**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF REVENUE REQUIREMENT**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 1**

| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | |
| 2 | Transmission Tariffs | Sch 6 | 102,652 | 102,652 | 99,192 | (0) | 0.0% | 3,460 | 3.5% | |
| 3 | **Total Revenues** | | 102,652 | 102,652 | 99,192 | (0) | 0.0% | 3,460 | 3.5% | |
| 4 | **Costs** | | | | | | | | | |
| 5 | Fuel | | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% | |
| 6 | Operating Costs | Sch 3 | 37,017 | 37,505 | 39,248 | (487) | -1.3% | (2,230) | -5.7% | |
| 7 | Depreciation | Sch 4 + Sch 10 | 20,710 | 21,214 | 20,036 | (504) | -2.4% | 674 | 3.4% | |
| 8 | Return on Rate Base | Sch 2 + Sch 10 | 44,556 | 43,784 | 42,644 | 772 | 1.8% | 1,912 | 4.5% | |
| 9 | Income Tax Expense | Sch 5 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% | |
| 10 | Revenue Offsets | Sch 10 | (244) | (273) | (264) | 30 | -10.9% | 20 | -7.6% | |
| 11 | Deferral & Reserve Accounts | Sch 9 + Sch 10 | 613 | 424 | (2,471) | 189 | 44.6% | 3,084 | -124.8% | |
| 12 | **Total Costs** | | 102,652 | 102,652 | 99,192 | (0) | 0.0% | 3,460 | 3.5% | |
| 13 | **Transmission Tariffs** | | **102,652** | **102,652** | **99,192** | **(0)** | **0.0%** | **3,460** | **3.5%** | |

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF RETURN ON RATE BASE**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 2**

**2019 Actual**

| Line No. | Description | Cross-Reference | Mid-Year Capital | 2019 Prescribed Ratio | Prorated Rate Base | Cost Rate % | Return $ | Var. Actual to Decision | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Cost of Debt | Sch 2.1 | 696,729 | 63.00% | 438,939 | 5.01% | 21,998 | 684 | 3.2% | |
| 2 | Return on Equity | Sch 2.1 | 696,729 | 37.00% | 257,790 | 8.75% | 22,558 | 89 | 0.4% | |
| 3 | **Mid-Year Net Rate Base (Capital Invested)** | Sch 2.1 | 696,729 | 100.00% | 696,729 | 6.40% | | | | |
| 4 | **Return on Rate Base** | Sch 2.1 | | | | | 44,556 | | | |

**2019 Decision**

| Line No. | Description | Cross-Reference | Mid-Year Capital | 2019 Prescribed Ratio | Prorated Rate Base | Cost Rate % | Return $ | Var. Actual to Decision | Var % |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Cost of Debt | Sch 2.1 | 714,457 | 63.00% | 450,108 | 4.74% | 21,314 | | |
| 2 | Return on Equity | Sch 2.1 | 714,457 | 37.00% | 264,349 | 8.50% | 22,470 | | |
| 3 | **Mid-Year Net Rate Base (Capital Invested)** | Sch 2.1 | 714,457 | 100.00% | 714,457 | 6.13% | | | |
| 4 | **Return on Rate Base** | Sch 2.1 | | | | | 43,784 | | |

**2018 Actual**

| Line No. | Description | Cross-Reference | Mid-Year Capital | 2018 Prescribed Ratio | Prorated Rate Base | Cost Rate % | Return $ | Var. Actual to Decision | Var % |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Cost of Debt | Sch 2.1 | 686,619 | 63.00% | 432,570 | 5.04% | 21,803 | | |
| 2 | Return on Equity | Sch 2.1 | 686,619 | 37.00% | 254,049 | 8.20% | 20,840 | | |
| 3 | **Mid-Year Net Rate Base (Capital Invested)** | Sch 2.1 | 686,619 | 100.00% | 686,619 | 6.21% | | | |
| 4 | **Return on Rate Base** | Sch 2.1 | | | | | 42,644 | | |

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF MID-YEAR RATE BASE**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 2.1**

| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross Utility Plant in Service | | | | | | | | | |
| 1 | Opening Balance | | 1,031,702 | 1,034,682 | 1,011,277 | (2,980) | -0.3% | 20,425 | 2.0% | |
| 2 | Closing Balance | | 1,059,899 | 1,148,788 | 1,031,702 | (88,889) | -8.4% | 28,197 | 2.7% | |
| 3 | **Mid-Year Gross Utility Plant in Service** | | 1,045,801 | 1,091,735 | 1,021,490 | (45,934) | -4.3% | 24,311 | 2.4% | |
| | Accumulated Depreciation - Utility | | | | | | | | | |
| 4 | Opening Balance | | (282,779) | (282,846) | (267,959) | 67 | 0.0% | (14,820) | 5.5% | |
| 5 | Closing Balance | | (294,949) | (296,050) | (282,779) | 1,102 | -0.4% | (12,169) | 4.3% | |
| 6 | **Mid-Year Accumulated Depreciation - Utility** | | (288,864) | (289,448) | (275,369) | 584 | -0.2% | (13,495) | 4.9% | |
| | Contributions in Aid of Construction | | | | | | | | | |
| 7 | Opening Balance | | 73,817 | 73,480 | 73,850 | 337 | 0.5% | (34) | 0.0% | |
| 8 | Closing Balance | | 81,646 | 138,524 | 73,817 | (56,878) | -69.7% | 7,829 | 10.6% | |
| 9 | **Mid-Year Utility Contributions in Aid of Construction** | | 77,731 | 106,002 | 73,833 | (28,271) | -34.6% | 3,898 | 5.3% | |
| | Amortization of Contributions | | | | | | | | | |
| 10 | Opening Balance | | (17,025) | (16,951) | (15,140) | (74) | 0.4% | (1,885) | 12.5% | |
| 11 | Closing Balance | | (18,957) | (19,569) | (17,025) | 612 | -3.2% | (1,932) | 11.3% | |
| 12 | **Mid-Year Utility Amortization of Contributions** | | (17,991) | (18,260) | (16,083) | 269 | -1.4% | (1,909) | 11.9% | |
| 13 | **Mid-Year Net Utility Plant in Service** | | 697,197 | 714,545 | 688,370 | (17,348) | -2.5% | 8,827 | 1.3% | Note 1 |
| 14 | Necessary Working Capital | | (468) | (88) | (1,750) | (380) | 81.2% | 1,283 | -73.3% | Note 2 |
| 15 | Other No Cost Capital | | | | | | | | | |
| 16 | **Mid-Year Net Rate Base (Capital Invested)** | Sch 2 | 696,729 | 714,457 | 686,619 | (17,728) | -2.5% | 10,110 | 1.5% | |
| | **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 | 957,886 | 961,202 | 937,427 | (3,316) | -0.3% | 20,459 | 2.2% | |
| 18 | Closing Balance (Line 2 - Line 8) | Sch 4.1 | 978,253 | 1,010,265 | 957,886 | (32,012) | -3.3% | 20,367 | 2.1% | |
| 19 | Mid-Year Gross Utility Plant in Service (Line 17 + Line 18)/2 | | 968,069 | 985,733 | 947,656 | (17,664) | -1.8% | 20,413 | 2.2% | |
| | Accumulated Depreciation - Utility (Net of Contributions) | | | | | | | | | |
| 20 | Opening Balance (Line 4 - Line 10) | Sch 4.1 | (265,754) | (265,895) | (252,820) | 141 | -0.1% | (12,934) | 5.1% | |
| 21 | Closing Balance (Line 5 - Line 11) | Sch 4.1 | (275,991) | (276,481) | (265,754) | 490 | -0.2% | (10,237) | 3.9% | |
| 22 | Mid-Year Utility Amortization (Line 19 + Line 20)/2 | | (270,873) | (271,188) | (259,287) | 316 | -0.1% | (11,586) | 4.5% | |
| 23 | **Mid-Year Net Utility Plant in Service (Line 19 + Line 21)** | Line 13 | 697,197 | 714,545 | 688,370 | (17,348) | -2.5% | 8,827 | 1.3% | |

