SCHEDULE 1

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	**Revenues**						
2	Distribution Access System Tariff	Sch 6	208,195	192,163	16,032	8.3%	
3	Transmission System Access Tariff	Sch 10	0	250,285	(250,285)	-100.0%	Note 1
4	Franchise Fee	Sch 10	61,120	62,910	(1,790)	-2.8%	
5	Deferral Accounts		0	0	0	0.0%	
6	Payment from Balancing Pool		0	0	0	0.0%	
7	**Total Revenues**		269,316	505,359	(236,043)	8.3%	
8	**Costs**						
9	Costs of Sales	Sch 10	0	250,285	(250,285)	-100.0%	Note 1
10	Operating Costs	Sch 3 + Sch 10	134,742	142,635	(7,894)	-5.5%	
11	Depreciation	Sch 4 + Sch 10	54,484	49,352	5,132	10.4%	
12	Return on Rate Base	Sch 2 + Sch 10	87,473	70,202	17,272	24.6%	
13	Income Tax Expense	Sch 5 + Sch 10	0	0	0	0.0%	
14	Revenue Offsets	Sch 10	(7,988)	(8,820)	832	-9.4%	
15	Deferral Accounts	Sch 9 + Sch 10	604	1,705	(1,101)	-64.6%	
16	**Total Costs**		269,316	505,359	(236,043)	-46.7%	
17	**DAS Tariff Revenues**	Sch 10	**208,195**	**192,163**	**(236,043)**	**8.3%**	

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

Note 1 As a result of the implementation of IFRS 15, transmission system access tariff revenue is netted against the cost of sales.

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF RETURN ON RATE BASE
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 2

2018 Actual

Line No.	Description	Cross-Reference	Mid-Year Capital	2018 Prescribed Ratio	Prorated Rate Base	Cost Rate %	Return $	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Cost of Debt	Sch 2.1	1,240,443	63.00%	781,479	4.84%	37,852	1,968	5.48%	
2	Return on Equity	Sch 2.1	1,240,443	37.00%	458,964	10.81%	49,621	15,304	44.59%	Note 1
3	**Mid-Year Net Rate Base (Capital Invested)**	Sch 2.1	1,240,443	100.00%	1,240,443	7.05%				
4	**Return on Rate Base**	Sch 2.1					87,473			

2017 Actual

Line No.	Description	Cross-Reference	Mid-Year Capital	2017 Prescribed Ratio	Prorated Rate Base	Cost Rate %	Return $	Var. Actual to Prior Year	Var %
1	Cost of Debt	Sch 2.1	1,157,042	63.00%	728,937	4.92%	35,884		
2	Return on Equity	Sch 2.1	1,157,042	37.00%	428,106	8.02%	34,318		
3	**Mid-Year Net Rate Base (Capital Invested)**	Sch 2.1	1,157,042	100.00%	1,157,042	6.07%			
4	**Return on Rate Base**	Sch 2.1					70,202		

Note 1: The return on equity is higher in 2018 Actual versus 2017 Actual due to an increase in DAS revenues and lower operating costs

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF MID-YEAR RATE BASE
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 2.1

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
	Gross Utility Plant in Service						
1	Opening Balance		1,806,971	1,600,852	206,119	12.9%	
2	Closing Balance		1,930,438	1,806,971	123,467	6.8%	
3	**Mid-Year Gross Utility Plant in Service**		1,868,705	1,703,911	164,793	9.7%	
	Accumulated Depreciation - Utility						
4	Opening Balance		(434,648)	(400,901)	(33,748)	8.4%	
5	Closing Balance		(484,530)	(434,648)	(49,881)	11.5%	
6	**Mid-Year Accumulated Depreciation - Utility**		(459,589)	(417,774)	(41,815)	10.0%	
	Contributions in Aid of Construction						
7	Opening Balance		216,719	202,928	13,791	6.8%	
8	Closing Balance		232,161	216,719	15,442	7.1%	
9	**Mid-Year Utility Contributions in Aid of Construction**		224,440	209,824	14,616	7.0%	
	Amortization of Contributions						
10	Opening Balance		(66,430)	(63,102)	(3,328)	5.3%	
11	Closing Balance		(70,975)	(66,430)	(4,545)	6.8%	
12	**Mid-Year Utility Amortization of Contributions**		(68,702)	(64,766)	(3,937)	6.1%	
13	**Mid-Year Net Utility Plant in Service**		1,253,378	1,141,079	112,299	9.8%	Note 1
14	Necessary Working Capital		(12,935)	15,963	(28,898)	-181.0%	Note 2
15	Other No Cost Capital						
16	**Mid-Year Net Rate Base (Capital Invested)**	Sch 2	1,240,443	1,157,042	83,401	7.2%	
	Reconciliation of Mid-Year Net Rate Base (Capital Invested) to Schedule 4.1						
	Gross Utility Plant in Service (Net of Contributions)						
17	Opening Balance (Line 1 - Line 7)	Sch 4.1	1,590,252	1,397,923	192,329	13.8%	
18	Closing Balance (Line 2 - Line 8)	Sch 4.1	1,698,278	1,590,252	108,025	6.8%	
19	Mid-Year Gross Utility Plant in Service (Line 17 + Line 18)/2		1,644,265	1,494,088	150,177	10.1%	
	Accumulated Depreciation - Utility (Net of Contributions)						
20	Opening Balance (Line 4 - Line 10)	Sch 4.1	(368,219)	(337,799)	(30,420)	9.0%	
21	Closing Balance (Line 5 - Line 11)	Sch 4.1	(413,555)	(368,219)	(45,336)	12.3%	
22	Mid-Year Utility Amortization (Line 19 + Line 20)/2		(390,887)	(353,009)	(37,878)	10.7%	
23	**Mid-Year Net Utility Plant in Service (Line 19 + Line 21)**	Line 13	1,253,378	1,141,079	112,299	9.8%	

Note 1: The Mid-Year Net Utility Plant in Service is higher in 2018 versus 2017 due to the half year impact of 2018 additions to rate base of $117.17 million
See Schedule 4.2 for details of Distribution's capital additions

Note 2: Working Capital variance of $28.90 million decrease for 2018 Actuals compared to 2017 Actuals is due to the following:
- A $29.04 million decrease in mid year deferral and reserve accounts primarily from the decrease in the mid-year Transmission charge deferral account balance, the mid-year Property, Business and Linear tax deferral account balance, and an decrease in the mid-year AESO Load Settlement charge deferral account
- A $2.82 million decrease due to a change in inventory working capital
- A $0.46 million decrease due to a change in long term debt working capital
These decreases have been partially offset by the following increases:
- A $2.65 million increase in return on common equity working capital
- A $0.46 million increase in depreciation expense working capital
- A $0.32 million increase in operating expenses primarily from lower Transmission system access service cost

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF MID-YEAR CAPITAL STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

Line No.	Description	Cross-Reference	Current Year-End	Previous Year-End	2018 Actual Mid-Year Capital	2018 Actual Capital Ratio	2017 Actual Mid-Year Capital	2017 Actual Capital Ratio	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Short-term debt	Sch 2.3	32,398	0	16,199	1.3%	25,405	2.2%	(9,206)	-56.8%	Note 1
2	Long-term debt	Sch 2.3	775,765	784,358	780,061	62.3%	718,400	62.1%	61,661	7.9%	Note 2
3	Preferred shares	Sch 2.4	0	0	0	0.0%	0	0.0%	0	0.0%	
4	Common equity	Sch 11	470,163	441,450	455,807	36.4%	413,942	35.8%	41,865	9.2%	Note 3
5	**Total Mid-Year Invested Capital**		1,278,326	1,225,808	1,252,067	100.0%	1,157,747	100.0%	94,320	7.5%	

Note 1: The change in mid-year short-term debt in 2018 compared to 2017 is due to capital spending and the 2017 conversion of short term debt into long term debt.

Note 2: The increase in mid-year long-term debt is primarily due to EDTI issuing 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 a $41.86 million increase in retained earnings in 2018.

EPCOR Distribution & Transmission Inc. (Distribution)
SCHEDULE OF DEBT CAPITAL EMPLOYED
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

2018 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	Annualized Carrying Cost	Average Embedded Cost Rate	Interest Expense
1		EDI0001		06/28/99	06/28/19	7.30%	60,000	-	60,000	7.30%	60,000	4,380	7.30%	4,380
2		EDI0002		10/31/03	10/31/23	6.65%	70,000	-	70,000	7.28%	26,761	1,949	7.28%	1,949
3		EDI0003		12/31/04	12/31/24	6.07%	35,000	-	35,000	6.68%	15,126	1,011	6.68%	1,011
4		EDI0004		01/03/06	12/31/25	5.27%	40,000	-	40,000	5.72%	18,878	1,081	5.72%	1,081
5		EDI0005		12/28/06	12/28/26	5.37%	30,000	-	30,000	5.37%	30,000	1,611	5.37%	1,611
6		EDI0006		12/28/07	12/28/27	6.08%	20,000	-	20,000	6.08%	20,000	1,216	6.08%	1,216
7		EDI0007		12/30/08	12/30/28	8.17%	35,000	-	35,000	8.17%	35,000	2,860	8.17%	2,860
8		EDI0008		12/30/09	12/30/39	6.10%	10,000	-	10,000	6.10%	10,000	610	6.10%	610
9		EDI0009		12/01/11	12/01/41	4.37%	75,000	-	75,000	4.37%	75,000	3,278	4.37%	3,278
10		EDI0010		07/03/12	07/03/42	4.08%	35,000	-	35,000	4.08%	35,000	1,428	4.08%	1,428
11		EDI0011		11/25/13	11/25/43	4.74%	50,000	-	50,000	4.74%	50,000	2,370	4.74%	2,370
12		EDI0012		11/21/14	11/21/44	4.19%	75,000	-	75,000	4.19%	75,000	3,143	4.19%	3,143
13		EDI0013		07/22/15	07/22/44	4.16%	75,000	-	75,000	4.16%	75,000	3,120	4.16%	3,120
14		EDI0014		12/01/16	12/01/46	4.09%	110,000	-	110,000	4.09%	110,000	4,499	4.09%	4,499
15		EDI0015		07/04/17	07/04/47	3.62%	50,000	-	50,000	3.58%	50,000	1,790	3.58%	1,810
16		EDI0016		11/01/17	11/01/47	3.75%	90,000	-	90,000	3.70%	90,000	3,330	3.70%	3,375
17	Sch 2.2	Current Year-End Balance Long Term Debt					860,000	-	860,000		775,765	37,674	4.86%	37,739
18	Sch 2.2	Current Year-End Balances Short Term Debt					32,398		32,398		32,398	1,280		473
19		Total Current Year-End Balance Debt Outstanding					892,398	-	892,398		808,163	38,953	4.82%	38,212
20		**Prior Year-End Balance Debt Outstanding**									784,358	38,183	4.87%	
21		Mid-Year Balance Debt Outstanding									796,260	38,568	4.84%	

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	Annualized Carrying Cost	Average Embedded Cost Rate	Interest Expense
1		EDI0001		06/28/99	06/28/19	7.30%	60,000	-	60,000	7.30%	60,000	4,380	7.30%	4,380
2		EDI0002		10/31/03	10/31/23	6.65%	70,000	-	70,000	7.16%	31,141	2,229	7.16%	2,229
3		EDI0003		12/31/04	12/31/24	6.07%	35,000	-	35,000	6.58%	17,160	1,129	6.58%	1,129
4		EDI0004		01/03/06	12/31/25	5.27%	40,000	-	40,000	5.66%	21,056	1,191	5.66%	1,191
5		EDI0005		12/28/06	12/28/26	5.37%	30,000	-	30,000	5.37%	30,000	1,611	5.37%	1,611
6		EDI0006		12/28/07	12/28/27	6.08%	20,000	-	20,000	6.08%	20,000	1,216	6.08%	1,216
7		EDI0007		12/30/08	12/30/28	8.17%	35,000	-	35,000	8.17%	35,000	2,860	8.17%	2,860
8		EDI0008		12/30/09	12/30/39	6.10%	10,000	-	10,000	6.10%	10,000	610	6.10%	610
9		EDI0009		12/01/11	12/01/41	4.37%	75,000	-	75,000	4.37%	75,000	3,278	4.37%	3,278
10		EDI0010		07/03/12	07/03/42	4.08%	35,000	-	35,000	4.08%	35,000	1,428	4.08%	1,428
11		EDI0011		11/25/13	11/25/43	4.74%	50,000	-	50,000	4.74%	50,000	2,370	4.74%	2,370
12		EDI0012		11/21/14	11/21/44	4.19%	75,000	-	75,000	4.19%	75,000	3,143	4.19%	3,143
13		EDI0013		07/22/15	07/22/44	4.16%	75,000	-	75,000	4.16%	75,000	3,120	4.16%	3,120
14		EDI0014		12/01/16	12/01/46	4.09%	110,000	-	110,000	4.09%	110,000	4,499	4.09%	4,499
15		EDI0015		04/07/17	07/04/47	3.62%	50,000	-	50,000	3.58%	50,000	1,790	3.58%	895
16		EDI0016		01/11/17	11/01/47	3.75%	90,000	-	90,000	3.70%	90,000	3,330	3.70%	564
17		Current Year-End Balance Long Term Debt					860,000	-	860,000		784,358	38,183	4.87%	34,522
18		Current Year-End Balances Short Term Debt					0		0		0	0		2,049
19		Total Current Year-End Balance Debt Outstanding					860,000	-	860,000		784,358	38,183	4.87%	36,571
20		**Prior Year-End Balance Debt Outstanding**									703,253	35,049	4.98%	
21	Sch 2.2	Mid-Year Balance Debt Outstanding									743,805	36,616	4.92%	

Note 1 : The interest rate on EDI0015 & EDI0016 has been adjusted as directed in Decision 23571-D01-2019, para. 35
Note 2: EDTI added actual interest expense (Column O) in response to Decision 22570-D01-2018, Direction

EPCOR Distribution & Transmission Inc. (Distribution)
SCHEDULE OF PREFERRED SHARE CAPITAL EMPLOYED
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 2.4

2018 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%	
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.

