------------------|--------------------------|------------------|------------------|
| <b>Cost</b>                        |                     |                          |                  |                  |
| Balance, beginning of 2017         | \$ 3,236            | \$ 13,305                | \$ 60,502        | \$ 77,043        |
| Investment in intangible assets    | 4,486               | 3                        | -                | 4,489            |
| Transfers into service             | (6,985)             | -                        | 6,985            | -                |
| Disposals and retirements          | -                   | -                        | (24,215)         | (24,215)         |
| Balance, end of 2017               | 737                 | 13,308                   | 43,272           | 57,317           |
| <b>Accumulated amortization</b>    |                     |                          |                  |                  |
| Balance, beginning of 2017         | -                   | 2,078                    | 37,419           | 39,497           |
| Amortization                       | -                   | 267                      | 3,935            | 4,202            |
| Disposals and retirements          | -                   | -                        | (24,215)         | (24,215)         |
| Balance, end of 2017               | -                   | 2,345                    | 17,139           | 19,484           |
| <b>Net book value, end of 2017</b> | <b>\$ 737</b>       | <b>\$ 10,963</b>         | <b>\$ 26,133</b> | <b>\$ 37,833</b> |
| <b>Cost</b>                        |                     |                          |                  |                  |
| Balance, beginning of 2016         | \$ -                | \$ 13,244                | \$ 57,863        | \$ 71,107        |
| Investment in intangible assets    | 6,519               | 61                       | -                | 6,580            |
| Transfers into service             | (2,639)             | -                        | 2,639            | -                |
| Transfers                          | (644)               | -                        | -                | (644)            |
| Balance, end of 2016               | 3,236               | 13,305                   | 60,502           | 77,043           |
| <b>Accumulated amortization</b>    |                     |                          |                  |                  |
| Balance, beginning of 2016         | -                   | 1,813                    | 33,691           | 35,504           |
| Amortization                       | -                   | 265                      | 3,728            | 3,993            |
| Balance, end of 2016               | -                   | 2,078                    | 37,419           | 39,497           |
| <b>Net book value, end of 2016</b> | <b>\$ 3,236</b>     | <b>\$ 11,227</b>         | <b>\$ 23,083</b> | <b>\$ 37,546</b> |

Borrowing costs capitalized on intangible assets during the year ended December 31, 2017, were \$40 (2016 – \$140) (note 7). The weighted average rate used to determine the borrowing costs eligible for capitalization was 5.65% (2016 – 5.52%).

There are no security charges over the Company's intangible assets.

## 12. Trade and other payables

|                     | 2017             | 2016             |
|---------------------|------------------|------------------|
| Trade payables      | \$ 50,959        | \$ 35,276        |
| Accrued liabilities | 34,814           | 29,468           |
| Accrued interest    | 6,382            | 4,982            |
|                     | <b>\$ 92,155</b> | <b>\$ 69,726</b> |



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## 13. Loans and borrowings

|   | 2017         | 2016         |
|---|--------------|--------------|
| <b>Short-term note payable to EPCOR</b> | \$ 34,168    | \$ 93,958    |
| <b>Long-term notes payable to EPCOR</b> |              |              |
| At 7.30%, due in 2019                   | 100,000      | 100,000      |
| At 7.30%, due in 2022                   | 9,052        | 10,697       |
| At 6.65%, due in 2023                   | 31,141       | 35,243       |
| At 6.65%, due in 2023                   | 8,898        | 10,070       |
| At 6.07%, due in 2024                   | 22,063       | 24,527       |
| At 5.27%, due in 2025                   | 21,056       | 23,124       |
| At 5.37%, due in 2026                   | 60,000       | 60,000       |
| At 6.08%, due in 2027                   | 55,000       | 55,000       |
| At 8.17%, due in 2028                   | 65,000       | 65,000       |
| At 6.10%, due in 2039                   | 15,000       | 15,000       |
| At 4.37%, due in 2041                   | 100,000      | 100,000      |
| At 4.08%, due in 2042                   | 35,000       | 35,000       |
| At 4.74%, due in 2043                   | 135,000      | 135,000      |
| At 4.19%, due in 2044                   | 135,000      | 135,000      |
| At 4.17%, due in 2045                   | 25,000       | 25,000       |
| At 4.16%, due in 2045                   | 75,000       | 75,000       |
| At 4.09%, due in 2046                   | 140,000      | 140,000      |
| At 3.62%, due in 2047                   | 50,000       | -            |
| At 3.75%, due in 2047                   | 90,000       | -            |
|   | 1,172,210    | 1,043,661    |
|   | 1,206,378    | 1,137,619    |
| Less: current portion                   | 46,360       | 105,409      |
|   | \$ 1,160,018 | \$ 1,032,210 |