Note 1: The 2019 Actual Mid-Year Net Utility Plant in Service is lower than the 2019 Decision primarily due to lower actual capital additions in 2019 ($28.92 million lower than Decision) and lower actual capital additions in 2018 ($5.68 million lower than Decision), offset by higher capital additions in 2017 ($20.91 million higher than Decision). The lower capital additions in 2019 relate primarily to the 72RS5 OFPT Cable Life Cycle Replacement project ($22.15 million), the Riverview POD project ($10.95 million), the West Edmonton Transmission Upgrade project ($3.68 million) and the Power Transformer Replacement program ($2.02 million).
The projects with lower capital additions were offset by the following projects that had higher 2019 Actual capital additions than the 2019 Decision: Rossdale Medium Voltage Switchgear project ($4.77 million), Heartland 500 kV Transmission project ($1.45 million) and the Life Cycle Replacement of 72 kV Transmission Cable Splices, Terminations, and Cable Sections program ($1.28 million).
See Schedule 4.2 for additional details.

Note 2: The $0.47 million decrease from 2019 Decision to 2019 Actual was primarily due to a higher credit balance in the AESO Directed Projects Deferral Account as a result of delays in AESO directed projects including the Riverview POD.

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF MID-YEAR CAPITAL STRUCTURE**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 2.2**

| Line No. | Description | Cross-Reference | Current Year-End | Previous Year-End | 2019 Actual Mid-Year Capital | 2019 Actual Capital Ratio | 2019 Decision Mid-Year Capital | Var. Actual to Decision | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Short-term debt | Sch 2.3 | 21,802 | 21,098 | 21,450 | 3.0% | 10,754 | 10,696 | 49.9% | Note 1 |
| 2 | Long-term debt | Sch 2.3 | 430,401 | 434,253 | 432,327 | 60.0% | 454,827 | (22,500) | -5.2% | Note 2 |
| 3 | Preferred shares | Sch 2.4 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0.0% | |
| 4 | Common equity | Sch 11 | 270,516 | 263,308 | 266,912 | 37.0% | 273,242 | (6,330) | -2.4% | Note 3 |
| 5 | **Total Mid-Year Invested Capital** | | 722,719 | 718,659 | 720,689 | 100.0% | 738,823 | (18,134) | -2.5% | |

Note 1: Higher mid-year short-term debt in 2019 Actuals compared to the 2019 Decision primarily reflecting higher capital expenditures and higher accounts receivable versus forecast.

Note 2: Lower mid-year long-term debt in 2019 Actuals compared to the 2019 Decision due to lower amount of debt being issued at lower rate compared to the Decision.

Note 3: Higher mid-year equity in 2019 Actuals compared to the 2019 Decision primarily reflecting lower costs as compared to 2019 Decision partially offset by a lower actual mid-year rate base.

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SCHEDULE OF DEBT CAPITAL EMPLOYED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 2.3**