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
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, 2018
($000s)

SCHEDULE 3

Line No.	USA No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	**Distribution Expenses Operation and Maintenance**							
2	580	Supervision and engineering		20,338	20,090	248	1.2%	
3	581	Control centre operations		3,197	3,478	(281)	-8.1%	
4	582	Station equipment expenses		1,320	351	969	276.4%	Note 1
5	583	Overhead line expenses		771	873	(103)	-11.7%	
6	584	Underground line expenses		3,350	3,181	169	5.3%	
7	585	Street lighting and signal system expenses		0	0	0	0.0%	
8	586	Meter expenses		2,005	1,656	349	21.1%	
9	587	Customer installations expenses		4,449	5,486	(1,037)	-18.9%	Note 2
10	588	Miscellaneous distribution expenses		11,473	10,439	1,034	9.9%	Note 3
11	593.1	Vegetation management		1,153	1,339	(186)	-13.9%	
12	595	Line transformers		263	237	26	11.0%	
13	599	IT support		1,481	1,720	(240)	-13.9%	
14		**Total**		49,800	48,849	950	1.9%	
15	**Customer Accounting**							
16	901	Supervision		583	585	(3)	-0.4%	
17	902	Meter Reading Expenses		677	1,488	(810)	-54.5%	Note 4
18	903	Customer records and collection expenses		1,093	1,327	(234)	-17.6%	
19	905.1	IT customer service		2,005	2,068	(64)	-3.1%	
20		**Total**		4,358	5,469	(1,111)	-20.3%	
21	**Total Direct Operations and Maintenance**			**54,158**	**54,318**	**(160)**	**-0.3%**	
22	**Allocated Share of General Operation and Maintenance**							
23	935	Maintenance of General Plant: Building Facility Operations and Security		3,419	3,316	103	3.1%	
24	**G&A and Common Operations (net of disallowances)**							
25	920	Administrative and general salaries		8,130	7,361	769	10.4%	Note 5
26	921	Office supplies and expenses		850	247	603	244.3%	Note 6
27	922	Administrative expenses transferred - Credit		(12,613)	(10,327)	(2,286)	22.1%	Note 7
28	923	Outside services employed		1,013	1,073	(61)	-5.7%	
29	924	Insurance Premiums		458	304	154	50.6%	
30	931	Rents		0	1,327	(1,327)	-100.0%	Note 8
31	930.2	Asset Usage Fee (EDTI Functions)		(3,689)	(2,613)	(1,076)	41.2%	Note 9
32	930.2	Other Regulatory Adjustments		0	8,864	(8,864)	-100.0%	Note 10
33	934	IT G&A Expenses		1,338	1,491	(153)	-10.3%	
34	941	Less Disallowed/Non-Utility Costs		(776)	(8,383)	7,607	-90.7%	Note 11
35	**Total G&A and Common Costs (Net of Disallowances)**			(5,289)	(655)	(4,634)	**707.6%**	
36	**Total Administrative and General Expenses**			(1,870)	2,661	(4,531)	**-170.3%**	
37	**Allocated Corporate G&A (net of disallowances)**							
38	930.2	Miscellaneous general expenses		7,191	8,097	(905)	-11.2%	Note 12
39	931.1	Head office rent		1,048	1,224	(175)	-14.3%	
40	934	IT G&A expense		2,168	2,108	60	2.9%	
41	930.2	Asset Usage Fee (Allocated Dep'n & Return)		3,475	4,422	(947)	-21.4%	Note 13
42	941	Less Disallowed/Non-Utility Costs		(1,466)	(1,419)	(46)	3.3%	
43		**Total Corporate G&A allocated to Distribution**		12,417	14,431	(2,014)	**-14.0%**	
44	**Taxes Other than Income Taxes**							
45	408.1	Franchise Fee		61,120	62,910	(1,790)	-2.8%	
46	408.1	Property Tax		8,917	8,315	602	7.2%	
47				70,037	71,226	(1,188)	**-1.7%**	
48	**Total Distribution Operating Costs**			134,742	142,635	(7,894)	**-5.5%**	

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

Note 1 The $0.97 million increase relating to Station equipment expenses from 2017 Actual to 2018 Actual was primarily due to the following:
A $0.74 million increase in operational costs for the new ADMS system implemented at the end of 2017.
A $0.20 million increase due to 2 additional FTEs required to support the ADMS and SCADA systems.
A $0.03 million increase due to additional contractor costs to maintain Station equipment.

Note 2 The $1.04 million decrease relating to Customer installations expenses from 2017 Actual to 2018 Actual was primarily due to the following:
A $0.86 million decrease due to the capitalization of meter inspection costs. This was approved as part of Decision 22394-D01-2018; para. 354.
A $0.32 million decrease due to fewer requests for jobbing work in 2018. The jobbing work is driven by customer requests and there were substantially less requests in 2018 compared to 2017.
A $0.12 million decrease due to lower third party work required in 2018.
A $0.07 million decrease due to lower streetlight system damage repair required in 2018.
These decreases were partially offset by:
A $0.21 million increase in technical training services provided to EPCOR Drainage. This increase in operational costs would be offset by additional affiliate revenues received from EPCOR Drainage
A $0.12 million increase due to an increase in the number of transformers and cubicles tested for ETECH. This increase in operational costs would be offset by additional affiliate revenues received from ETECH

Note 3 The $1.03 million increase relating to Miscellaneous distribution expenses from 2017 Actual to 2018 Actual was primarily due to the following:
A $0.54 million increase due to the transfer of several FTE's to Work Methods from the Technical Training group. Additionally, EDTI utilizes subject matter experts to support projects within the Work Methods team.
The utilization of these experts also contributed to the increase in operational costs in 2018.
A $0.41 million increase in inventory management primarily due to a change in allocation of shared labour, additional severance, and material write-offs.
A $0.34 million increase in technical training services provided to EPCOR Drainage. This increase in operational costs would be offset by additional affiliate revenues received from EPCOR Drainage
A $0.30 million increase due to a new Health Safety and Environment initiative to promote a healthier and safer work place.
A $0.15 million increase in other miscellaneous distribution expenses under $0.05 million each.
These increases were partially offset by:
A $0.45 million in higher fleet recoveries due to increased maintenance and usage of the fleet
A $0.26 million decrease due to lower utility locating service volumes relative to 2017

Note 4 The $0.81 million decrease relating to Meter Reading Expense from 2017 Actual to 2018 Actual was primarily due to the efficiencies gained by the implementation of the new AMI system

Note 5 The $0.76 million increase relating to Administrative and general salaries from 2017 Actual to 2018 Actual was primarily due to higher benefit costs.

Note 6 The $0.60 million increase relating to Office supplies and expenses from 2017 Actual to 2018 Actual is primarily due to a one-time refund of long-term disability premiums received in 2017.

Note 7 The $2.29 million decrease relating to Administrative expenses transferred - Credit from 2017 Actual to 2018 Actual was primarily due to a portion of STIP being included in the overhead pool starting in 2018.
This additional STIP included in 2018, led to additional overhead transferred to capital as a result.

Note 8 The $1.33 million decrease relating to Rent from 2017 Actual to 2018 Actual was primarily due to EDTI no longer requiring space to rent at the St. Albert Trail location.

Note 9 The $1.08 million decrease relating to Asset Usage Fee (EDTI Functions) from 2017 Actual to 2018 Actual was primarily due to an increased recovery as a result of allocations to Transmission for the North Service Centre.

Note 10 The $8.86 million decrease relating to Other Regulatory Adjustments from 2017 Actual to 2018 Actual is primarily due to the write off of EDTI's remaining conventional meters in 2017 that did not occur in 2018.

Note 11 The $7.61 million increase in Disallowances / Non-Utility Costs from 2017 Actual to 2018 Actual are primarily due to the following
A $8.86 million disallowance of the write off of EDTI's remaining conventional meters in 2017 that did not occur in 2018.
This increase was partially offset by:
A $1.08 million decrease due to the disallowance for EDTI actuarial liabilities for post-employment benefit plan
A $0.20 million decrease due to the disallowance of MTIP and Pool B STIP incentive.

Note 12 The $0.91 million decrease relating to Miscellaneous general expenses from 2017 Actual to 2018 Actual was primarily due to lower corporate costs being allocated to Distribution due to the acquisition of EPCOR Drainage.

Note 13 The $0.95 million decrease relating to Asset Usage Fee (Allocated Dep'n & Return) from 2017 Actual to 2018 Actual was primarily due to lower corporate asset usage fees being allocated to Distribution due to the acquisition of EPCOR Drainage.

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF DEPRECIATION EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 4

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Distribution		45,071	42,091	2,980	7%	
2	Direct General PP&E		15,113	12,625	2,488	20%	
3	Contribution		(5,700)	(5,364)	(336)	6%	
4	**Total Utility Depreciation Expense**	Sch 1 + Sch 10	54,484	49,352	5,132	10%	Note 1

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

Note 1: 2018 Actual to 2017 Actual variance is mainly due to the impact of half-year depreciation on 2018 capital additions of $117.17 million combined with the additional half-year depreciation on 2017 capital additions of $220.75 million.

EPCOR Distribution & Transmission Inc. (Distribution)
CAPITAL ASSETS CONTINUITY SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 4.1

Gross Utility Plant in Service

Line No.	USA Account	ATS	Property Group	Cross-Reference	Balance at 01/01/2018	2018 Additions	2018 Retirements	2018 Transfers	2018 Adjustments	2018 AFUDC	Balance at 12/31/2018	Explanation Reference
	Distribution											
1	358	23123, 23153	Underground conduit, conductors and device		0						0	
2	360	23761	Substation Land		178						178	
3	360.1	23129	Land Rights		339						339	
4	361	23762, 23762.01 to 23762.14	Structures and Improvements		766						766	
5	362	23763, 23764, 23765, 23767, 23768	Station equipment		4,474						4,474	
6	362.1	23766, 23769	Substation SCADA		1,503	731					2,234	
7	364	23130, 23131, 1031, 1032, 1048	Poles, towers and fixtures		192,816	31,064	(1,370)				222,510	
8	365	23142, 1127, 1128, 1129	Overhead conductors and devices		116,159	132					116,291	
9	367	23132, 23133, 23134, 23135, 23145, 23149, 23173, 1023	Underground conduit, conductors and devices		928,585	72,540	(3,184)		(18)		997,923	
10	368	23136, 23137	Line transformers		173,284	10,401	(1,881)				181,805	
11	370	23139, 23140, 1056, 1057	Conventional Meters		29,516	42	(566,552)				28,992	
12	371	1056	Automatic Meters		83,233	4,532					87,764	
13	373	23184, 23185	Street lighting and signal systems		8,425	764	(170)				9,019	
14		Reserve Imbalance	Reserve Imbalance		0						0	
15	Total Distribution				1,539,279	120,206	(7,172)	0	(18)	0	1,652,295	
16	Direct General PP&E											
17	303	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168, DCT23169, DCA	Distribution Contributed Asset to Transmission		36,729				(8)		36,721	
18	389	23181	General Plant Land		4,457						4,457	
19	390	23182.1 to 23182.4	Structures and Improvements		128,705	2,624	(2)				131,327	
20	391	23841	Office furniture and equipmen		9,787	416	(168)				10,035	
21	391.1	23127	Computer hardware and voice & data network equipment		7,309	714	(290)				7,733	
22	391.2	23202, 23203, 23500, 23786, 23852	Computer software and applications		40,061	3,544	(9)				43,597	
23	391.3	23207	Load settlement software applications		1,816	3,004	(1,194)				3,625	
24	392	23188	Transportation equipment, fleet vehicles		27,899	2,055	(628)				29,327	
25	394	23186, 23190, 23200, 23201	Tools, shop, stores, garage and laboratory equipmen		10,416	1,209	(817)				10,808	
26	397	23750.1, 23750.2	Wireless Communications Console/Handsets		513						513	
27	399.2	23842	Leasehold Improvements		(0)						(0)	
28	Total Direct General PP&E				267,693	13,566	(3,107)	0	(8)	0	278,143	
29	111.1	23130.1	Aerial Customer Services		(9,796)	(964)					(10,761)	
30	111.1	23131.1	Aerial Distribution Contributed		(34,834)	(7,742)					(42,576)	
31	111.1	23132.1	Underground Ducts and Vaults		(3,252)	(1,097)					(4,349)	
32	111.1	23133.1	Power Cable		(9,199)	(1,751)					(10,949)	
33	111.1	23134.1	URD Distribution		(18,859)	(3,514)	581		4		(21,789)	
34	111.1	23135.1	URD Feeder System Contributed		(89,804)	(276)					(90,080)	
35	111.1	23136.1	Pole Mounted Transformers		(250)						(250)	
36	111.1	23137.1	Padmount Transformers Contributed		(18,855)	(971)	122				(19,704)	
37	111.1	23139.1	Meters		(21)						(21)	
38	111.1	23145.1	UID System		(6,775)	(5)	453				(6,327)	
39	111.1	23149.1	Underground Services		(21,850)				15		(21,835)	
40	111.1	23173.1	Network Distribution System		(649)	(271)					(920)	
41	111.1	23185.1	Security Lighting		(119)	(8)					(127)	
42	111.1	23763.1	Substation Switchgear		(171)						(171)	
43	111.1	23766.1	Substation Communications Contributed		(37)						(37)	
44	111.1	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168, DCT23169	Distribution Contribution to Transmission		(2,249)		(24)		8		(2,265)	
45	Total Contribution				(216,719)	(16,599)	1,131	0	26	0	(232,161)	
46	**Subtotal**				**1,590,252**	**117,173**	**(9,148)**	**0**	**0**	**0**	**1,698,278**	
47	Capital Work in Progress (CWIP)				13,004	6,417	0	0	0	605	20,027	
48	**Total Utility**				**1,603,256**	**123,590**	**(9,148)**	**0**	**0**	**605**	**1,718,304**	