Short-term note payable to EPCOR is unsecured and due on demand.

The long-term notes payable to EPCOR are unsecured and the stated interest rate approximates the effective interest rate. For the notes due in 2019, 2026, 2027, 2028, 2039, 2041, 2042, 2043, 2044, 2045, 2046 and 2047 interest is payable semi-annually while principal is due at the end of the term. For the notes due in 2022, 2023, 2024 and 2025, principal and interest are payable semi-annually.

## 14. Deferred revenue

|                            | 2017       | 2016       |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 168,148 | \$ 159,088 |
| Contributions received     | 16,336     | 16,073     |
| Revenue recognized         | (5,849)    | (7,013)    |
|                            | 178,635    | 168,148    |
| Less: current portion      | 5,710      | 5,504      |
| Balance, end of year       | \$ 172,925 | \$ 162,644 |

Contributions received include non-cash contributions of \$3,324 (2016 – \$4,312) (note 10).

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## 15. Provisions

|                       | 2017     | 2016      |
|-----------------------|----------|-----------|
| Employee benefits     | \$ 8,986 | \$ 10,510 |
| Less: current portion | 4,976    | 5,327     |
|                       | \$ 4,010 | \$ 5,183  |

Employee benefits consist mainly of obligations for benefits provided to employees on long-term disability leaves and employee incentive plans.

## 16. Share capital

### Authorized shares

Unlimited number of voting common shares without nominal or par value.

### Issued shares

11,601 Class A common shares (2016 – 11,601).

|                     | 2017       | 2016       |
|---------------------|------------|------------|
| Common shares       | \$ 191,254 | \$ 191,254 |
| Contributed surplus | 196,000    | 167,000    |
|                     | \$ 387,254 | \$ 358,254 |

## 17. Change in non-cash working capital

|                             | 2017        | 2016      |
|-----------------------------|-------------|-----------|
| Trade and other receivables | \$ (13,798) | \$ 9,959  |
| Inventories                 | (276)       | (148)     |
| Prepaid expenses            | (148)       | 28        |
| Trade and other payables    | 22,429      | 7,042     |
|                             | \$ 8,207    | \$ 16,881 |

|   | 2017     | 2016      |
|---|----------|-----------|
| Included in specific items on statements of cash flows: |          |           |
| Interest paid   | \$ 1,400 | \$ 452    |
| Operating activities                                    | (4,664)  | 7,091     |
| Investing activities                                    | 11,471   | 9,338     |
|   | \$ 8,207 | \$ 16,881 |

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

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Years ended December 31, 2017 and 2016

## 18. Changes in liabilities arising from financing activities:

|                              | Short-term<br>loans and<br>borrowings | Long-term<br>loans and<br>borrowings |
|------------------------------|---------------------------------------|--------------------------------------|
| Balance at December 31, 2015 | \$ 83,449                             | \$ 914,416                           |
| Issued                       | 1,396,025                             | 140,000                              |
| Redemptions or repayments    | (1,385,516)                           | (10,755)                             |
| Balance at December 31, 2016 | 93,958                                | 1,043,661                            |
| Issued                       | 1,219,154                             | 140,000                              |
| Redemptions or repayments    | (1,278,944)                           | (11,451)                             |
| Balance at December 31, 2017 | \$ 34,168                             | \$1,172,210                          |