**2019 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 | | ETI0001 | | 6/28/1999 | 6/28/2019 | 7.30% | 40,000 | 0 | 40,000 | 0.00% | 0 | 0 | 0.00% | 1,428 |
| 2 | | ETI0002 | | 5/31/2002 | 5/31/2022 | 7.30% | 25,000 | 0 | 25,000 | 9.01% | 5,386 | 485 | 9.01% | 485 |
| 3 | | ETI0003 | | 12/31/2003 | 12/31/2023 | 6.65% | 20,000 | 0 | 20,000 | 7.70% | 6,310 | 486 | 7.70% | 486 |
| 4 | | ETI0004 | | 12/31/2004 | 12/31/2024 | 6.07% | 10,000 | 0 | 10,000 | 6.83% | 3,705 | 253 | 6.83% | 253 |
| 5 | | ETI0005 | | 12/28/2006 | 12/28/2026 | 5.37% | 30,000 | 0 | 30,000 | 5.37% | 30,000 | 1,611 | 5.37% | 1,611 |
| 6 | | ETI0006 | | 12/28/2007 | 12/28/2027 | 6.08% | 35,000 | 0 | 35,000 | 6.08% | 35,000 | 2,128 | 6.08% | 2,128 |
| 7 | | ETI0007 | | 12/30/2008 | 12/30/2028 | 8.17% | 30,000 | 0 | 30,000 | 8.17% | 30,000 | 2,451 | 8.17% | 2,451 |
| 8 | | ETI0008 | | 12/30/2009 | 12/30/2039 | 6.10% | 5,000 | 0 | 5,000 | 6.10% | 5,000 | 305 | 6.10% | 305 |
| 9 | | ETI0009 | | 12/1/2011 | 12/1/2041 | 4.37% | 25,000 | 0 | 25,000 | 4.37% | 25,000 | 1,093 | 4.37% | 1,092 |
| 10 | | ETI0010-A | | 11/25/2013 | 11/25/2043 | 4.74% | 10,000 | 0 | 10,000 | 4.74% | 10,000 | 474 | 4.74% | 474 |
| 11 | | ETI0010-B | | 11/25/2013 | 11/25/2043 | 4.74% | 75,000 | 0 | 75,000 | 4.74% | 75,000 | 3,555 | 4.74% | 3,553 |
| 12 | | ETI0011 | | 11/21/2014 | 21/21/2044 | 4.19% | 60,000 | 0 | 60,000 | 4.19% | 60,000 | 2,514 | 4.19% | 2,512 |
| 13 | | ETI0012 | | 1/11/2015 | 1/11/2045 | 4.17% | 25,000 | 0 | 25,000 | 4.17% | 25,000 | 1,043 | 4.17% | 1,042 |
| 14 | | ETI0013 | | 12/1/2016 | 12/1/2046 | 4.09% | 30,000 | 0 | 30,000 | 4.09% | 30,000 | 1,227 | 4.09% | 1,226 |
| 15 | | ETI0014 | | 11/13/2018 | 11/13/2048 | 4.09% | 50,000 | 0 | 50,000 | 4.09% | 50,000 | 2,045 | 4.09% | 2,043 |
| 16 | | ETI0015 | | 7/2/2019 | 7/2/2049 | 3.19% | 40,000 | 0 | 40,000 | 3.19% | 40,000 | 1,276 | 3.19% | 635 |
| 17 | Sch 2.2 | Current Year-End Balance Long Term Debt | | | | | 510,000 | 0 | 510,000 | | 430,401 | 20,945 | 4.87% | 21,725 |
| 18 | Sch 2.2 | **Current Year-End Balance Short Term Debt** | | | | | 21,802 | | 21,802 | | 21,802 | 861 | | 274 |
| 19 | | Total Current Year-End Balance Debt Outstanding | | | | | 531,802 | 0 | 531,802 | | 452,203 | 21,807 | 4.82% | 21,999 |
| 20 | | Prior Year-End Balance Debt Outstanding | | | | | | 0 | | | 455,351 | 23,676 | 5.20% | |
| 21 | | **Mid-Year Balance Debt Outstanding** | | | | | | 0 | | | 453,777 | 22,741 | 5.01% | |

**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 | | ETI0001 | | 6/28/1999 | 6/28/2019 | 7.30% | 40,000 | 0 | 40,000 | 7.30% | 40,000 | 2,920 | 7.30% | 2,920 |
| 2 | | ETI0002 | | 5/31/2002 | 5/31/2022 | 7.30% | 25,000 | 0 | 25,000 | 8.48% | 7,285 | 618 | 8.48% | 618 |
| 3 | | ETI0003 | | 12/31/2003 | 12/31/2023 | 6.65% | 20,000 | 0 | 20,000 | 7.46% | 7,646 | 571 | 7.46% | 571 |
| 4 | | ETI0004 | | 12/31/2004 | 12/31/2024 | 6.07% | 10,000 | 0 | 10,000 | 6.68% | 4,322 | 289 | 6.68% | 289 |
| 5 | | ETI0005 | | 12/28/2006 | 12/28/2026 | 5.37% | 30,000 | 0 | 30,000 | 5.37% | 30,000 | 1,611 | 5.37% | 1,611 |
| 6 | | ETI0006 | | 12/28/2007 | 12/28/2027 | 6.08% | 35,000 | 0 | 35,000 | 6.08% | 35,000 | 2,128 | 6.08% | 2,128 |
| 7 | | ETI0007 | | 12/30/2008 | 12/30/2028 | 8.17% | 30,000 | 0 | 30,000 | 8.17% | 30,000 | 2,451 | 8.17% | 2,451 |
| 8 | | ETI0008 | | 12/30/2009 | 12/30/2039 | 6.10% | 5,000 | 0 | 5,000 | 6.10% | 5,000 | 305 | 6.10% | 305 |
| 9 | | ETI0009 | | 12/1/2011 | 12/1/2041 | 4.37% | 25,000 | 0 | 25,000 | 4.37% | 25,000 | 1,093 | 4.37% | 1,093 |
| 10 | | ETI0010-A | | 11/25/2013 | 11/25/2043 | 4.74% | 10,000 | 0 | 10,000 | 4.74% | 10,000 | 474 | 4.74% | 474 |
| 11 | | ETI0010-B | | 11/25/2013 | 11/25/2043 | 4.74% | 75,000 | 0 | 75,000 | 4.74% | 75,000 | 3,555 | 4.74% | 3,555 |
| 12 | | ETI0011 | | 11/21/2014 | 21/21/2044 | 4.19% | 60,000 | 0 | 60,000 | 4.19% | 60,000 | 2,514 | 4.19% | 2,514 |
| 13 | | ETI0012 | | 1/11/2015 | 1/11/2045 | 4.17% | 25,000 | 0 | 25,000 | 4.17% | 25,000 | 1,043 | 4.17% | 1,043 |
| 14 | | ETI0013 | | 12/1/2016 | 12/1/2046 | 4.09% | 30,000 | 0 | 30,000 | 4.09% | 30,000 | 1,227 | 4.09% | 1,227 |
| 15 | | ETI0014 | | 11/13/2018 | 11/13/2048 | 4.09% | 50,000 | 0 | 50,000 | 4.09% | 50,000 | 2,045 | 4.09% | 277 |
| 16 | | Current Year-End Balance Long Term Debt | | | | | 470,000 | 0 | 470,000 | | 434,253 | 22,842 | 5.26% | 21,074 |
| 17 | | Current Year-End Balance Short Term Debt | | | | | 21,098 | | 21,098 | | 21,098 | 833 | | 1,564 |
| 18 | | Total Current Year-End Balance Debt Outstanding | | | | | 491,098 | 0 | 491,098 | | 455,351 | 23,676 | 5.20% | 22,638 |
| 19 | | Prior Year-End Balance Debt Outstanding | | | | | | 0 | | | 452,319 | 22,075 | 4.88% | |
| 20 | Sch 2.2 | **Mid-Year Balance Debt Outstanding** | | | | | | 0 | | | 453,835 | 22,875 | 5.04% | |