Accumulated Depreciation - Utility

Line No.	USA Account	ATS	Property Group	Cross-Reference	Balance at 01/01/2018	Depreciation Provision	2018 Retirements	2018 Transfers	2018 Adjustments	2018 AFUDC	Balance at 12/31/2018	Explanation Reference
	Distribution											
49	358	23123, 23153	Underground conduit, conductors and device		0		0				0	
50	360	23761	Substation Land		0		0				0	
51	360.1	23129	Land Rights		96	7	0				103	
	361	23762, 23762.01 to 23762.14	Structures and Improvements									
52					92	4	0				96	
53	362	23763, 23764, 23765, 23767, 23768	Station equipment		1,575	105	0				1,680	
54	362.1	23766, 23769	Substation SCADA		159	125	0				284	
55	364	23130, 23131, 1031, 1032, 1048	Poles, towers and fixtures		62,558	5,034	(1,370)		(24)		66,198	
56	365	23142, 1127, 1128, 1129	Overhead conductors and devices		16,614	2,705	0				19,318	
	367	23132, 23133, 23134, 23135, 23145, 23149,	Underground conduit, conductors and devices									
57		23173, 1023			218,885	24,257	(3,184)				239,958	
58	368	23136, 23137	Line transformers		50,020	5,073	(1,881)				53,211	
59	370	23139, 23140, 1056, 1057	Conventional Meters		16,289	1,217	(567)				16,939	
60	371	1056	Automatic Meters		7,640	5,701	0				13,341	
61	373	23184, 23185	Street lighting and signal systems		3,092	460	(170)				3,382	
62		Reserve Imbalance	Reserve Imbalance		(4,182)	385	0				(3,797)	
63	Total Distribution				372,838	45,071	(7,172)	0	(24)	0	410,713	
64	Direct General PP&E											
	303	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168,										
65		DCT23169, DCA	Distribution Contributed Asset to Transmission		7,149	954	0				8,103	
66	389	23181	General Plant Land		0		0				0	
67	390	23182.1 to 23182.4	Structures and Improvements		19,083	2,889	(2)				21,971	
68	391	23841	Office furniture and equipmen		1,682	1,239	(168)				2,753	
	391.1	23127	Computer hardware and voice & data network equipment									
69					4,009	1,880	(290)				5,599	
70	391.2	23202, 23203, 23500, 23786, 23852	Computer software and applications		15,035	4,222	(9)				19,248	
71	391.3	23207	Load settlement software applications		1,574	272	(1,194)				651	
72	392	23188	Transportation equipment, fleet vehicles		8,671	2,571	(628)				10,614	
73	394	23186, 23190, 23200, 23201	Tools, shop, stores, garage and laboratory equipmen		4,527	1,061	(817)				4,772	
74	397	23750.1, 23750.2	Wireless Communications Console/Handsets		81	25	0				106	
75	399.2	23842	Leasehold Improvements		(0)		0				(0)	
76	Total Direct General PP&E				61,811	15,113	(3,107)	0	0	0	73,816	
77												
78	111.1	23130.1	Aerial Customer Services		(2,390)	(243)	0		24		(2,609)	
79	111.1	23131.1	Aerial Distribution Contributed		(3,750)	(941)	0				(4,691)	
80	111.1	23132.1	Underground Ducts and Vaults		(1,696)	(80)	0				(1,776)	
81	111.1	23133.1	Power Cable		(4,034)	(262)	0				(4,296)	
82	111.1	23134.1	URD Distribution		(13,161)	(532)	581				(13,113)	
83	111.1	23135.1	URD Feeder System Contributed		(22,669)	(2,330)	0				(24,999)	
84	111.1	23136.1	Pole Mounted Transformers		(37)	(7)	0				(45)	
85	111.1	23137.1	Padmount Transformers Contributed		(8,143)	(551)	122				(8,572)	
86	111.1	23139.1	Meters		(19)	(1)	0				(20)	
87	111.1	23145.1	UID System		(3,712)	(172)	453				(3,432)	
88	111.1	23149.1	Underground Services		(6,343)	(546)	0				(6,889)	
89	111.1	23173.1	Network Distribution System		(270)	(22)	0				(292)	
90	111.1	23185.1	Security Lighting		(42)	(7)	0				(49)	
91	111.1	23763.1	Substation Switchgear		(57)	(4)	0				(61)	
92	111.1	23766.1	Substation Communications Contributed		(16)	(2)	0				(18)	
		DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168,										
93	111.1	DCT23169	Distribution Contribution to Transmission		(90)		(24)				(113)	
94	Total Contribution				(66,430)	(5,700)	1,131	0	24	0	(70,975)	
95	**Subtotal**				**368,219**	**54,484**	**(9,148)**	**0**	**(0)**	**0**	**413,555**	
96	Capital Work in Progress (CWIP)				0	0	0	0	0	0	0	
97	**Total Utility**				**368,219**	**54,484**	**(9,148)**	**0**	**(0)**	**0**	**413,555**	
											-	
98	**Net Book Value**				**1,235,038**	**69,106**	**0**	**0**	**0**	**605**	**1,304,750**	

Line		Balance at 12/31/2018
99	Total Capital Assets	1,718,304
100	Total Accumulated Depreciation	413,555
101	Net Book Value	1,304,750

EDTI has revised Schedule 4.1 to USA/MFR format to be consistent with its Tariff Applications.

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF CAPITAL ADDITIONS
YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 4.2

Line No.	Description	2018 A Opening CWIP	2018 A Cap Exp	2018 A Cap Adds	2018 A AFUDC	2018 A Ending CWIP	2017 A Opening CWIP	2017 A Cap Exp	2017 A Cap Adds	2017 A AFUDC	2017 A Ending CWIP	Var Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
	Life Cycle													
1	Business Systems Upgrades	420	3,721	3,747	12	406	56	2,186	1,849	26	420	1,898	102.67%	2018 Actual to 2017 Actual variance is primarily due to one time projects occurring in 2018. The one time projects included the Field Tool Replacement project, CES Customer Portal project, and AMI ADMS Integration project.
2	Capital Tools and Instrument Purchases	0	958	905	2	54	(21)	1,455	1,434	(1)	0	(528)	-36.86%	2018 Actual to 2017 Actual variance is primarily due to the completion of the Medium Voltage Cable Test Lab project in 2017. This was a one off project and all the equipment for the Medium Voltage Cable Lab was purchased in 2017.
3	Capitalized Aerial System Damage	0	1,912	1,912	0	0	91	1,844	1,939	3	0	(27)	-1.38%	
4	Capitalized Underground System Damage	49	3,825	3,874	0	0	500	5,081	5,551	19	49	(1,678)	-30.22%	2018 Actual to 2017 Actual variance is primarily due to a reduction in unexpected damage to underground equipment.
5	Distribution Pole and Aerial Line Life Cycle Replacements	92	1,222	1,297	1	17	771	6,753	7,461	30	92	(6,164)	-82.61%	2018 Actual to 2017 Actual decrease in Distribution Pole and Aerial Line Life Cycle Replacements reflects the completion of necessary life cycle replacement work as part of New UG Cable and Aerial Line Reconfigurations and Extensions to Meet Customer Growth (row 53). The decrease in Distribution Pole and Aerial Line Life Cycle Replacements is offset by increases included in row 53 below. In addition to above, a portion of circuit conversions related to Distribution substation decommissioning were shifted from 2018 to future periods.
6	Life Cycle Replacement and Extension of Underground Distribution Cable	1,168	10,439	10,601	32	1,038	2,090	13,446	14,503	135	1,168	(3,902)	-26.90%	2018 Actual to 2017 Actual variance is primarily due to less XLPE cable replacements in 2018.
7	Life Cycle Replacement of Oil Switches - Program	0	0				0	0				0	0	
8	Load Settlement System Code Changes	0	0				0	0				0	0	
9	Neighbourhood Renewal Program	0	0				(5)	0	(5)	(0)	0	5	-100.00%	
10	Network Transformer Lifecycle Replacement	1,142	3,069	3,225	31	1,017	373	3,854	3,163	79	1,142	62	1.95%	
11	North and South Service Center Building Life Cycle Replacements	0	1,817	1,817	0	0	0	(239)	367	606	0	1,450	395.19%	The 2018 Actual to 2017 Actual variance is primarily due to an increase in work completed within this project in 2018. In 2018, this project included items such as life-cycle replacement of electrical switchgear and backup generator at EDTI's South Service Centre ("SSC"), life-cycle paving repairs at EDTI's Hugh J Bolton Service Centre and SSC, seasonal tasks associated with the closeout of the Work Centre Redevelopment project (e.g. landscaping and exterior painting), and installation of an underground training vault at the Winterburn Training Centre.
12	Rebuild and/or Replace Civil Work for Downtown Vaults and Manholes	8	511	153	11	377	11	842	846	1	8	(693)	-81.91%	2018 Actual to 2017 Actual variance is primarily due to a decrease in the number of network vault lid rebuilds identified in 2018. The identified scope was not fully completed in 2018 and is expected to carry into 2019.
13	Replacement of Faulted Distribution PILC Cables	0	1,513	1,513	0	0	108	674	785	3	0	728	92.73%	2018 Actual to 2017 Actual variance is primarily due to more PILC cable failures and an increase in average length of cable replaced per failure in 2018.
14	Life Cycle Replacement of PILC Cable	48	2,441	2,400	3	92	69	1,920	1,945	5	48	454	23.35%	
15	Switching Cubicle Life Cycle Replacement	71	671	655	3	90	281	1,349	1,571	13	71	(916)	-58.32%	2018 Actual to 2017 Actual variance is primarily due to the reduction of switching cubicle life cycle replacements required in 2018 compared to 2017. In 2016 and 2017 more replacements were required to eliminate the backlog of switching cubicles needing replacement.
16	Work Management System Upgrade	99	1,230	1,329	0	0	0	96	2	6	99	1,327	53178.04%	2018 Actual to 2017 Actual variance is primarily due to EDTI completing the majority of its IVARA Upgrade project in 2018. These life cycle replacement projects occur approximately every 5 years in order to maintain vendor support. Additionally, EDTI completed a one time process improvement project related to work order accuracy in 2018.
17	Distribution Substation Life Cycle Replacement	0	0				0	0				0	0	
18	Remedial Pole Treatments	0	241	241	0	0	0	179	179		0	62	34.58%	
19	Distribution Manhole Rebuilds	0	460	270	6	197	0	179	179		0	91	51.01%	
20	Interior Vault Life Cycle Replacement Conversion	0	106	97	0	10	0	87	87		0	10	11.87%	
21	Aerial and UG Ground Replacements	26	1,479	1,479	1	27	0	1,579	1,554	2	26	(74)	-4.78%	
22	PCB Transformer Change outs	0	0				17	(19)	(1)	1	0	1	-100.00%	
23	Furniture Life Cycle Replacements	0	246	246	0	0	0	48	48		0	198	411.17%	
24	IT Hardware Lifecycle Replacement and Additions	0	560	560	0	0	0	638	638		0	(78)	-12.16%	
25	MDCPS Replacement	11	966	977	0	0	0	11	0	1	11	977	100%	2018 Actual to 2017 Actual variance is primarily due to EDTI completing a life cycle replacement for its AMI Head End and Meter Data Management Systems. Life cycle replacement projects occur approximately every 5 years in order to maintain vendor support.
26	STARS Upgrade	2	462	465	0	0	0	2	0	0	2	465	100%	
27	Other	0	0	0	0	0	0	0	0	0	0	0	0	
28	Sub Total	3,139	37,849	37,763	102	3,327	4,342	41,963	44,094	927	3,139	(6,331)	-14.36%	