## 19. Related party balances and transactions

The Company is indirectly 100% owned by EPCOR, which is in turn 100% owned by the City. The Company provides operations management, maintenance, repair, engineering services, system control and general plant services to EPCOR and its subsidiaries and purchases services from EPCOR and its subsidiaries relating to operational and inventory management, administration, maintenance, repair, utilities, facilities, general plant use, employee costs, executive oversight, legal, finance, treasury, audit, human resources, procurement, and information technology services pursuant to service agreements. Transactions between the Company and its related parties are in the normal course of operations, and are generally based on normal commercial rates, as approved by regulation.

The following summarizes the Company's related party transactions with EPCOR and its subsidiaries:

|  | 2017       | 2016       |
|--|------------|------------|
| <b>Statements of Comprehensive Income</b>      |            |            |
| Revenues and other income (a)                  | \$ 197,824 | \$ 174,845 |
| Other raw materials and operating charges (b)  | 2,367      | 2,409      |
| Staff costs and employee benefits expenses (c) | 48,954     | 53,200     |
| Other administrative expenses (d)              | 27,892     | 30,052     |
| Finance expenses (e)                           | 56,190     | 50,024     |

(a) Comprised of tariff of \$191,922 (2016 – \$164,110) for electricity provided to affiliated retailers and service revenue of \$5,902 (2016 – \$10,735) for the provision of maintenance, repair, construction and other services.

(b) Relates to expenditures for utilities, asset usage fees, maintenance and repair.

(c) Relates to staff costs and employee benefits expenses paid by EPCOR on behalf of EDTI.

(d) Comprised of administrative services provided by EPCOR of \$27,530 (2016 – \$28,759), and subsidiaries of EPCOR of \$362 (2016 – \$1,293).

(e) Relates to interest expense on short-term and long-term notes payable to EPCOR.

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The following summarizes the Company's related party balances with EPCOR and its subsidiaries:

|   | 2017      | 2016      |
|---|-----------|-----------|
| <b>Statements of Financial Position</b> |           |           |
| Trade and other receivables (f)         | \$ 19,918 | \$ 15,256 |
| Property, plant and equipment (g)       | 76,382    | 82,050    |
| Trade and other payables (h)            | 11,665    | 12,028    |
| Loans and borrowings (i)                | 1,206,378 | 1,137,619 |
| Provisions (j)                          | 8,986     | 10,510    |

(f) Comprised of tariff receivables and tariff accruals for electricity services of \$19,863 (2016 – \$14,720) and other services receivables of \$55 (2016 – \$536).

(g) Relates to expenditures for construction services.

(h) Includes accrued interest on long-term notes payable to EPCOR of \$6,382 (2016 – \$4,982).

(i) Relates to short-term and long-term notes payable to EPCOR.

(j) Relates to provisions for employee benefits.

The Company provides maintenance, repair and construction services to the City, while it purchases from the City, mobile equipment services, public works and various other services pursuant to service agreements with the City. Transactions between the Company and the City are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

The following summarizes the Company's related party transactions with the City:

|   | 2017   | 2016   |
|---|--------|--------|
| <b>Statements of Comprehensive Income</b>     |        |        |
| Revenues and other income (k)                 | \$ 99  | \$ 344 |
| Other raw materials and operating charges (l) | 3,480  | 3,587  |
| Franchise fees and property taxes (m)         | 78,447 | 70,819 |
| Other administrative expenses (n)             | 95     | 97     |

(k) Relates to service revenue for the provision of maintenance, repair and construction services.

(l) Relates to costs of mobile equipment services (MES), public works and various other services.

(m) Franchise fees of \$62,910 at 0.43 cents per kilowatt hour for direct connect customers and at 0.84 cents per kilowatt hour for all other customers (2016 – \$56,518 at 0.39 cents per kilowatt hour for direct connect customers and 0.76 cents per kilowatt hour for all other customers) of electric distribution capacity and property taxes of \$15,537 (2016 – \$14,301) on property owned within the City municipal boundaries.