**2019 Decision**

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | ETI0002 | | 5/31/2002 | 5/31/2022 | 7.30% | 25,000 | 0 | 25,000 | 7.30% | 5,386 | 393 | 7.30% |
| 2 | | ETI0003 | | 12/31/2003 | 12/31/2023 | 6.65% | 20,000 | 0 | 20,000 | 6.65% | 6,310 | 420 | 6.65% |
| 3 | | ETI0004 | | 12/31/2004 | 12/31/2024 | 6.07% | 10,000 | 0 | 10,000 | 6.07% | 3,705 | 225 | 6.07% |
| 4 | | ETI0005 | | 12/28/2006 | 12/28/2026 | 5.37% | 30,000 | 0 | 30,000 | 5.37% | 30,000 | 1,611 | 5.37% |
| 5 | | ETI0006 | | 12/28/2007 | 12/28/2027 | 6.08% | 35,000 | 0 | 35,000 | 5.59% | 35,000 | 1,957 | 5.59% |
| 6 | | ETI0007 | | 12/30/2008 | 12/30/2028 | 7.40% | 30,000 | 0 | 30,000 | 7.40% | 30,000 | 2,220 | 7.40% |
| 7 | | ETI0008 | | 12/30/2009 | 12/30/2039 | 6.10% | 5,000 | 0 | 5,000 | 5.67% | 5,000 | 284 | 5.67% |
| 8 | | ETI0009 | | 12/1/2011 | 12/1/2041 | 4.37% | 25,000 | 0 | 25,000 | 4.37% | 25,000 | 1,093 | 4.37% |
| 9 | | ETI0010-A | | 11/25/2013 | 11/25/2043 | 4.74% | 10,000 | 0 | 10,000 | 3.87% | 35,000 | 1,355 | 3.87% |
| 10 | | ETI0010-B | | 11/25/2013 | 11/25/2043 | 4.74% | 75,000 | 0 | 75,000 | 4.74% | 50,000 | 2,370 | 4.74% |
| 11 | | ETI0011 | | 11/21/2014 | 21/21/2044 | 4.19% | 60,000 | 0 | 60,000 | 4.19% | 60,000 | 2,514 | 4.19% |
| 12 | | ETI0012 | | 1/11/2015 | 1/11/2045 | 4.17% | 25,000 | 0 | 25,000 | 4.17% | 25,000 | 1,043 | 4.17% |
| 13 | | ETI0013 | | 12/1/2016 | 12/1/2046 | 4.09% | 30,000 | 0 | 30,000 | 4.09% | 30,000 | 1,227 | 4.09% |
| 14 | | ETI0014 | | 11/13/2018 | 11/13/2048 | 3.69% | 75,000 | 0 | 75,000 | 3.64% | 75,000 | 2,730 | 3.64% |
| 15 | | ETI0015 | | 7/2/2019 | 7/2/2049 | 3.71% | 35,000 | 0 | 35,000 | 3.69% | 35,000 | 1,278 | 3.65% |
| 16 | | Current Year-End Balance Long Term Debt | | | | | 490,000 | 0 | 490,000 | | 450,401 | 20,717 | 4.60% |
| 17 | | Current Year-End Balance Short Term Debt | | | | | 7,790 | | 7,790 | | 7,790 | 249 | |
| 18 | | Total Current Year-End Balance Debt Outstanding | | | | | 497,790 | 0 | 497,790 | | 458,191 | 21,030 | 4.59% |
| 19 | | Prior Year-End Balance Debt Outstanding | | | | | | 0 | | | 472,970 | 23,063 | 4.88% |
| 20 | Sch 2.2 | **Mid-Year Balance Debt Outstanding** | | | | | | 0 | | | 465,580 | 22,047 | 4.74% |

Note: EDTI added actual interest expense (Column O) in response to Decision 22570-D01-2018, Direction 4.

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SCHEDULE OF PREFERRED SHARE CAPITAL EMPLOYED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 2.4**

**2019 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 Decision 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.

**2019 Decision**

| 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. (Transmission)**
**SUMMARY OF OPERATING AND MAINTENANCE EXPENSE**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 3**