29	Life Cycle and Growth													
30	Aerial and Underground Distribution - Transformers New Services and Life Cycle Replacement	435	5,378	5,063	24	773	259	6,540	6,398	34	435	(1,334)	-20.85%	2018 Actual to 2017 Actual variance is primarily due to a decrease in the number of aerial transformers that required replacement in 2018 relative to 2017.
31	Transformer Capacity Upgrade	0	0				0	0				0 0		
32	Customer Revenue Metering - Growth & Life Cycle Replacements	56	4,518	4,574	0	0	0	3,193	3,140	3	56	1,434	45.66%	2018 Actual to 2017 Actual variance is primarily due to compliance sampling being completed in 2018 that did not occur in 2017 as measurement Canada granted EDTI dispensation for compliance sampling during the 3 year deployment of AMI. In 2018 EDTI was required to complete this compliance sampling as the AMI project was finalized in 2017. Additionally, the increase in 2018 was due to growth of new sites and changeouts of damaged and disputed meters
33	Street Light Service Connections and Security Lighting Addition and Capital Replacement	41	783	756	2	70	76	778	818	5	41	(62)	-7.59%	
34	Vehicles - Growth and Life Cycle Replacements	1,038	1,307	2,055	4	294	366	9,079	8,480	73	1,038	(6,424)	-75.76%	2018 Actual to 2017 Actual variance is primarily due to a reduction in number and scope of required replacements in 2018. The number and type of units reaching end of life vary from year to year. In addition, EDTI undertook and completed a program to convert rental units to owned units in 2017 which did not occur in 2018.
35	Sub Total	1,570	11,986	12,449	30	1,137	700	19,591	18,835	114	1,570	(6,387)	-33.91%	
36	Life Cycle and Performance													
37	Meter Reading Equipment	0	0				0	0				0 0		
38	Advanced Metering Infrastructure (AMI)	0	0				7,156	17,440	24,821	225	0	(24,821)	-100.00%	2018 Actual to 2017 Actual variance is primarily due to the completion of the Advanced Metering Infrastructure project in 2017. As a result, no costs were incurred in 2018.
39	GIS - Performance Improvement Project	77	3,330	0	106	3,512	0	72	0	5	77	0 0		
40	OMS/DMS Life Cycle Replacement	0	0				3,173	1,385	4,658	100	0	(4,658)	-100.00%	2018 Actual to 2017 Actual variance is primarily due to EDTI completing its OMS/DMS implementation in 2017. No further expenditures were required in 2018.
41	Sub Total	77	3,330	0	106	3,512	10,329	18,897	29,479	330	77	(29,479)	-100.00%	
42	Performance Improvement													
43	Distribution System Aerial and Underground Fault Indicators and Fusing	374	579	907	2	48	88	1,025	763	25	374	144	18.87%	
44	Installation of Automated Switches on Selected 25KV Circuits Program	0	24	24	0	0	17	1,168	1,185	1	0	(1,161)	-97.97%	2018 Actual to 2017 Actual variance is primarily due to EDTI temporarily suspending the program in 2018 to reassess the scope of the Distribution Automation Program. Once EDTI identifies the new scope, the program will be resumed.
45	Installation of Network Current Limiting Fuse Program	0	0				0	0				0 0		
46	Land Purchase for Slurry Placement	0	0				0	0				0 0		
47	Engineering and Design Software Modifications	96	126	184	1	40	0	137	47	6	96	137	293.07%	
48	Sub Total	470	730	1,115	3	88	104	2,330	1,995	31	470	(880)	-44.12%	
49	Growth													
50	Franchise Agreement Driven Relocations and Conversions/Third Party Driven Relocation (QEII; Walterdale Bridge)	263	6,375	5,948	22	711	350	6,476	6,590	26	263	(642)	-10%	2018 Actual to 2017 Actual variance is primarily due to the completion of the Walterdale Bridge Replacement project in 2017.
51	NLRT Distribution System Relocations	0	0				0	0				0 0		
52	New 15kV and 25kV Circuit Additions	1,241	6,761	4,655	105	3,452	3,660	12,462	15,069	188	1,241	(10,414)	-69.11%	2018 Actual to 2017 Actual variance is primarily due to a smaller scope of work in 2018. In 2017, EDTI performed work on eight Circuits: V29 and V48, 24C, 13E, V42, 23PM, 24SU and R49. In 2018, EDTI performed work on four Circuits: CD84, 24PM, R49, and 23PM.
53	New UG Cable and Aerial Line Reconfigurations and Extensions to Meet Customer Growth	1,978	15,803	15,329	77	2,530	2,308	13,530	14,050	189	1,978	1,279	9.10%	2018 Actual to 2017 Actual variance is primarily due to the inclusion of necessary life cycle replacement work in the New UG Cable and Aerial Line Reconfigurations and Extensions to Meet Customer Growth bucket that was previously included in Distribution Pole and Aerial Line Life Cycle Replacements (row 5 above) in 2017. The increase is partially offset by a reduction in the number and scope of reconfigurations in 2018.
54	New Underground and Aerial Service Connections for Commercial, Industrial, Multifamily and Misc. Customers	1,131	12,366	11,634	59	1,921	1,855	11,620	12,469	125	1,131	(835)	-6.70%	
55	Work Centre Redevelopment	0	1,281	1,281			19,224	41,405	60,629		0	(59,348)	-98%	2018 Actual to 2017 Actual variance is primarily due to the Work Centre Redevelopment project being substantially completed in 2017. Costs in 2018 are primarily trailing costs for engineering/design work, completion of the exterior work, completion of the transformer shop and high-voltage test lab, final security fit-out, and some final furniture and equipment.
56	Underground Industrial Distribution (UID) Servicing - Rebates, Acceptance Inspections & Terminations	4	1,536	1,540	0	0	0	1,899	1,896	0	4	(356)	-18.79%	
57	Underground Residential Distribution (URD) Servicing - Rebates, Acceptance Inspections & Terminations	161	20,137	20,298	0	0	206	11,260	11,321	16	161	8,978	79.30%	2018 Actual to 2017 Actual variance is primarily due to an increase in Underground Residential Distribution (URD) lots being energized as a result of an increase in customer demand. This increased demand was a result of larger developments being designed and built by developers in 2018 relative to 2017.
58	Riverview POD	0	9	0	0	9	0	0	0	0	0	0 0		
59	Network Reconfigurations	929	2,761	1,760	60	1,990	324	1,770	1,229	65	929	531	43.19%	2018 Actual to 2017 Actual variance is primarily due to the installation of new feeders in downtown Edmonton. Additionally, some of the forecast work for 2017 was required to be completed in 2018.
60	LRT Distribution System Relocation	1,655	2,220	3,403	16	488	1,111	3,245	2,856	155	1,655	547	19.17%	2018 Actual to 2017 Actual variance is primarily due to the shift of certain components of the project from 2017 to 2018. EDTI was unable to complete all forecast project costs in 2017 and as a result increased the capital additions in 2018. Further information on the deferred components for the LRT Distribution System Relocation project can be found in EDTI's 2017 PBR Capital Tracker True-Up (Exhibit 23571-X0002.01) under Section 3.1.1.1
61	WLRT Distribution System Relocation	388	448	0	26	862	0	388	0	0	388	0 0		
62	Voltage Regulator Additions	0	0				12	230	243	0	0	(243)	-100.00%	
63	Sub Total	7,749	69,696	65,847	365	11,963	29,048	104,285	126,350	765	7,749	(60,503)	-47.89%	
64	**Grand Total**	13,004	123,590	117,173	605	20,027	44,525	187,066	220,753	2,167	13,004	(103,580)	-46.92%	

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, 2018
($000s)

SCHEDULE 5

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Current Tax						
2	Federal Income Tax						
3	Federal Taxable Income		-	-			
4	Income Tax Rate		0%	0%			
5	**Total Federal Income Tax**		-	-			
6	Provincal Income Tax						
7	Federal Taxable Income		-	-			
8	Add: CCA Federal Flow Through		-	-			
9	Less: CCA Provincal Flow Through		-	-			
10	Provincal Taxable Income		-	-			
11	Income Tax Rate		0%	0%			
12	**Total Provincal Income Tax**		-	-			
13	**Total Current Tax**		-	-			
14	Future Tax						
15	Temporary Differences		-	-			
16	Income Tax Rate		0%	0%			
17			-	-			
18	Other		-	-			
19	**Total Future Tax**		-	-			
20	Other Items						
21	Large Corporations Tax		-	-			
22	Preferred Dividend Tax		-	-			
23	Other		-	-			
24	**Total Other Items**	Sch 1 + Sch 10	-	-			
25	**Total Utility Income Tax**	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, 2018
($000s)

SCHEDULE 6

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
	Residential						
1	Customers - Average		366,421	359,579	7	1.90%	
2	Energy Sales (MWh)		2,207,504	2,156,418	51	2.37%	
3	Revenue		101,805	96,116	5,689	5.92%	
4	kWh per Customer		6,025	5,997	0	0.46%	
5	Cents/kWh		4.61	4.46	0	3.47%	
	Customer Specific						
6	Customers - Average		24	23	0	6.06%	
7	Energy Sales (MWh)		691,200	676,800	14	2.13%	
8	Revenue		5,249	4,765	484	10.16%	
9	kWh per Customer		28,335,079	29,426,087	(1,091)	-3.71%	
10	Cents/kWh		0.76	0.70	0	7.87%	
	Customer Specific - Totalized						
11	Customers - Average		1	1	0	0.00%	
12	Energy Sales (MWh)		258,003	237,898	20	8.45%	
13	Revenue		145	140	5	3.87%	
14	kWh per Customer		258,003,278	237,898,000	20,105	8.45%	
15	Cents/kWh		0.06	0.06	(0)	-4.23%	
	Small Commercial						
16	Customers - Average		28,831	28,553	0	0.97%	
17	Energy Sales (MWh)		720,143	723,456	(3)	-0.46%	
18	Revenue		20,892	20,164	729	3.61%	
19	kWh per Customer		24,978	25,337	(0)	-1.42%	
20	Cents/kWh		2.90	2.79	0	4.09%	
	Medium Commercial						
21	Customers - Average		5,719	5,489	0	4.19%	
22	Energy Sales (MWh)		971,169	932,343	39	4.16%	
23	Revenue		22,745	20,952	1,793	8.56%	
24	kWh per Customer		169,816	169,857	(0)	-0.02%	
25	Cents/kWh		2.34	2.25	0	4.22%	
	Time of Use						
26	Customers - Average		1,603	1,631	(0)	-1.73%	
27	Energy Sales (MWh)		1,794,403	1,842,307	(48)	-2.60%	
28	Revenue		39,290	38,631	658	1.70%	
29	kWh per Customer		1,119,542	1,129,557	(10)	-0.89%	
30	Cents/kWh		2.19	2.10	0	4.42%	
	Time of Use Primary						
31	Customers - Average		152	149	0	1.82%	
32	Energy Sales (MWh)		641,498	640,693	1	0.13%	
33	Revenue		11,280	10,741	539	5.02%	
34	kWh per Customer		4,228,306	4,299,953	(72)	-1.67%	
35	Cents/kWh		1.76	1.68	0	4.89%	
	Direct Connects						
36	Customers - Average		6	6	0	0.00%	
37	Energy Sales (MWh)		383,354	381,160	2	0.58%	
38	Revenue		20	19	1	3.89%	
39	kWh per Customer		63,892,328	63,526,667	366	0.58%	
40	Cents/kWh		0.01	0.00	0	3.30%	
	Street Lighting						
41	Customers - Average		1	1	0	0.00%	
42	Energy Sales (MWh)		61,488	62,706	(1)	-1.94%	
43	Revenue		1,880	1,841	39	2.13%	
44	kWh per Customer		61,488,370	62,706,000	(1,218)	-1.94%	
45	Cents/kWh		3.06	2.94	0	4.16%	
	Traffic Lighting						
46	Customers - Average		1	1	0	0.00%	
47	Energy Sales (MWh)		3,994	3,853	0	3.66%	
48	Revenue		72	67	5	7.53%	
49	kWh per Customer		3,993,854	3,853,000	141	3.66%	
50	Cents/kWh		1.80	1.73	0	3.74%	
	Lane Lighting						
51	Customers - Average		1	1	0	0.00%	
52	Energy Sales (MWh)		3,952	4,150	(0)	-4.77%	
53	Revenue		75	75	(1)	-0.79%	
54	kWh per Customer		3,952,224	4,150,000	(198)	-4.77%	
55	Cents/kWh		1.89	1.81	0	4.18%	
	Security Lighting						
56	Customers - Average		1,543	1,575	(0)	-2.03%	
57	Energy Sales (MWh)		5,107	5,211	(0)	-2.00%	
58	Revenue		1,502	1,472	30	2.02%	
59	kWh per Customer		3,309	3,309	0	0.03%	
60	Cents/kWh		29.41	28.24	1	4.11%	
61	Other Revenues/Adjustments						
62	Subtotal Revenues		204,953	194,981	9,973	5.11%	Note 1
63	Provisions & Adjustments		3,242	(2,817)	6,059	-215.08%	Note 2
64	**Total Utility Revenue ($000s)**		**208,195**	**192,163**	**16,032**	**8.34%**	
65	**Energy Sales (MWh)**		**7,741,814**	**7,666,995**	**75**	**0.98%**	

Note 1: January to March 2018 revenues based on approved 2017 DAS rates as per Decision 21979-D01-2016 (Errata).
April to December 2018 revenues based on approved 2018 DAS rates as per Decision 23355-D01-2018 (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 related to the 2015 Capital Tracker K-Factor true-up.
The rider was approved in Decision 22392-D01-2017 and was refunded during Q2 of 2017.