(n) Relates to depreciation and MES administration.

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The following summarizes the Company's related party balances with the City:

|   | 2017   | 2016   |
|---|--------|--------|
| <b>Statements of Financial Position</b> |        |        |
| Trade and other receivables (o)         | \$ 530 | \$ 599 |
| Property, plant and equipment (p)       | 2,704  | 2,438  |
| Trade and other payables (q)            | 1,031  | 609    |
| Deferred revenue (r)                    | 579    | 1,080  |

(o) Relates to receivables for the provision of maintenance, repair, and construction services.

(p) Relates to expenditures for meter inspection costs and other projects.

(q) Relates to accruals for mobile equipment services, and maintenance and repair services received and not billed.

(r) Relates to capital contributions.

## 20. Financial instruments

### Classification

The classification of the Company's financial instruments at December 31, 2017 and 2016, is summarized as follows:

|                                      | Classification        |                             | Fair value hierarchy |
|--------------------------------------|-----------------------|-----------------------------|----------------------|
|                                      | Loans and receivables | Other financial liabilities |                      |
| <b>Measured at amortized cost</b>    |                       |                             |                      |
| Trade and other receivables (note 8) | X                     |                             | Level 3              |
| Trade and other payables (note 12)   |                       | X                           | Level 3              |
| Loans and borrowings (note 13)       |                       | X                           | Level 2              |

### Fair value

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial liabilities are as follows:

|                                | 2017            |              | 2016            |              |
|--------------------------------|-----------------|--------------|-----------------|--------------|
|                                | Carrying amount | Fair value   | Carrying amount | Fair value   |
| Loans and borrowings (note 13) | \$ 1,206,378    | \$ 1,375,148 | \$ 1,137,619    | \$ 1,275,595 |

### Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

### Loans and borrowings

Short-term debt is measured at amortized cost and its fair value is not materially different from its carrying amount due to its short-term nature.

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

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The fair value of the Company's long-term loans and borrowings is based on determining a current yield for the Company's debt as at December 31, 2017 and 2016. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

## 21. Financial risk management

### Overview

The Company is exposed to a number of different financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk which includes financial risk. Enterprise risk management is overseen by EPCOR's Board of Directors and senior management is responsible for fulfilling objectives, targets, and policies approved by the Board of Directors of EPCOR. EPCOR's Director, Audit and Risk Management provide the Board of Directors of EPCOR with an enterprise risk assessment quarterly. Risk management strategies, policies, and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and minimize volatility in earnings and cash flow.

Financial risk management including interest rate risk, liquidity risk and the associated credit risk management is carried out by the centralized Treasury function of EPCOR in accordance with applicable policies. The Audit Committee of the Board of Directors of EPCOR, in its oversight role, performs regular and ad-hoc reviews of risk management controls and procedures to help ensure compliance.

### Market risk

Market risk is the risk of loss that results from changes in market factors such as electricity prices and interest rates. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held. EPCOR's financial exposure management policy is approved by the Board of Directors of EPCOR and the associated procedures and practices are designed to manage the interest rate risk throughout the Company.

#### *Interest rate risk*

The Company is exposed to interest rate risk from the possibility that changes in the interest rates will affect future cash flows or the fair values of its financial instruments. Interest rate risk associated with short-term debt is immaterial due to its short-term maturity. At December 31, 2017 and 2016, all long-term debt was fixed rate.

### Credit risk

Credit risk is the possible financial loss associated with the ability of counterparties to satisfy their contractual obligations to the Company, including payment and performance. EPCOR's counterparty credit risk management policy is approved by the Board of Directors of EPCOR and the associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit and counterparty risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into a transaction with the counterparty. Exposures and concentrations are subsequently monitored and are regularly reported to senior management. Creditworthiness continues to be evaluated after transactions have been initiated, at a minimum, on an annual basis. To manage and mitigate credit risk, the Company employs various credit mitigation practices such as master netting agreements, pre-payment arrangements and other forms of credit enhancements including cash deposits, parent company guarantees, and bank letters of credit.