| Line No. | USA No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Transmission Expenses Operations and Maintenance** | | | | | | | | | | |
| 2 | 560 | Supervision and Engineering | | 7,476 | 8,258 | 7,770 | (782) | -9% | (294) | -4% | |
| 3 | 561 | Control Centre Operations | | 722 | 837 | 695 | (115) | -14% | 27 | 4% | |
| 4 | 562 | Station Equipment Expenses | | 6,567 | 6,477 | 5,975 | 90 | 1% | 592 | 10% | |
| 5 | 563 | Overhead Lines Expenses | | 852 | 912 | 890 | (61) | -7% | (39) | -4% | |
| 6 | 564 | Underground Line Expenses | | 948 | 1,145 | 1,367 | (197) | -17% | (419) | -31% | |
| 7 | 566 | Miscellaneous Transmission Expenses | | 1,883 | 1,977 | 1,776 | (95) | -5% | 107 | 6% | |
| 8 | 567 | Right of Way Expenses | | 64 | 132 | 62 | (68) | -52% | 2 | | |
| 9 | 575 | IT Support | | 528 | 570 | 493 | (42) | -7% | 35 | 7% | |
| 10 | 577 | Operation & Maintenance Customer Installation Exp. | | 164 | 161 | 178 | 3 | 2% | (14) | -8% | |
| 11 | 941 | Less non recoverable expenses/Non-Utility Costs | | 0 | (860) | 0 | 860 | -100% | 0 | 0% | Note 1 |
| 12 | | **Total** | | 19,203 | 19,609 | 19,206 | (407) | -2% | (3) | 0% | |
| 13 | **Total Direct Operations and Maintenance** | | | 19,203 | 19,609 | 19,206 | (407) | -2% | (3) | 0% | |
| 14 | **General Operations and Maintenance** | | | | | | | | | | |
| 15 | 935 | Maintenance of General Plant: Building Facility Operations and Security | | 1,569 | 1,720 | 1,713 | (151) | -9% | (144) | -8% | |
| 16 | **G&A and Common Operations (net of non-recoverable expenses)** | | | | | | | | | | |
| 17 | 920 | Administrative and general salaries | | 2,474 | 2,547 | 2,703 | (73) | -3% | (229) | -8% | |
| 18 | 921 | Office supplies and expenses | | 593 | 320 | 81 | 272 | 85% | 512 | 636% | Note 2 |
| 19 | 922 | Administrative expenses transferred - Credit | | (4,201) | (3,798) | (3,826) | (403) | 11% | (375) | 10% | Note 3 |
| 20 | 923 | Outside services employed | | 581 | 467 | 300 | 114 | 24% | 280 | 93% | |
| 21 | 924 | Insurance Premiums | | 692 | 738 | 475 | (46) | -6% | 217 | 46% | |
| 22 | 930.2 | Asset Usage Fee (EDTI Functions) | | 3,406 | 3,146 | 3,555 | 259 | 8% | (149) | -4% | |
| 23 | 930.2 | Other Adjustments | | 0 | 0 | 5,296 | 0 | 0% | (5,296) | -100% | |
| 24 | 934 | IT G&A Expenses | | 468 | 476 | 446 | (8) | -2% | 22 | 5% | |
| 25 | 941 | Less non recoverable expenses/Non-Utility Costs | | (326) | (504) | (2,376) | 178 | -35% | 2,050 | -86% | |
| 26 | **Total G&A and Common Costs** | | | 3,686 | 3,392 | 6,654 | 294 | 9% | (2,968) | -45% | |
| 27 | **Total Administrative and General Expenses** | | | 5,255 | 5,112 | 8,367 | 143 | 3% | (3,113) | -37% | |
| 28 | **Allocated Corporate G&A (net of non-recoverable expenses)** | | | | | | | | | | |
| 29 | 930.2 | Miscellaneous general expenses | | 2,615 | 2,590 | 2,315 | 25 | 1% | 299 | 13% | |
| 30 | 931.1 | Head office rent | | 377 | 354 | 349 | 23 | 6% | 27 | 8% | |
| 31 | 934 | IT G&A expense | | 623 | 641 | 723 | (18) | -3% | (100) | -14% | |
| 32 | 930.2 | Asset Usage Fee (Allocated Dep'n & Return) | | 946 | 1,065 | 901 | (119) | -11% | 45 | 5% | |
| 33 | 941 | Less non recoverable expenses/Non-Utility Costs | | (510) | (524) | (463) | 14 | -3% | (47) | 10% | |
| 34 | **Total Corporate G&A Allocated to Transmission** | | | 4,050 | 4,126 | 3,825 | (75) | -2% | 225 | 6% | |
| 35 | **Taxes other than Income Taxes** | | | | | | | | | | |
| 36 | 408.1 | Property Taxes | | 8,510 | 8,658 | 7,849 | (148) | -2% | 660 | 8% | |
| 37 | | | | 8,510 | 8,658 | 7,849 | (148) | -2% | 660 | 8% | |
| 38 | **Total Transmission Operating Costs** | | Sch 1 | 37,017 | 37,505 | 39,248 | (487) | -1% | (2,230) | -6% | |

Note 1: The $0.86 million increase from 2019 Decision to Actual was due to the disallowance of 5 FTEs as per Decision 23165-D01-2018, para. 94.

Note 2: The $0.27 million increase from 2019 Decision to 2019 Actual was primarily due to the write-off of CWIP amounts for projects which were cancelled ($0.19 million), as well as a $0.11 million increase due to the reversal of a 2018 credit that was incorrectly applied to operating costs but should have been applied to the Business Systems Upgrade capital project.

Note 3: The $0.40 million decrease from 2019 Decision to 2019 Actual was primarily due to higher Capital Overhead Recovery in Transmission because of the higher proportion of Transmission capital work versus Distribution resulting in higher Transmission capital overhead ($0.37 million), as well as higher cost recoveries as a result of EDTI providing Fleet Oversight and Supply Chain Management Oversight services to ETECH ($0.03 million).

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF DEPRECIATION EXPENSE**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**



| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Transmission | | 21,161 | 22,349 | 20,504 | (1,187) | -6% | 658 | 3% | Note 1 |
| 2 | Direct General PP&E | | 1,542 | 1,544 | 1,444 | (2) | 0% | 98 | 7% | |
| 3 | Contribution | | (1,994) | (2,679) | (1,912) | 686 | -34% | (82) | 4% | Note 2 |
| 4 | **Total Utility Depreciation Expense** | Sch 1 + Sch 10 | 20,710 | 21,214 | 20,036 | (504) | -40% | 674 | 14% | |

Note 1: The $1.19 million decrease from 2019 Decision to 2019 Actual was primarily due to lower than forecast additions to rate base in 2018 and 2019.

Note 2: The $0.69 million decrease in amortization of contributions from 2019 Decision to 2019 Actual was primarily due to lower contribution additions as a result of delays in the West Edmonton