2018 Actual includes a $3.27 million collection from customers related to the 2016 Capital Tracker K-Factor true-up.
The rider was approved in Decision 23316-D01-2018 and was collected during Q4 of 2018.

EPCOR Distribution & Transmission Inc. (Distribution)
EXPLANATION OF TRANSACTIONS WITH AFFILIATED COMPANIES
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

Line No.	Affiliate	Nature of Service	2018 Actual	2017 Actual	Transactions In To Transmission	Transactions Out From Transmission	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	EDTI (Distribution)								
2	(accts 5810/5349)	Asset Usage Fee	(3,689)	(2,613)	Administration		(1,076)	41.18%	Note 1
3		Depreciation	976	976	Contributions		0	0.00%	
4			(3,689)	(2,613)			(1,076)	41.18%	
5	EPCOR Energy Alberta (EEA) (75)	Operational Communication Mgmt Oversight & Admin Suppor	(92)	(229)	Revenues		138	-60%	
6		Regulatory Affairs Mgmt Oversight & Admin Support	(24)	(23)	Revenues		(1)	5%	
7		Supply Chain Mgmt: Procurement & Strategic Sourcing	(62)	(50)	Revenues		(11)	23%	
8		Service Requests & Late Payment Fees	(569)	(1,660)	Revenues		1,091	-66%	Note 2
9		Tariff Charges	(184,643)	(178,908)	Revenues		(5,735)	3%	Note 3
10		Streamline Escalations	51	58			(7)	-12%	
11		Services Provided for Power Trouble Dispatch	5	2			3	209%	
12		Internal Communications	(14)	14		Capital	(28)	-200%	
13		Utility Information System Access	284	362		Operations	(78)	-21%	
14		IVR Asset Usage Fee	1	1		Customer Service	0	4%	
15		Utilities for Substations & Service Centers	53	59			(6)	-11%	
16			(185,010)	(180,375)			(4,635)	2.57%	
17	EPCOR Technologies Inc. (ETECH) (35)	High Load Escorts	0	0	Revenues		0	100.00%	
18		URD & Material Sales	(626)	(508)	Revenues		(118)	23.17%	
19		System Control	(539)	(458)	Revenues		(81)	17.71%	
20		Emergency Dispatch Services	(265)	(338)	Revenues		73	-21.71%	
21		High Voltage Test Lab	(38)	(44)	Revenues		7	-15.07%	
22		Survey Services	(61)	(81)	Revenues		20	-24.87%	
23		Switching Cubicle and Transformer Acceptance Testing	(203)	(65)	Revenues		(138)	212.40%	
24		Technical Training Services	(374)	(401)	Revenues		28	-6.89%	
25		Aerial Jobbing	(102)	(171)	Revenues		69	-40.34%	
26		Trouble Services	(103)	(184)	Revenues		81	-44.16%	
27		Fiber Pulls and Testing	(240)	(193)	Revenues	Operations & Admin	(47)	24.33%	
28		Damage Claim	(3)	(6)	Revenues		2	-40.38%	
29		Shared Services	0	(5)	Revenues		5	-100.00%	
30		Customer Engineering	(14)		Revenues				
31		Health Safety and Loss Prevention	(54)		Revenues				
32		Space Rent	(25)		Revenues				
33		Rent at St. Albert Trail	0	1,327			(1,327)	-100.00%	Note 4
34		Repair and maintenance, Security Lighting, Engineering Services, Hydrovacing & other Jobbing Service:	8,925	10,698		Operations & Capital	(1,773)	-16.57%	Note 5
35		Sale of Inventory to EDTI	172	135		Operations & Capital	37	27.18%	
36		Health Safety and Loss Prevention	60	2		Operations	58	2790.00%	
37			6,511	9,707			(3,104)	-31.98%	

Line No.	Affiliate	Nature of Service	2018 Actual	2017 Actual	Transactions In To Transmission	Transactions Out From Transmission	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
38	EPCOR Water Services Inc. (EWSI) (80)	Technical Training Services	(804)	(890)	Revenues		86	-9.65%	
39		Reference Library Services	0	(2)	Revenues		2	-100.00%	
40		Repairs & Maintenance	(1)	(0)	Revenues		(0)	97.75%	
41		Soil & Water Dumping	(4)	0	Revenues		(4)	100.00%	
42		Geo Data Services	(3)		Revenues				
43		Survey Services	(252)	(258)	Revenues		6	-2.29%	
44		Customer Jobbing	(19)	(5)	Revenues	Operations & Capital	(15)	322.44%	
45		Customer Engineering	0	(136)	Revenues		136	-100.00%	
46		Technical Training Services	27			Operations	27	100.00%	
47		Meter Reading Services	21	446		Administration	(425)	-95.24%	
48		Health Safety and Loss Prevention	40						
49		Environment & Waste Management	0	0		Operations	(0)	-100.00%	
50			(994)	(844)			211	-24.99%	
51	EPCOR Drainage (9K)	Technical Training Ser	(774)		Revenue				
52		High Voltage Test Lab	(2)		Revenue		(2)	100.00%	
53		GEO Data Services	(7)		Revenue				
54		Fiber Pulls and Testing	2	(13)	Revenue				
55		Jobbing	(71)		Revenue				
56		Real Estate Consulting	(21)		Revenue				
57			(872)	(13)			(2)	0	
58	EPCOR Utilities Inc. (EUI) (40/71)	EUI employees working on EDI Capital Projects	4,920	2,897		Administration & Capital	2,023	69.85%	Note 6
59		Information Technology Services	2,256	4,918		Operations	(2,662)	-54.13%	Note 7
60		Asset Usage Fee	3,475	4,422		Financing Exp.	(947)	-21.42%	Note 7
61		Shared Services Management Fee (net of disallowances)	8,942	10,009		Administration	(1,067)	-10.66%	Note 7
62		EPCOR Tower Rent (net of disallowances)	72	293		Administration	(221)	-75.46%	
63		Interest and Financing Charges	38,212	36,565		Administration	1,647	4.51%	
64		Duct Line Rentals	(95)	(95)		Financing Exp.	0	0.00%	
65			57,782	59,008			(1,227)	-2.08%	
66	ENCOR (28)	Service Requests & Late Payment Fees	(49)	(107)	Revenues		58	-53.86%	
67		Tariff Charges	(18,279)	(13,410)	Revenues		(4,869)	36.30%	Note 8
68			(18,328)	(13,517)			(4,811)	(0)	
68	Commercial Services (5A)	Business Development Project	0	0	Revenues		0	100.00%	
69			0	0			0	1	
70	**TOTAL**		(144,601)	(128,647)			(14,642)	11.38%	

Note 1: The variance is primarily due to higher asset usage recovery for the Hugh J Bolton Service Centre.

Note 2: The variance is primarily due to lower service request and late payments in 2018.

Note 3: The variance is primarily due to higher DAS and SAS rates and increased volume in 2018.

Note 4: The variance is primarily due to Distribution no longer renting facilities at Technologies St. Albert Trail location.

Note 5: The variance is primarily due to lower repair and maintenance, hydrovacing & other jobbing services.

Note 6: The variance is primarily due to an increase in EUI employees working on EDI Capital Projects.

Note 7: The variance is primarily due to lower corporate services allocated to Distribution due to higher allocations to EPCOR Drainage.

Note 8: The variance is primarily due to higher DAS and SAS rates and increased volume in 2018.

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF PAYROLL AND MANPOWER STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

SCHEDULE 8

SALARIES, WAGES AND EMPLOYEE BENEFITS

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
	Gross Salaries, Wages, Stat and Vacation (Excluding Overtime)						
1	Distribution Operating		36,956	35,879	1,077	3%	
2	Distribution Capital		19,272	20,316	(1,044)	-5%	
3	**Salaries and Wages Charged to Utility Operations**		56,228	56,195	33	0%	
4	Employee Benefits						
5	Distribution Operating		6,769	6,389	380	6%	
6	Distribution Capital		8,490	9,183	(693)	-8%	
7	**Benefits Charged to Utility Operations**		15,258	15,571	(313)	-2%	

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
	Manpower Statistics						
8	Total Regular & Temporary Employees (FTEs)		554	575	(21.0)	-4%	
9	**Total Manpower**		554	575	(21.0)	-4%	
	Less:						
10	Allocated to Non-Regulated		-	-	-	0%	
11	**Total Manpower - Utility Operations**		554	575	(21.0)	-4%	

SCHEDULE 9

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF RESERVE/DEFERRAL ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2018
($000s)

			2018 Actuals							2017 Actuals									
Line No.	**Description**	**Cross-Reference**	**Opening Balance**	**Adds**	**Amort. & Drawdowns**	**Provisions**	**Refunds & Recoveries**	**Reclass**	**Ending Balance**	**Opening Balance**	**Adds**	**Amort. & Drawdowns**	**Provisions**	**Refunds & Recoveries**	**Reclass**	**Ending Balance**	**Var. Actual to Prior Year**	**Var %**	**Actual to Prior Year Explanation Reference**
	List of Deferral Accounts																		
1	Transmission Charge Deferral Account		-						-	-						-	0	-	
2	Hearing Costs		162	1,022	(1,183)				1	248	1,494	(1,557)			(22)	162	(161)	-99.48%	
3	AESO Load Settlement Charges Deferral Account		(81)	165	81	(159)			6	(102)	165	(144)				(81)	87	-107.53%	
4	Property, Business & Linear Tax Deferral Account		0			502			502	22		(22)				0	502	-	Note 1
5	Tariff Bill Code (2013 Initiative)		32		(32)	38			38	58		(26)				32	5	16.94%	
6			114	1,187.351	(1,135)	381	0	0	547	225	1,660	(1,748)	0	0	(22)	114	433	381%	
7	Transmission Charge Deferral Account		(3,126)				(145)		(3,271)	(3,102)				(24)		(3,126)	(145)	4.62%	Note 2
8	Interim to Final Rider J		0						0	0						0	0	-	
9	**Total Deferred Assets**	Sch 11	(3,013)	1,187	(1,135)	381	(145)	0	(2,724)	(2,877)	1,660	(1,748)	0	(24)	(22)	(3,013)	433	-14%	
10	Hearing Costs		(0)			(50)			(50)	(22)					22	(0)	(50)	71181428.57%	
11	Tariff Bill Code (2017-2012 Initiative)		0						0	0						0	0	0.00%	
12	AESO Load Settlement Charges Deferral Account		(0)						(0)	(0)						(0)	0	0.00%	
13	Short Term Incentive Deferral Account		0						0	0						0	0	-	
14	Asset Removal (Refund Dep'n & Return)		0						0	0						0	0	-	
15	Property, Business & Linear Tax Deferral Account		(200)		200				(0)	(243)		160	(117)			(200)	200	-100.00%	
16			(200)	0	200	(50)	0	0	(50)	(266)	0	160	(117)	0	22	(200)	150	-75.05%	
17	Transmission Charge Deferral Account		(2,629)				(3,173)		(5,802)	(10,843)				8,214		(2,629)	(3,173)	120.70%	Note 2
18	Interim to Final Rider J		(12,281)				9,199		(3,082)	(760)				(11,522)		(12,281)	9,199	-74.90%	Note 3
19	**Total Deferred Liabilities**	Sch 11	(15,110)	0	200	(50)	6,026	0	(8,934)	(11,868)	0	160	(117)	(3,308)	22	(15,110)	9,349	-61.87%	
20	**Impact on Income Statement:**																		
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				935				935			1,588				1,588			
24	Provision for refund/collection (Deferral Accounts)					(331)	0		(331)				117			117			
25	Total impact to Income Statement	Sch 1			935	(331)	0	0	604			1,588	117	0	0	1,705			

Note 1: A $0.50 million provision for the undercollection of actual Property, Business and Linear taxes.

Note 2: The Transmission Charge Deferral Account is trued-up quarterly through Applications to the AUC. Both 2018 and 2017 actuals in the TCDA Deferral Account include provisions for Operating Reserve Charges and collection from customers through true-up riders.

Note 3: A TACDA Rider J provision was recorded in 2018 to refund $3.08 million per Decision 23837-D01-2018 in 2019.
A TACDA Rider J provision was recorded in 2017 to refund $12.28 million per Decision 22887-D01-2017 in 2018.