#### *Maximum credit risk exposure*

The Company's maximum exposure related to the carrying value of trade and other receivables is \$3,573 (2016 – \$3,464).

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

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## *Credit quality and concentrations*

The Company is exposed to credit risk on outstanding trade receivables associated with electricity services and agreements with the AESO and on energy supply agreements with retailers.

The Company's trade receivables are unrated, unsecured and not of investment grade.

## *Rate-regulated customer credit risk*

Credit risk exposure is generally limited to amounts due from retailers for electricity consumed but not yet paid for. The Company mitigates credit risk from counterparties by performing credit checks and on higher risk retailers, by taking cash deposits or letters of credit.

## *Trade and other receivables and allowance for doubtful accounts*

Trade and other receivables consist primarily of amounts due from the AESO for transmission tariffs, amounts due from related parties and retailers, and amounts due from commercial customers. The Company mitigates these exposures by dealing with creditworthy counterparties and, when appropriate and contractually allowed, obtaining appropriate security from customers.

Credit losses are generally low and the Company provides an allowance for doubtful accounts on estimated credit losses.

The aging of accounts receivables was as follows:

| December 31, 2017             | Gross accounts receivables | Allowance for doubtful accounts | Net accounts receivables |
|-------------------------------|----------------------------|---------------------------------|--------------------------|
| Current <sup>1</sup>          | \$ 65,246                  | \$ 64                           | \$ 65,182                |
| Outstanding 31 to 60 days     | 403                        | 14                              | 389                      |
| Outstanding 61 to 90 days     | 67                         | 17                              | 50                       |
| Outstanding more than 90 days | 256                        | 107                             | 149                      |
|                               | \$ 65,972                  | \$ 202                          | \$ 65,770                |

| December 31, 2016             | Gross accounts receivables | Allowance for doubtful accounts | Net accounts receivables |
|-------------------------------|----------------------------|---------------------------------|--------------------------|
| Current <sup>1</sup>          | \$ 51,624                  | \$ 72                           | \$ 51,552                |
| Outstanding 31 to 60 days     | 296                        | 46                              | 250                      |
| Outstanding 61 to 90 days     | 86                         | 26                              | 60                       |
| Outstanding more than 90 days | 218                        | 108                             | 110                      |
|                               | \$ 52,224                  | \$ 252                          | \$ 51,972                |

<sup>1</sup> Current amounts represent trade and other receivables outstanding up to 30 days. Amounts outstanding for more than 30 days are considered past due.

Bad debt (recovery) expense of (\$17) (2016 - \$224) recognized in the year relates to changes in customer amounts that the Company determined may not be fully collectable. Allowances for doubtful accounts are determined by considering the unique factors of different customer types. Allowances and write-offs are determined either by applying specific risk factors to customer groups' aged balances in trade and other receivables or by reviewing material accounts on a case-by-case basis. Reductions in trade and other receivables and the related allowance for doubtful accounts are recorded when the Company has determined that recovery is not possible.

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The changes in the allowance for doubtful accounts were as follows:

|                            | 2017   | 2016   |
|----------------------------|--------|--------|
| Balance, beginning of year | \$ 252 | \$ 167 |
| Change in allowance        | (17)   | 224    |
| Recoveries of receivables  | 2      | 5      |
| Receivables written off    | (35)   | (144)  |
| Balance, end of year       | \$ 202 | \$ 252 |

At December 31, 2017, the Company held \$3,342 (2016 – \$2,608) of customer deposits for the purpose of mitigating the credit risk associated with trade and other receivables from commercial customers and retailers.

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by EPCOR's Treasury function. EPCOR manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements of the Company are addressed through operating cash flows, and if necessary, intercompany financing from EPCOR. As at December 31, 2017 and 2016, the Company was in compliance with all debt covenants.