**EPCOR Distribution & Transmission Inc. (Transmission)**
**CAPITAL ASSETS CONTINUITY SCHEDULE**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 4.1**

| Line No. | USA Account | ATS | Property Group | Cross-Reference | Balance at 12/31/2018 | 2019 Additions | 2019 Retirements | 2019 Transfers | 2019 Adjustments | 2019 AFUDC | Balance at 12/31/2019 | Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Transmission | | | | | | | | | | | |
| 1 | 350.0 | 23150, 23161 | Transmission land | | 16,552 | | 77 | | | | 16,629 | |
| 2 | 350.1 | 23154, 23159 | Transmission land rights | | 12,943 | | | | | | 12,943 | |
| 3 | 352.0 | 23156, 23550 | Structures and improvements | | 94,995 | 2,490 | (200) | | | | 97,285 | |
| | | 23157, 23158, 23163, 23164, | | | | | | | | | | |
| | | 23165, 23167, 23168, 23738, | | | | | | | | | | |
| | | 23739, 23741, 23742, 23746, | | | | | | | | | | |
| 4 | 353.0 | 23747, 23600 | Station equipment | | 351,870 | 18,846 | (5,760) | | (4) | | 364,952 | |
| 5 | 353.1 | 23166, 23169 | System communication & control | | 49,077 | 2,151 | (2,820) | | | | 48,408 | |
| 6 | 354.0 | 23152, 1027, 1124 | Towers and fixtures | | 108,143 | | | | | | 108,143 | |
| 7 | 355.0 | 1022, 1024, 1029 | Poles and fixtures | | 4,535 | 312 | | | | | 4,848 | |
| | | 23121, 23151, 23155, 1122, 1123, | | | | | | | | | | |
| 8 | 356.0 | 1125, 1126 | Overhead conductors and devices | | 198,190 | 1,902 | (174) | | | | 199,918 | |
| 9 | 358.0 | 23123, 23123-5, 23153, 1023, 1025 | Underground conduit, conductors and devices | | 180,087 | 11,761 | (607) | | (0) | | 191,240 | |
| 10 | | | Reserve Imbalance | | 0 | | | | | | 0 | |
| 11 | **Total Transmission** | | | | 1,016,393 | 37,462 | (9,485) | 0 | (4) | 0 | 1,044,366 | |
| 12 | Direct General PP&E | | | | | | | | | | | |
| 13 | 303.0 | 23599 | Miscellaneous Intangible Plant | | 790 | | | | | | 790 | |
| 14 | 391.0 | 23820, 23841 | Office furniture and equipment | | (0) | | | | | | (0) | |
| 15 | 391.1 | 23127, 23827 | Computer hardware and voice & data network equipment | | 1,144 | 160 | (121) | | | | 1,183 | |
| | | 23202, 23203, 23500, 23786, | | | | | | | | | | |
| 16 | 391.2 | 23852, 1088 | Computer software and applications | | 4,850 | 456 | (414) | | | | 4,892 | |
| 17 | 392.0 | 23188 | Transportation equipment, fleet vehicles | | 5,508 | 263 | (226) | | | | 5,545 | |
| | | 23186, 23190, 23200, 23201, | | | | | | | | | | |
| 18 | 394.0 | 23736, 23737 | Tools, shop, stores, garage and laboratory equipment | | 2,995 | 317 | (211) | | | | 3,101 | |
| 19 | 397.0 | 23750.1, 23750.2 | Mobile communication equipment | | 22 | | | | | | 22 | |
| 20 | **Total Direct General PP&E** | | | | 15,310 | 1,196 | (972) | 0 | 0 | 0 | 15,533 | |
| 21 | 111.1 | 1024.1 | 240kV Aerial Poles and Fixtures - Contribution | | (753) | | | | | | (753) | |
| 22 | 111.1 | 1123.1 | 138kV Aerial Overhead Conductor and Devices Contribution Capital | | (1,433) | | | | | | (1,433) | |
| 23 | 111.1 | 1125.1 | 240kV Aerial Overhead Conductor and Devices Contribution | | (75) | | | | | | (75) | |
| 24 | 111.1 | 23121.1 | 72 kV Aerial Contributed | | (299) | (10) | | | | | (309) | |
| 25 | 111.1 | 23123.1 | 72 kV Underground Contributed | | (19,107) | (7,371) | | | 0 | | (26,478) | |
| 26 | 111.1 | 23156.1 | 138 kV Buildings/Structures Contributed Capital | | (7,705) | (510) | | | | | (8,215) | |
| 27 | 111.1 | 23157.1 | 138 kV Switchgear Contributed Capital | | (13,621) | | | | | | (13,621) | |
| 28 | 111.1 | 23158.1 | 138 kV Transformer Contributed Capital | | (14,862) | | | | | | (14,862) | |
| 29 | 111.1 | 23166.1 | System communication & control Contributed Capital | | (3,142) | | | | | | (3,142) | |
| 30 | 111.1 | 23167.1 | Meters - Contribution | | (44) | | | | | | (44) | |
| 31 | 111.1 | 23168.1 | Protection Equipment Contributed Capital | | (6,452) | | | | | | (6,452) | |
| 32 | 111.1 | 23169.1 | SCADA Contributed Capital | | (206) | | 62 | | | | (145) | |
| 33 | 111.1 | 23599.1 | ETI Substation Contributed Capital | | 0 | | | | | | 0 | |
| 34 | 111.1 | 23600.1 | G3 Switchyard Contributed Capital | | (6,118) | | | | | | (6,118) | |
| 35 | **Total Contribution** | | | | (73,817) | (7,891) | 62 | 0 | 0 | 0 | (81,646) | |
| 36 | **Subtotal** | | | Sch 2.1 | 957,886 | 30,767 | (10,396) | 0 | (4) | 0 | 978,253 | |
| 37 | Capital Work in Progress (CWIP) | | | | 19,269 | 9,665 | 0 | 0 | 0 | 1,487 | 30,420 | |
| 38 | **Utility Total** | | | | 977,154 | 40,431 | (10,396) | 0 | (4) | 1,487 | 1,008,673 | |