EPCOR Distribution & Transmission Inc. (Distribution)

SCHEDULE 10

RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

BALANCE SHEET ITEMS

($000s)

Line No.	Description	Cross- Reference	Regulatory Financial Statements	Adjustments	Utility Total
1	**Revenues**				
2	Franchise Fee Revenue		61,120		61,120
3	Transmission System Access Tariff	Sch 6 + Sch 9	0		
4	Reclassification of SAS Volume Variance to Return Section				0
5	Distribution Access System		208,195		
6	Reclassification to Other Adj. to Revenue Requirement				208,195
7	**Other Revenues**		8,316		
8	Reclassification to Revenue Offsets			(8,316)	0
9		Sch 1	277,632	(8,316)	269,316
10					
11	**Energy purchases and system access fees**				
12	Energy Purchases		0		0
13	Inter-Utility Distribution Charges		0		0
14			0	0	0
15					
16	**Other raw materials and operating charges**		10,680		10,680
17	**Staff costs and employee benefits expense**		38,218		38,218
18	**Other administrative expenses**		19,482		19,482
19	Reclassifcation of Revenues to Revenue Offsets			(328)	(328)
20	Reclassification of amortization of deferral accounts to Other adj. to Revenue Requirement	Sch 9		(604)	(604)
21	Reclassification of Non-Recoverable Expenses to Return Section			(2,241)	(2,241)
22	**Franchise fees and property taxes**				0
23	Franchise Fees		61,120		61,120
24	Property Taxes		8,415		8,415
25		Sch 1 + Sch 3	137,916	(3,174)	134,742
26					
27	**Depreciation and amortization**		54,484		
28		Sch 1 + Sch 4	54,484	0	54,484
29					
30	**Income Tax**		0		0
31		Sch 1 + Sch 5	0	0	0
32					
33	**Revenue Offsets**				
34	Reclassification from Revenues and Operating Costs			(7,988)	
35		Sch 1	0	(7,988)	(7,988)
36					
37	**Other Adj. to Revenue Requirement**				
38	Reclassification of Other Adjustments to Revenue Requirement			604	
39		Sch 1 + Sch 9	0	604	604
40					
41	**Return**				
42	Return on Debt		37,608		37,608
43	Reclass of non-recoverable financing expenses - AFUDC			605	605
44	Adjustment due to use of deemed equity thickness and mid-year cost of debt			(361)	(361)
45	**Return on Debt after adjustments**		37,608	244	37,852
46					
47					
48	Return on Equity		47,624		
49	SAS Volume Variances			0	
50	Reclassification of Non-Recoverable Expenses			1,636	
51	Adjustment due to use of deemed equity thickness and mid-year cost of debt			361	
52	**Return on Equity after adjustments**	Sch 2	47,624	1,997	49,621
53					
54					
55	Return on Debt				37,852
56	Return on Equity				49,621
57	Total Return	Sch 1			87,473

EPCOR Distribution & Transmission Inc. (Distribution) **SCHEDULE 11**

RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO REGULATORY STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

BALANCE SHEET ITEMS

($000s)

Line No.	Description	Cross-Reference	Regulatory Financial Statements	Adjustments	Total
1	**ASSETS**				
2	Current Assets:				
3	Trade and other receivables		62,739		62,739
4	Inventories		25,260		25,260
5	Prepaid expenses		500		500
6	Regulatory assets	Sch 9	(2,724)		(2,724)
7			85,774		85,774
8	Non-Current Assets:				
9	Property, plant and equipment		1,273,513		1,273,513
10	Intangible assets		27,302		27,302
11	Regulatory assets	Sch 9	0		0
12			1,300,814		1,300,814
13					
14	**TOTAL ASSETS**		1,386,588		1,386,588
15					
16	**LIABILITIES AND EQUITY**				
17	Current Liabilities:				
18	Trade and other payables		92,125		92,125
19	Loans and borrowings		101,237		101,237
20	Provisions		4,117		4,117
21	Regulatory liabilities	Sch 9	8,934		8,934
22			206,413		206,413
23	Non-Current Liabilities				
24	Loans and borrowings		706,635		706,635
25	Provisions		3,377		3,377
26	Regulatory liabilities	Sch 9	0		0
27			710,012		710,012
28					
29	Total Liabilities		916,425		916,425
30					
31	Equity attributable to the Owener of the Company:				
32	Share capital		235,220		235,220
33	Retained earnings		234,944		234,944
34	Total Equity	Sch 2.2	470,163		470,163
35					
36	**TOTAL LIABILTIES AND EQUITY**		1,386,588		1,386,588

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, 2018
($000s)

SCHEDULE 12

Line No		Notes	Distribution Regulatory per Schedule 10	Measurement Adjustment	Presentation Adjustments	Distribution (IFRS)	Transmission Regulatory per Schedule 10	Measurement Adjustment	Presentation Adjustments	Transmission (IFRS)	Distribution & Transmission Combined (IFRS)	EDTI Audited F/S Consolidated (IFRS)	Variances Note 9
1	Revenues												
2	Franchise fees		61,120			61,120	0			0			
3	Transmission system access tariff	1	0	5,881		(5,881)	0			0			
4	DAS revenue	2	208,195			208,195	0			0			
5	Transmission tariff	3	0			0	99,192	(356)	234	99,314			
6	Total energy sales		269,316	5,881	0	263,434	99,192	(356)		99,314	362,748	362,748	(0)
7	Other Income	4 & 5	8,316	262	(5,700)	13,754	577	95	(1,912)	2,393	16,148	15,172	976
8			277,632	6,143	(5,700)	277,189	99,768	(261)	(1,912)	101,707	378,895	377,920	976
9	Energy purchases and system access fees		0			0	0				0		0
10	Other raw materials and operating charges		10,680	166		10,514	5,578	(166)		5,745	16,258	16,258	0
11	Staff costs and employee benefit expenses		38,218	747		37,472	13,592	(747)		14,338	51,810	51,810	0
12	Depreciation and amortization	5 & 6	54,484	435	(5,700)	59,749	20,035	(3,118)	(1,912)	25,065	84,814	83,839	976
13	Franchise fees and property taxes	7	69,535	(502)		70,038	8,085	235		7,849	77,887	77,887	(0)
14	Other administrative expenses	7	19,482	(324)		19,806	11,634	(1,228)	234	12,628	32,434	32,434	(0)
15			192,400	522	(5,700)	197,578	58,923	(5,024)	(1,678)	65,626	263,204	262,228	976
16	Operating income		85,232	5,622	0	79,610	40,845	4,763	(234)	36,081	115,692	115,692	0
17	Financing expenses	8	37,608	(83)		37,691	22,105	290		21,815	59,506	59,506	(0)
18	Total comprehensive income for the period - all attributable to the Owner of the Company		47,624	5,705		41,920	18,740	4,474		14,266	56,186	56,186	0
19	Retained earnings, beginning of the year		206,320	2,746		203,573	102,534	(6,391)		108,926	312,499	312,409	90
20	Dividends paid for the period		(19,000)			(19,000)	(10,000)			(10,000)	(29,000)	(29,000)	0
21	Retained earnings, end of the year		234,944	8,451	0	226,493	111,274	(1,918)	0	113,192	339,685	339,595	90

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 net 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 2018.

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 $0.12 million for the 2018 TFO true up as per Decision 24058-D01-2018.

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: 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 7: 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 8: 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 9: 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, 2018
($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
	ASSETS												
1	Current Assets:												
2	Trade and other receivable		62,739			62,739	9,293			9,293	72,032	72,916	(885)
3	Inventories	1	25,260		23,613	1,647	207			207	1,853	1,853	0
4	Prepaid expenses		500			500	270			270	770	770	0
5	Regulatory assets	2	(2,724)	(2,724)			386	386			0		0
6			85,774	(2,724)	23,613	64,885	10,157	386	0	9,770	74,655	75,540	(885)
7	Non-Current Assets:												
8	Property, plant and equipment	3 & 4	1,273,513	21,916	(184,786)	1,436,383	698,241	(1,167)	(54,925)	754,333	2,190,716	2,163,144	27,571
9	Intangible assets	3	27,302	(2,127)		29,429	13,883	(227)		14,110	43,539	43,539	(0)
10	Regulatory assets	2	0				0				0		0
11			1,300,814	19,788	(184,786)	1,465,812	712,124	(1,394)	(54,925)	768,443	2,234,255	2,206,683	27,571
12													
13	**TOTAL ASSETS**		1,386,588	17,064	(161,173)	1,530,697	722,280	(1,007)	(54,925)	778,213	2,308,910	2,282,223	26,687
14	**LIABILITIES AND EQUITY**												
15	Current Liabilities:												
16	Trade and other payables		92,125	8,932	(8,934)	92,127	999	590	(469)	878	93,005	93,890	(885)
17	Loans and borrowings		101,237	(319)		101,556	65,242	321		64,921	166,477	166,477	0
18	Provisions		4,117			4,117	1,215			1,215	5,331	5,331	0
19	Regulatory liabilities	2	8,934		8,934	0	469		469	0	0		0
20	Deferred revenues	4	0		(5,285)	5,285	0		(661)	661	5,946	5,946	0
21			206,413	8,614	(5,285)	203,084	67,925	911	(661)	67,675	270,759	271,644	(885)
22	Non-Current Liabilities:												
23	Loans and borrowings		706,635			706,635	390,401			390,401	1,097,036	1,097,036	0
24	Provisions		3,377			3,377	645			645	4,022	4,022	0
25	Deferred revenues	4 & 5	0		(155,889)	155,889	0		(54,264)	54,264	210,153	182,582	27,571
26	Regulatory liabilities	2	0				0				0		0
27			710,012	0	(155,889)	865,900	391,047	0	(54,264)	445,311	1,311,211	1,283,640	27,571
28	Total Liabilities		916,425	8,614	(161,173)	1,068,985	458,972	911	(54,925)	512,986	1,581,971	1,555,284	26,687
29	Equity attributable to the Owner of the Company:												
30	Share capital		235,220			235,220	152,035			152,035	387,254	387,254	0
31	Retained earnings	2, 3 & 5	234,944	8,451		226,493	111,274	(1,918)		113,192	339,685	339,685	0
32	Total Equity		470,163	8,451	0	461,713	263,308	(1,918)	0	265,226	726,939	726,939	0
33	**TOTAL LIABILITIES AND EQUITY**		1,386,588	17,065	(161,173)	1,530,697	722,280	(1,007)	(54,925)	778,213	2,308,910	2,282,223	26,687

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, 2018 and 2017

KPMG LLP
2200, 10175 101 St NW
Edmonton AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of EPCOR Distribution and Transmission Inc.

Opinion

We have audited the financial statements of EPCOR Distribution and Transmission Inc. (the Entity), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- the statements of comprehensive income for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada
February 14, 2019

EPCOR DISTRIBUTION & TRANSMISSION INC.

Statements of Comprehensive Income
(In thousands of Canadian dollars)

Years ended December 31, 2018 and 2017

	2018	2017
Revenues (note 5)	$ 377,920	$ 623,891
Operating expenses:		
Electricity purchases and system access fees (note 5)	-	250,285
Other raw materials and operating charges	16,258	19,610
Staff costs and employee benefits expenses	51,810	48,954
Depreciation and amortization (note 6)	83,839	83,296
Franchise fees and property taxes	77,887	78,679
Other administrative expenses	32,434	32,892
	262,228	513,716
Operating income	115,692	110,175
Finance expenses (note 7)	(59,506)	(56,190)
Comprehensive income for the year - all attributable to the Owner of the Company	$ 56,186	$ 53,985

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, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Trade and other receivables (note 8)	$ 72,917	$ 65,770
Inventories (note 9)	1,853	1,183
Prepaid expenses	770	631
	75,540	67,584
Non-current assets:		
Property, plant and equipment (note 10)	2,163,144	2,080,400
Intangible assets (note 11)	43,539	37,833
	2,206,683	2,118,233
TOTAL ASSETS	$ 2,282,223	$ 2,185,817
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables (note 12)	$ 93,890	$ 92,155
Loans and borrowings (note 13)	166,477	46,360
Deferred revenue (note 14)	5,946	5,710
Provisions (note 15)	5,331	4,976
	271,644	149,201
Non-current liabilities:		
Loans and borrowings (note 13)	1,097,036	1,160,018
Deferred revenue (note 14)	182,582	172,925
Provisions (note 15)	4,022	4,010
	1,283,640	1,336,953
Total liabilities	1,555,284	1,486,154
Equity attributable to the Owner of the Company:		
Share capital (note 16)	387,254	387,254
Retained earnings	339,685	312,409
Total equity – all attributable to the Owner of the Company	726,939	699,663
TOTAL LIABILITIES AND EQUITY	$ 2,282,223	$ 2,185,817

Approved on behalf of the EPCOR Board,

Janice G. Rennie
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)

Years ended December 31, 2018 and 2017

	Share capital (note 16)	Contributed surplus (note 16)	Retained earnings	Equity attributable to the Owner of the Company
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
Impact of changes in accounting policies (note 3(k))	-	-	90	90
Adjusted equity at December 31, 2017	191,254	196,000	312,499	699,753
Comprehensive income for the year	-	-	56,186	56,186
Dividends	-	-	(29,000)	(29,000)
Equity at December 31, 2018	$ 191,254	$ 196,000	$ 339,685	$ 726,939

The accompanying notes are an integral part of these financial statements

EPCOR DISTRIBUTION & TRANSMISSION INC.
Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from (used in) operating activities:		
Comprehensive income for the year	$ 56,186	$ 53,985
Reconciliation of comprehensive income for the year to cash from (used in) operating activities:		
Interest paid	(59,293)	(54,790)
Finance expenses (note 7)	59,506	56,190
Depreciation and amortization (note 6)	83,839	83,296
Contributions received (note 14)	11,696	13,012
Deferred revenue recognized (note 14)	(6,279)	(5,849)
Change in employee benefits provisions (note 15)	367	(1,524)
Net cash flows from operating activities before non-cash operating working capital changes	146,022	144,320
Changes in non-cash operating working capital (note 17)	(7,701)	(4,664)
Net cash flows from operating activities	138,321	139,656
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment [1]	(158,276)	(230,309)
Acquisition or development of intangible assets [2]	(10,726)	(4,489)
Proceeds on disposal of property, plant and equipment	1,189	4,912
Changes in non-cash investing working capital (note 17)	1,357	11,471
Net cash flows used in investing activities	(166,456)	(218,415)
Cash flows from (used in) financing activities:		
Net proceeds from issuance (repayment) of short-term loans and borrowings (note 18)	19,327	(59,790)
Proceeds from issuance of long-term loans and borrowings (note 18)	50,000	140,000
Repayments of long-term loans and borrowings (note 18)	(12,192)	(11,451)
Proceeds from capital contributions from the Owner of the Company (note 16)	-	29,000
Dividends paid	(29,000)	(19,000)
Net cash flows from financing activities	28,135	78,759
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

1 Interest payments of $1,187 (2017 - $2,416) have been capitalized and included in acquisition or construction of property, plant and equipment.