The Company has a private indicative rating of A (low), assigned by DBRS Limited.

The undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, are as follows:

| At December 31, 2017                      | 2018       | 2019      | 2020     | 2021      | 2022      | 2023 and thereafter | Total contractual cash flows |
|---|------------|-----------|----------|-----------|-----------|---------------------|------------------------------|
| Trade and other payables <sup>1</sup>     | \$ 85,773  | \$ -      | \$ -     | \$ -      | \$ -      | \$ -                | \$ 85,773                    |
| Loans and borrowings                      | 46,360     | 112,982   | 13,823   | 14,719    | 14,476    | 1,004,018           | 1,206,378                    |
| Interest payments on loans and borrowings | 58,536     | 53,994    | 49,614   | 48,695    | 47,742    | 805,553             | 1,064,134                    |
|   | \$ 190,669 | \$166,976 | \$63,437 | \$ 63,414 | \$ 62,218 | \$ 1,809,571        | \$2,356,285                  |

| At December 31, 2016                      | 2017       | 2018      | 2019      | 2020      | 2021      | 2022 and thereafter | Total contractual cash flows |
|---|------------|-----------|-----------|-----------|-----------|---------------------|------------------------------|
| Trade and other payables <sup>1</sup>     | \$ 64,744  | \$ -      | \$ -      | \$ -      | \$ -      | \$ -                | \$ 64,744                    |
| Loans and borrowings                      | 105,409    | 12,192    | 112,982   | 13,823    | 14,719    | 878,494             | 1,137,619                    |
| Interest payments on loans and borrowings | 54,096     | 53,351    | 48,812    | 44,425    | 43,510    | 719,945             | 964,139                      |
|   | \$ 224,249 | \$ 65,543 | \$161,794 | \$ 58,248 | \$ 58,229 | \$ 1,598,439        | \$2,166,502                  |

<sup>1</sup> Excluding accrued interest on loans and borrowings of \$6,382 (2016 – \$4,982).

The Company's undiscounted cash flow requirements and contractual maturities in the next twelve months of \$190,669 (2016 - \$224,249) will be funded from operating cash flows.



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## 22. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay dividends to its shareholder in accordance with the Company's dividend policy, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Alberta consistent with the Company's growth strategy. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets and in accordance with AUC regulatory decisions. This overall objective and policy for managing capital remained unchanged in the current year from the prior year.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of loans and borrowings and shareholder's equity. The following table represents the Company's total capital:

|  | 2017         | 2016         |
|--|--------------|--------------|
| Loans and borrowings (including current portion) (note 13) | \$ 1,206,378 | \$ 1,137,619 |
| Total equity   | 699,663      | 635,678      |
| Total capital  | \$ 1,906,041 | \$ 1,773,297 |

To manage or adjust its capital structure, the Company can issue new debt, repay existing debt, issue dividends, enhance or reduce the contributed surplus or issue or redeem common shares.

For the years ended December 31, 2017 and 2016, the Company complied with all externally imposed capital restrictions.

The return on equity (ROE) approved for the distribution and transmission businesses was 8.50% (2016 – 8.30%). The capital structure (equity ratio) was 37% (2016 – 37%) and 37% (2016 – 37%) for the distribution and transmission businesses, respectively. The approved ROE is set annually based on cost of capital hearings conducted by the AUC.

## 23. Commitments and contingencies

The following are the Company's commitments and contingencies not otherwise disclosed in these financial statements as at December 31, 2017:

- Commitments for the purchase of general administrative and operation services from EPCOR and its subsidiaries are estimated at \$30,510 (2016 – \$37,226). These estimates are subject to change based on actual activity levels.
- The Company has committed to various Distribution and Transmission projects as directed by the AESO with an estimated balance of \$89,525 (2016 - \$91,317).
- The Company is subject to various legal claims that may arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

## 24. Comparative information

The comparative information in these financial statements have been reclassified, where applicable, to conform to current year presentation.