| Line No. | USA Account | ATS | Property Group | Cross-Reference | Balance at 12/31/2018 | Depreciation Provision | 2019 Retirements | 2019 Transfers | 2019 Adjustments | 2019 AFUDC | Balance at 12/31/2019 | Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Transmission | | | | | | | | | | | |
| 39 | 350.0 | 23150, 23161 | Transmission land | | 0 | | 77 | | (77) | | 0 | |
| 40 | 350.1 | 23154, 23159 | Transmission land rights | | 2,591 | 259 | 0 | | | | 2,850 | |
| 41 | 352.0 | 23156, 23550 | Structures and improvements | | 27,066 | 1,984 | (200) | | | | 28,850 | |
| 42 | 353.0 | 23157, 23158, 23163, 23164, 23165, 23167, 23168, 23738, 23739, 23741, 23742, 23746, 23747, 23600 | Station equipment | | 127,125 | 9,572 | (5,760) | | (1) | | 130,936 | |
| 43 | 353.1 | 23166, 23169 | System communication & control | | 21,047 | 3,848 | (2,820) | | | | 22,076 | |
| 44 | 354.0 | 23152, 1027, 1124 | Towers and fixtures | | 16,150 | 1,757 | 0 | | | | 17,908 | |
| 45 | 355.0 | 1022, 1024, 1029 | Poles and fixtures | | 562 | 105 | 0 | | | | 667 | |
| 46 | 356.0 | 23121, 23151, 23155, 1122, 1123, 1125, 1126 | Overhead conductors and devices | | 31,665 | 3,291 | (174) | | (7,497) | | 27,285 | |
| 47 | 358.0 | 23123, 23123-5, 23153, 1023, 1025 | Underground conduit, conductors and devices | | 50,475 | 4,435 | (607) | | 0 | | 54,304 | |
| 48 | | | Reserve Imbalance | | (418) | (4,090) | 0 | | 7,497 | | 2,989 | |
| 49 | **Total Transmission** | | | | 276,264 | 21,161 | (9,485) | - | (77) | - | 287,863 | |
| | Direct General PP&E | | | | | | | | | | | |
| 50 | 303.0 | 23599 | Miscellaneous Intangible Plant | | 247 | 20 | - | | | | 267 | |
| 51 | 391.0 | 23820, 23841 | Office furniture and equipment | | 0 | | - | | | | 0 | |
| 52 | 391.1 | 23127, 23827 | Computer hardware and voice & data network equipment | | 471 | 291 | (121) | | | | 640 | |
| 53 | 391.2 | 23202, 23203, 23500, 23786, 23852, 1088 | Computer software and applications | | 1,962 | 487 | (414) | | | | 2,036 | |
| 54 | 392.0 | 23188 | Transportation equipment, fleet vehicles | | 2,366 | 435 | (226) | | | | 2,575 | |
| 55 | 394.0 | 23186, 23190, 23200, 23201, 23736, 23737 | Tools, shop, stores, garage and laboratory equipment | | 1,455 | 305 | (211) | | | | 1,548 | |
| 56 | 397.0 | 23750.1, 23750.2 | Mobile communication equipment | | 15 | 4 | - | | | | 20 | |
| 57 | **Total Direct General PP&E** | | | | 6,515 | 1,542 | (972) | - | - | - | 7,085 | |
| 58 | 111.1 | 1024.1 | 240kV Aerial Poles and Fixtures - Contribution | | (112) | (17) | - | | | | (130) | |
| 59 | 111.1 | 1123.1 | 138kV Aerial Overhead Conductor and Devices Contribution Capital | | (303) | (34) | - | | | | (337) | |
| 60 | 111.1 | 1125.1 | 240kV Aerial Overhead Conductor and Devices Contribution | | (9) | (2) | - | | | | (11) | |
| 61 | 111.1 | 23121.1 | 72 kV Aerial Contributed | | (87) | (8) | - | | | | (94) | |
| 62 | 111.1 | 23123.1 | 72 kV Underground Contributed | | (4,269) | (540) | - | | | | (4,808) | |
| 63 | 111.1 | 23156.1 | 138 kV Buildings/Structures Contributed Capital | | (1,239) | (159) | - | | | | (1,398) | |
| 64 | 111.1 | 23157.1 | 138 kV Switchgear Contributed Capital | | (2,564) | (303) | - | | | | (2,866) | |
| 65 | 111.1 | 23158.1 | 138 kV Transformer Contributed Capital | | (3,157) | (365) | - | | | | (3,521) | |
| 66 | 111.1 | 23166.1 | System communication & control Contributed Capital | | (1,310) | (175) | - | | | | (1,485) | |
| 67 | 111.1 | 23167.1 | Meters - Contribution | | (53) | (2) | - | | | | (55) | |
| 68 | 111.1 | 23168.1 | Protection Equipment Contributed Capital | | (2,105) | (250) | - | | | | (2,355) | |
| 69 | 111.1 | 23169.1 | SCADA Contributed Capital | | (166) | (18) | 62 | | | | (122) | |
| 70 | 111.1 | 23599.1 | ETI Substation Contributed Capital | | 0 | | - | | | | 0 | |
| 71 | 111.1 | 23600.1 | G3 Switchyard Contributed Capital | | (1,652) | (122) | - | | | | (1,774) | |
| 72 | **Total Contribution** | | | | (17,025) | (1,994) | 62 | - | - | - | (18,957) | |
| 73 | **Subtotal** | | | | 265,754 | 20,710 | (10,396) | 0 | (77) | 0 | 275,991 | |
| 74 | Capital Work in Progress (CWIP) | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 75 | **Total Utility** | | | | 265,754 | 20,710 | (10,396) | 0 | (77) | 0 | 275,991 | |
| 76 | **Net Book Value** | | | | 711,400 | 19,721 | 0 | 0 | 73 | 1,487 | 732,682 | |

| Line No. | | Balance at 12/31/2019 |
|---|---|---|
| 77 | Total Capital Assets | 1,008,673 |
| 78 | Total Accumulated Depreciation | 275,991 |
| 79 | Net Book Value | 732,682 |

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF CAPITAL ADDITIONS**
**YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 4.2**