2 Interest payment of $159 (2017 – $40) have been capitalized and included in acquisition or development of intangible assets.

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 related 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 2018 through 2022. Under the PBR regulation, rates change annually based on a formula comprised of the following factors: inflation factor, productivity factor, growth factor, flow-through items and exogenous adjustments for unforeseen significant items not under management’s control. In addition and in limited circumstances, EDTI has the ability to apply for supplementary funding for certain capital additions.

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). These financial statements were approved and authorized for issue by the Board of Directors of EPCOR on February 14, 2019.

(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.

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 new accounting standards and amendments to various accounting standards effective January 1, 2018, which resulted in changes to these financial statements. The changes from the adoption of new and revised standards are summarized below.

The Company adopted IFRS 9 - *Financial Instruments* (IFRS 9), which replaces IAS 39 – *Financial instruments: Recognition and Measuremen*t; and IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11 – *Construction Contracts* and IAS 18 – *Revenue* and related interpretations, using the modified retrospective approach with the cumulative effect of any adjustments recognized in the opening balance of retained earnings as of January 1, 2018. The comparative information has not been restated and continues to be reported under previous accounting standards. The Company's updated accounting policies resulting from implementation of the new standards, along with analysis of the changes from the previous accounting policies, are set out in notes 3(b), 3(h), 3(j) and 3(k).

(b) Revenue recognition

Effective January 1, 2018, the Company recognizes revenue when it transfers control over a promised service, a performance obligation under the contract, to a customer and where the Company is entitled to consideration resulting from completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at the fair value of the non-cash consideration.

The Company's principal source of revenue is provision of services. The contracts with customers for each of electricity transmission and distribution services consist primarily of perpetual contracts that are effective until terminated by the customer or the Company. The Company provides a series of distinct services, which are simultaneously received and consumed by the customers. Each of the performance obligations is satisfied over time using the output method for recognition of revenue as quantifiable services are rendered to the customer.

Revenues are calculated based on the services provided to the customer during the period, at the applicable rates as per the terms of the respective contracts. These revenues include an estimate of the value of services provided to the customers in the reporting period and billed subsequent to the reporting period. Customers are generally billed within a month and payment is generally due within 30 days of billing the customer.

Contract costs for obtaining a customer contract are expensed as incurred unless they create an asset related to future contract activity that the Company expects to recover.

Judgement may be required to determine whether the Company acts as a principal or agent for certain performance obligations. The Company is acting as a principal when the Company controls the goods or services before transfer to the customer. The Company is acting as an agent when it is obliged to arrange for the provision of the goods and services by another party that are not controlled by the Company before transfer to the customer. When the Company acts as an agent, the revenue is recognized net of any related costs incurred.

IFRS 15 implementation impact

Prior to January 1, 2018, revenue was recognized to the extent that it was probable that economic benefits would flow to the Company for the provision of services and when the revenue could be reliably measured. Revenues were measured at the fair value of the consideration received or to be received, excluding discounts, rebates and sales taxes or duty.

The implementation of IFRS 15 effective January 1, 2018, did not result in any adjustment to the opening balance of retained earnings or to the presentation of the statement of financial position.

The implementation of IFRS 15 had an impact on the accounting policies with respect to contributions from customers and developers. Prior to January 1, 2018, contributions from both customers and developers were initially recorded as deferred revenue when received and were recognized as revenue on a straight-line basis over the estimated economic useful lives of the assets to which they relate. On implementation of IFRS 15, contributions received from customers where the Company has an ongoing performance obligation to the customer are within the scope of IFRS 15. These contributions continue to be presented as deferred revenue when received and subsequently recognized as revenue as described in note 3(h). Contributions from developers are not within the scope of IFRS 15 as they do not give rise to a contract with the customer. Currently there is no specific IFRS guidance on accounting for contributions received from developers. The Company has developed an accounting policy for the initial recognition of such contributions and subsequent recognition of the related revenue, as described in note 3(h).

The implementation of IFRS 15 also had an impact on the presentation of revenue from collection of provincial transmission system access service charges on behalf of the Alberta Electric System Operator (AESO). Prior to January 1, 2018, the collection of provincial transmission system access service charges was presented as revenue from provision of electricity services, with all related costs presented as operating expenses within energy purchases and system access fees. On implementation of IFRS 15, the Company has determined that it is acting as an agent when fulfilling the obligation as the Company does not obtain control of the service before it is transferred to the customers. Therefore, effective January 1, 2018, revenue related to provincial transmission system access service charges is being presented net of the related costs paid to the AESO. The impact of the change in the presentation of revenue due to implementation of IFRS 15 is described in note 5.

(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 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.

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

Electricity distribution	3 – 65 years
Electricity transmission	3 – 67 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 are contributed by customers or constructed using non-refundable cash contributions from customers. Non-refundable customer contributions, which are used to provide ongoing services to these customers, are recorded as deferred revenue. The deferred revenue is initially recorded at the fair value of contributed assets, or the amount of cash contributions received, and is recognized as revenue on a straight-line basis over the estimated lives of the contracts with the customers. Where contract with customer is perpetual and the related contributed asset is used to provide ongoing goods or services to customer, the life of the contract is estimated to be equivalent to the economical useful life of the asset to which the contribution relates.

Certain assets are contributed by developers or acquired or constructed using non-refundable cash contributions from developers. Currently there is no specific IFRS guidance on accounting for contributions received from developers. In accordance with IAS 8, the Company has developed an accounting policy for the initial recognition of such contributions and subsequent recognition of the related revenue. These contributions are recorded as deferred revenue, at the fair value of the contributed assets or the amount of cash contribution received, and are recognized as revenue on a straight-line basis over the estimated economic useful lives of the assets to which the contribution relates.

(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.

(j) Non-derivative financial instruments

Financial assets are identified and classified based on the business model used by the Company for managing those assets. Currently all financial assets of the Company are measured at amortized cost. Prior to January 1, 2018, financial assets were identified and classified as loans and receivables. Financial liabilities continue to be classified as measured at amortized cost as there is no change in classification of financial liabilities under IFRS 9.

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

The following table summarizes the classification and measurement for each class of the Company's financial assets and financial liabilities up to December 31, 2017 and subsequent to adoption of IFRS 9 effective January 1, 2018.

	Up to December 31, 2017	Effective January 1, 2018	Fair value hierarchy
Measured at amortized cost			
Trade and other receivables	Loans and receivables	Amortized cost	Level 3
Trade and other payables	Other financial liabilities	Amortized cost	Level 3
Loans and borrowings	Other financial liabilities	Amortized cost	Level 2

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 is not based on observable market data.

At amortized cost

Trade and other receivables are classified as financial assets measured at amortized cost. These financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collection of cash flows, where those cash flows solely represent payments of principal and interest 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 and allocates the finance income over the term of the financial asset using an effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

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

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 uses the “expected credit loss” (ECL) model for calculating impairment and recognizes ECL as a loss allowance for financial assets measured at amortized cost.

For trade receivables without significant financing component, the Company applies the simplified approach and uses a provision matrix. The provision matrix is based on the Company’s historical credit loss experience for trade receivable, current market conditions and future expectations, to estimate and recognize the lifetime ECL. Trade and other receivables that are not assessed for impairment individually are assessed for impairment on a collective basis taking into consideration the unique risk factors associated with each customer group.

Prior to January 1, 2018, the Company was using objective evidence as the criteria to recognize impairment losses on financial assets. On implementation of IFRS 9 effective January 1, 2018, the Company changed the criteria for recognition of an impairment loss to utilize the ECL model as described above. The impact of this change resulted in a reduction in the lifetime ECL on trade receivable of $90. This has been adjusted in the opening balance of retained earnings.

(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 PP&E and intangible assets with definite useful lives, the recoverable amount is estimated when an indication of impairment exists. 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 (CGU) 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 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 (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 International Accounting Standards Board and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2019. 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 16 - *Leases* (IFRS 16), which replaces IAS 17 – *Leases* and related interpretations, combines the existing dual accounting model of operating and finance leases into a single lessee accounting model. Under the new lessee accounting model, a lessee will recognize right-of-use assets and lease liabilities on the statement of financial position initially measured at the present value of unavoidable future lease payments. IFRS 16 will also result in expenses being higher at the beginning of a lease and lower towards the end of a lease, even when payments are consistent throughout the term. Lessors will continue to use dual lease accounting model and the classification will determine how and when a lessor will recognize lease revenue and what assets will be recorded.

There are two methods prescribed for adoption of the new standard: (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 the opening retained earnings as of the date of adoption. The Company will adopt IFRS 16 using the modified retrospective approach with the cumulative effect of the adjustment, if any, recognized as of January 1, 2019, subject to allowable and elected practical expedients. On initial adoption of the new standard, the Company intends to use the following recognition exemptions and practical expedients, where applicable:

- not apply the requirements of the standard to short-term leases,
- treat existing operating leases with a remaining term of less than 12 months at January 1, 2019 as short-term leases,
- not apply the requirements of the standard to low value leases,
- exclude initial direct costs relating to existing leases from the measurement of the right-of-use asset.

On adoption of IFRS 16, the lease liabilities will be measured at the present value of the future lease payments under each contract, discounted using the incremental borrowing rate for the Company. The right-of-use assets will be measured at amounts equal to respective lease liabilities, subject to certain adjustments allowed under IFRS 16. The right-of-use assets will be amortized on a straight-line basis over the remaining term of each related lease contract.

The Company has substantially completed its review of existing contracts that could potentially be classified as leases under IFRS 16 in order to identify the contracts that will be impacted by the implementation of the new standard. The Company is currently finalizing its analysis to quantify the impact of the adoption of IFRS 16 on its financial statements. Based on the analysis completed to date, the Company does not expects to have any material impact on its statements of financial position or on statements of comprehensive income due to implementation of the new standard.

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 services revenues, 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.

(In thousands of Canadian dollars unless otherwise indicated)

5. Revenues

	2018	2017
Provision of electricity services	$ 362,748	$ 608,276
Other services	8,893	9,766
Deferred revenue recognized	6,279	5,849
	$ 377,920	$ 623,891

As explained in note 3(b), the Company implemented IFRS 15 using the modified retrospective approach and as such the balances for the comparative period have not been restated. Had the Company continued using the previous policy for recognition of revenue, revenue from the provision of electricity services and expenses on electricity purchases and system access fees for the year ended December 31, 2018, would have been higher by $286,759 thousand compared to the amounts presented within the statements of comprehensive income.

Revenue from contracts with customers expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied at the reporting date are as follows:

	2019	2020	2021	2022	2023	2024 and thereafter	Total
Contract liabilities - contributions received from customers, developers [1]	$ 5,967	$ 5,968	$ 5,933	$ 5,897	$ 5,870	$ 158,893	$ 188,528

1. At December 31, 2018, the Company had $188,528 of deferred revenue recorded in the statements of financial position related to contributions received from customers, developers and government grants. Revenue will be recognized in future periods related to this balance, as described in note 3(h), over periods ranging up to 59 years.

The Company has various contracts with customers for provision of electricity distribution services. These contracts are perpetual with no agreed fixed term and can be terminated at any time either by customer or the Company. In case of termination of these contracts, the Company has the right to receive payment for the performance completed to the termination date.

6. Depreciation and amortization

	2018	2017
Depreciation of property, plant and equipment	$ 77,642	$ 73,812
Amortization of intangible assets	5,020	4,202
Loss on disposals of property, plant and equipment	1,177	5,282
	$ 83,839	$ 83,296

7. Finance expenses

	2018	2017
Interest on loans and borrowings	$ 60,852	$ 58,646
Capitalized interest on property, plant and equipment (note 10)	(1,187)	(2,416)
Capitalized interest on intangible assets (note 11)	(159)	(40)
	$ 59,506	$ 56,190

(In thousands of Canadian dollars unless otherwise indicated)

8. Trade and other receivables

	2018	2017
Trade receivables	$ 22,498	$ 19,222
Accrued revenues	50,576	46,750
Gross accounts receivables	73,074	65,972
Expected credit loss allowance	(157)	(202)
	$ 72,917	$ 65,770

Details of the aging of accounts receivables and analysis of the changes in the expected credit loss allowance are provided in note 21.

9. Inventories

	2018	2017
General stock	$ 9,105	$ 8,786
Transformers	4,048	4,882
Cables and wires	5,439	6,392
Cubicles	2,930	3,512
	21,522	23,572
Less: capital inventory (note 10)	19,669	22,389
	$ 1,853	$ 1,183

During the year ended December 31, 2018, inventory of $1,325 (2017 – $1,408) was expensed to other raw materials and operating charges.

An inventory write-down of $197 (2017 – $153) was recognized in the year ended December 31, 2018. No reversals of previous write-downs were recorded in the years ended December 31, 2018 or 2017.

At December 31, 2018 and 2017, no inventories were pledged as security for liabilities.

10. Property, plant and equipment

	Land	Capital inventory	Construction work in progress	Distribution	Transmission	Total
Cost						
Balance, beginning of 2018	$ 24,782	$ 22,389	$ 26,384	$1,718,645	$ 956,646	$ 2,748,846
Additions[1]	-	17,446	140,927	4,379	-	162,752
Transfers into service	-	(20,166)	(131,873)	123,644	28,395	-
Disposals and retirements	(76)	-	-	(5,050)	(2,582)	(7,708)
Balance, end of 2018	24,706	19,669	35,438	1,841,618	982,459	2,903,890
Accumulated depreciation						
Balance, beginning of 2018	-	-	-	421,181	247,265	668,446
Depreciation	-	-	-	54,212	23,430	77,642
Disposals and retirements	-	-	-	(3,613)	(1,729)	(5,342)
Balance, end of 2018	-	-	-	471,780	268,966	740,746
Net book value, end of 2018	$ 24,706	$ 19,669	$ 35,438	$1,369,838	$ 713,493	$ 2,163,144

(In thousands of Canadian dollars unless otherwise indicated)

	Land	Capital inventory	Construction work in progress	Distribution	Transmission	Total
Cost						
Balance, beginning of 2017	$ 31,747	$ 26,328	$ 56,585	$1,506,971	$ 922,494	$ 2,544,125
Additions [1]	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
Accumulated depreciation						
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
Net book value, end of 2017	$ 24,782	$ 22,389	$ 26,384	$1,297,464	$ 709,381	$ 2,080,400

[1] Additions include non-cash contributed assets of $4,476 (2017 - $3,324) (note 14).

Borrowing costs capitalized during the year ended December 31, 2018, were $1,187 (2017 – $2,416) (note 7). The weighted average rate used to determine the borrowing costs eligible for capitalization was 4.94% (2017 – 5.65%).

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

11. Intangible assets

	Work in progress	Land right of ways	Software	Total
Cost				
Balance, beginning of 2018	$ 737	$ 13,308	$ 43,272	$ 57,317
Investment in intangible assets	10,722	4	-	10,726
Transfers into service	(7,848)	-	7,848	-
Balance, end of 2018	3,611	13,312	51,120	68,043
Accumulated amortization				
Balance, beginning of 2018	-	2,345	17,139	19,484
Amortization	-	266	4,754	5,020
Balance, end of 2018	-	2,611	21,893	24,504
Net book value, end of 2018	$ 3,611	$ 10,701	$ 29,227	$ 43,539

(In thousands of Canadian dollars unless otherwise indicated)

	Work in progress	Land right of ways	Software	Total
Cost				
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
Accumulated amortization				
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
Net book value, end of 2017	$ 737	$ 10,963	$ 26,133	$ 37,833

Borrowing costs capitalized on intangible assets during the year ended December 31, 2018, were $159 (2017 – $40) (note 7). The weighted average rate used to determine the borrowing costs eligible for capitalization was 4.94% (2017 – 5.65%).

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

12. Trade and other payables

	2018	2017
Trade payables	$ 46,903	$ 50,959
Accrued liabilities	40,392	34,814
Accrued interest	6,595	6,382
	$ 93,890	$ 92,155

(In thousands of Canadian dollars unless otherwise indicated)

13. Loans and borrowings

		2018		2017
Short-term note payable to EPCOR[1]	$	53,495	$	34,168
Long-term notes payable to EPCOR[2]				
At 7.30%, due in 2019		100,000		100,000
At 7.30%, due in 2022		7,285		9,052
At 6.65%, due in 2023		34,407		40,039
At 6.07%, due in 2024		19,448		22,063
At 5.27%, due in 2025		18,878		21,056
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		50,000
At 3.75%, due in 2047		90,000		90,000
At 4.09% due in 2048		50,000		-
		1,210,018		1,172,210
		1,263,513		1,206,378
Less: current portion		166,477		46,360
	$	1,097,036	$	1,160,018

1 The short-term note payable to EPCOR is unsecured and due on demand.

2 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, 2047 and 2048 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

		2018		2017
Balance, beginning of year	$	178,635	$	168,148
Contributions received		16,172		16,336
Revenue recognized		(6,279)		(5,849)
		188,528		178,635
Less: current portion		5,946		5,710
Balance, end of year	$	182,582	$	172,925

Contributions received include non-cash contributions of $4,476 (2017 – $3,324) and cash contributions of $11,696 (2017 - $13,012).

(In thousands of Canadian dollars unless otherwise indicated)

15. Provisions

	2018	2017
Employee benefits	$ 9,353	$ 8,986
Less: current portion	5,331	4,976
	$ 4,022	$ 4,010

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 (2017 – 11,601).

	2018	2017
Common shares	$ 191,254	$ 191,254
Contributed surplus	196,000	196,000
	$ 387,254	$ 387,254

17. Changes in non-cash working capital

	2018	2017
Trade and other receivables	$ (7,147)	$ (13,798)
Inventories	(670)	(276)
Prepaid expenses	(139)	(148)
Trade and other payables	1,735	22,429
	$ (6,221)	$ 8,207

	2018	2017
Included in specific items on statements of cash flows:		
Interest paid	$ 213	$ 1,400
Operating activities	(7,701)	(4,664)
Investing activities	1,357	11,471
Not included in specific items on statements of cash flows:		
Adjustment on implementation of IFRS 9 in trade and other receivables	(90)	-
	$ (6,221)	$ 8,207

(In thousands of Canadian dollars unless otherwise indicated)

18. Changes in liabilities arising from financing activities:

	Short-term loans and borrowings	Long-term loans and borrowings
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
Issued	572,478	50,000
Redemptions or repayments	(553,151)	(12,192)
Balance at December 31, 2018	$ 53,495	$1,210,018

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:

	2018	2017
Statements of Comprehensive Income		
Revenues (a)	$ 216,780	$ 197,824
Other raw materials and operating charges (b)	461	2,367
Staff costs and employee benefits expenses (c)	51,810	48,954
Other administrative expenses (d)	23,843	27,892
Finance expenses (e)	59,506	56,190

(a) Comprised of tariff revenue of $211,185 (2017 – $191,922) for electricity services provided to affiliated retailers and service revenue of $5,595 (2017 – $5,902) 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 $23,550 (2017 – $27,530), and subsidiaries of EPCOR of $293 (2017 – $362).

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

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

	2018	2017
Statements of Financial Position		
Trade and other receivables (f)	$ 23,906	$ 19,918
Property, plant and equipment (g)	73,685	76,382
Trade and other payables (h)	13,403	11,665
Loans and borrowings (i)	1,263,513	1,206,378
Provisions (j)	9,353	8,986

(In thousands of Canadian dollars unless otherwise indicated)

(f) Comprised of tariff receivables and tariff accruals for electricity services of $23,478 (2017 – $19,863) and other services receivables of $428 (2017 – $55).

(g) Relates to expenditures for construction services.

(h) Includes accrued interest on long-term notes payable to EPCOR of $6,595 (2017 – $6,382).

(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 (MES), 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:

	2018	2017
Statements of Comprehensive Income		
Revenues (k)	$ 43	$ 99
Other raw materials and operating charges (l)	3,972	3,480
Franchise fees and property taxes (m)	77,658	78,447
Other administrative expenses (n)	91	95

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

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

(m) Franchise fees of $61,120 at 0.39 cents per kilowatt hour for direct connect customers and at 0.81 cents per kilowatt hour for all other customers (2017 - $62,910 at 0.43 cents per kilowatt hour for direct connect customers and 0.84 cents per kilowatt hour for all other customers) of electric distribution capacity and property taxes of $16,538 (2017 - $15,537) on property owned within the City municipal boundaries.

(n) Relates to depreciation and MES administration.

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

	2018	2017
Statements of Financial Position		
Trade and other receivables (o)	$ 635	$ 530
Property, plant and equipment (p)	1,062	2,704
Trade and other payables (q)	317	1,031
Deferred revenue (r)	385	579

(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 MES, and maintenance and repair services received and not billed.

(r) Relates to capital contributions.

20. Financial instruments

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.

(In thousands of Canadian dollars unless otherwise indicated)

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

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings (note 13)	$ 1,263,513	$ 1,368,448	$ 1,206,378	$ 1,375,148

Loans and borrowings

Short-term loans and borrowings are measured at amortized cost and their carrying value approximate their fair value due to short-term nature of these financial instruments.

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, 2018 and 2017. 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 the Board of Directors of EPCOR 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 loans and borrowings is immaterial due to its short-term maturity. At December 31, 2018 and 2017, 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 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.

(In thousands of Canadian dollars unless otherwise indicated)

Maximum credit risk exposure

The Company's maximum exposure related to the carrying value of trade and other receivables is \$3,993 (2017 – \$3,573).

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 credit quality of the Company's trade and other receivables by major credit concentrations at December 31, 2018 and 2017, was as follows:

	2018		2017	
	Investment grade or secured[1,2]	Unrated	Investment grade or secured[1,2]	Unrated
	%	%	%	%
Trade and other receivables				
Regulated rate customers[3]	47	46	46	45
Non regulated rate customers	5	2	5	4
Total trade and other receivables	52	48	51	49

1 Credit ratings are based on the Company's internal criteria and analyses, which take into account, among other factors, the investment grade ratings of external credit rating agencies when available.

2 Certain trade receivables and other financial assets are considered to have low credit risk as they are either secured by other forms of credit enhancements or the counterparties are local or provincial governments.

3 Trade receivables from regulated rate customers include electricity distribution and transmission services. Under the Electric Utilities Act (Alberta), the Company provides electricity services in its service area to residential, agricultural, small commercial, commercial and industrial customers at regulated rates.

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 expected credit loss allowance

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 lifetime ECL.

The Company calculates the ECL allowance on accounts receivable using a provision matrix approach, which is based on the Company's historical credit loss experience and current economic conditions (including forward-looking information) for accounts receivables to estimate the lifetime ECL. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is due or past due. The total lifetime ECL allowance calculated as at December 31, 2018 is \$157 (2017 - \$202).

(In thousands of Canadian dollars unless otherwise indicated)

The gross amounts of accounts receivables and corresponding ECL allowance was as follows:

December 31, 2018	Gross accounts receivables	Expected credit loss allowance	Net accounts receivables
Current [1]	$ 71,886	$ 39	$ 71,847
Outstanding 31 to 60 days	740	15	725
Outstanding 61 to 90 days	77	19	58
Outstanding more than 90 days	371	84	287
	$ 73,074	$ 157	$ 72,917

December 31, 2017	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivables
Current [1]	$ 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

[1] Current amounts represent trade and other receivables outstanding up to 30 days. Amounts outstanding for more than 30 days are considered past due.

During the year, the Company recognized $91 (2017 – $17 recovery) lifetime ECL as expense in profit or loss account relating to customer amounts that the Company determined may not be fully collectable. The lifetime ECL allowance is determined by considering the unique factors of different customer types. 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 ECL allowance is recorded when the Company has determined that recovery is not possible.

The changes in the lifetime ECL allowance were as follows:

	2018	2017
Balance, beginning of year	$ 202	$ 252
Opening adjustment on implementation of IFRS 9 (note 3(k))	(90)	-
	112	252
Additional allowances created	91	(17)
Recoveries of receivables	14	2
Receivables written off	(60)	(35)
Balance, end of year	$ 157	$ 202

At December 31, 2018, the Company held $3,441 (2017 – $3,342) 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, 2018 and 2017, the Company was in compliance with all debt covenants.

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

(In thousands of Canadian dollars unless otherwise indicated)

At December 31, 2018	2019	2020	2021	2022	2023	2024 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 87,295	$ -	$ -	$ -	$ -	$ -	$ 87,295
Loans and borrowings	166,477	13,823	14,719	14,476	14,162	1,039,856	1,263,513
Interest payments on loans and borrowings	56,038	51,660	50,740	49,787	48,888	809,558	1,066,671
	$ 309,810	$ 65,483	$65,459	$ 64,263	$ 63,050	$ 1,849,414	$ 2,417,479

At December 31, 2017	2018	2019	2020	2021	2022	2023 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 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

[1] Excluding accrued interest on loans and borrowings of $6,595 (2017 – $6,382).

The Company's undiscounted cash flow requirements and contractual maturities in the next twelve months of $309,810 (2017 - $190,669) will be funded from a combination of operating cash flows and new debt financing.

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:

	2018	2017
Loans and borrowings (including current portion) (note 13)	$ 1,263,513	$ 1,206,378
Total equity	726,939	699,663
Total capital	$ 1,990,452	$ 1,906,041

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, 2018 and 2017, the Company complied with all externally imposed capital restrictions.

The return on equity (ROE) approved for the distribution and transmission businesses was 8.50% (2017 – 8.50%). The capital structure (equity ratio) was 37% (2017 – 37%) for both the distribution and transmission businesses. 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, 2018:

(a) Commitments for the purchase of general administrative and operation services from EPCOR and its subsidiaries are estimated at $27,973 (2017 – $30,510). These estimates are subject to change based on actual activity levels.

(b) The Company has committed to various Distribution and Transmission projects as directed by the AESO with an estimated balance of $105,403 (2017 - $89,525).

(c) 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.