| Line No. | Description | 2019 A Opening CWIP | 2019 A Cap Exp | 2019 A Cap Adds | 2019 A AFUDC | 2019 A Ending CWIP | 2019 D Opening CWIP | 2019 D Cap Exp | 2019 D Cap Adds | 2019 D AFUDC | 2019 D Ending CWIP | 2018 A Opening CWIP | 2018 A Cap Exp | 2018 A Cap Adds | 2018 A AFUDC | 2018 A Ending CWIP | Var Actual to Decision | Var % | Var Actual to Prior Year | Actual to Decision Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Growth | | | | | | | | | | | | | | | | | | | |
| 1 | West Edmonton Transmission Upgrade Project | 3,248 | 2,343 | - | 178 | 5,769 | 14,307 | 24,676 | 36,999 | 526 | 2,511 | 2,669 | 545 | - | 33 | 3,248 | (36,999) | -100% | - | The $3.68 million decrease in capital additions (net of contributions) for 2019 as compared to the 2019 Decision is due to a delay in the timing of the project as a result of the application preparation, review and approval process taking longer than forecasted. |
| 2 | West Edmonton Transmission Upgrade Project - Contributions | - | (2,141) | - | - | (2,141) | (9,710) | (26,120) | (33,322) | - | (2,507) | - | - | - | - | - | 33,322 | -100% | - | |
| 3 | Garneau Switchgear Replacement | - | 305 | - | (63) | 242 | - | (256) | (0) | 256 | - | - | - | - | - | - | 0 | -100% | - | |
| 4 | Garneau Switchgear Replacement - Contributions | - | (2,314) | - | - | (2,314) | - | - | - | - | - | - | - | - | - | - | - | | - | |
| 5 | Genesee - G4/G5 Switchyard Expansion | 1,676 | 106 | - | 0 | 1,783 | 3,807 | (2) | - | - | 3,805 | 1,574 | 102 | - | (0) | 1,676 | - | | - | |
| 6 | Genesee - G4/G5 Switchyard Expansion - Contributions | (1,669) | (106) | - | - | (1,775) | - | | | - | | (1,568) | (101) | - | - | (1,669) | - | | - | |
| 7 | Heartland 500 kV Transmission | - | 1,453 | 1,453 | - | - | 3,552 | 0 | - | 223 | 3,775 | - | (1,737) | (1,737) | - | - | 1,453 | 100% | 3,190 | The capital additions of $1.45 million represent EDTI's share of the 2019 costs respecting the replacement of defective dampers that maintain spacing on the multiple conductor/phase bundles. These costs were not included in the 2019 Decision forecast. |
| 8 | Kennedale Capacity Upgrade | 159 | (159) | - | - | - | 96 | 192 | - | 12 | 300 | 154 | 0 | - | 5 | 159 | - | | - | |
| 9 | Norwood Redevelopment | 174 | 7,187 | 7,367 | 5 | - | - | - | - | - | - | - | 174 | - | 1 | 174 | 7,367 | 100% | 7,367 | |
| 10 | Norwood Redevelopment - Contributions | (145) | (7,221) | (7,371) | (5) | - | - | - | - | - | - | - | (145) | - | - | (145) | (7,371) | 100% | (7,371) | |
| 11 | Riverview POD Addition | 3,354 | 29,373 | - | 455 | 33,182 | 15,736 | 17,212 | 33,442 | 494 | - | 1,184 | 2,066 | - | 104 | 3,354 | (33,442) | -100% | - | The $10.95 decrease in capital additions (net of contributions) for 2019 as compared to the 2019 Decision is due to the in-service date being delayed to Q1 2020 as the result of major equipment not being received on schedule. |
| 12 | Riverview POD - Contributions | - | (21,635) | - | - | (21,635) | (4,734) | (17,756) | (22,489) | - | - | - | - | - | - | - | 22,489 | -100% | - | |
| 13 | Southeast Edmonton Capacity | 31 | 197 | - | 8 | 236 | 269 | 175 | - | 22 | 466 | - | 30 | - | 1 | 31 | - | | - | |
| 14 | Strathcona Capacity Upgrade | - | 222 | - | 7 | 229 | 30 | (29) | 437 | 435 | - | - | - | - | - | - | (437) | -100% | - | The $0.44 million decrease in capital additions for 2019 as compared to the 2019 Decision is due to a delay in the timing of the project as a result of the application review and approval process taking longer than forecasted. |
| 15 | Substation Feeder Additions | 1 | 227 | 18 | 7 | 216 | 27 | 548 | 516 | 2 | 61 | 5 | 64 | 69 | 0 | 1 | (498) | -96% | (50) | The $0.50 million decrease in capital additions from 2019 Decision to 2019 Actual is primarily due to a $0.32 million decrease reflecting the customer initiated delays in placing the new Strathcona S8 and S15 feeders into service (delayed from 2019 to 2020) and a $0.14 million decrease reflecting EDTI's decision not to proceed with the Dome D14 new feeder project due to the forecast load growth in the South Edmonton Common business park not materializing as originally forecast. |
| 16 | Substation Building Relay Room Additions | 16 | 776 | 792 | 0 | - | - | 240 | 240 | - | - | - | 318 | 302 | 0 | 16 | 552 | 230% | 490 | The $0.55 million increase in capital additions for 2019 as compared to the 2019 Decision is primarily due to a $0.36 million increase related to the Strathcona Relay Room Addition project reflecting work required to address deficiencies identified in a roof loading assessment performed in late 2018 and a $0.19 million increase in the cost of the Woodcroft Relay Room Addition project due to additional work required to address deficiencies identified in a roof loading assessment. |
| 17 | Other (eg., City of Edmonton Transmission Reinforcement, Petrolia Substation 1043L to 1139L Conversion, Downtown Transmission Capacity, West LRT Extension - Transmission Asset Relocation) | (0) | 68 | 2 | 2 | 67 | 165 | 64 | (0) | 12 | 241 | 2,350 | (2,328) | 22 | (0) | (0) | 2 | -7553% | (19) | |
| 18 | Sub Total | 6,845 | 8,679 | 2,262 | 596 | 13,859 | 23,546 | (1,054) | 15,822 | 1,983 | 8,652 | 6,368 | (1,012) | (1,344) | 144 | 6,845 | (13,561) | -86% | 3,606 | |
| 19 | | | | | | | | | | | | | | | | | | | | |

| Line No. | Description | 2019 A Opening CWIP | 2019 A Cap Exp | 2019 A Cap Adds | 2019 A AFUDC | 2019 A Ending CWIP | 2019 D Opening CWIP | 2019 D Cap Exp | 2019 D Cap Adds | 2019 D AFUDC | 2019 D Ending CWIP | 2018 A Opening CWIP | 2018 A Cap Exp | 2018 A Cap Adds | 2018 A AFUDC | 2018 A Ending CWIP | Var Actual to Decision | Var % | Var Actual to Prior Year | Actual to Decision Explanation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 20 | Life Cycle | | | | | | | | | | | | | | | | | | | |
| 21 | 72RS5 OFPT Cable Life Cycle Replacement | 1,834 | 7,917 | - | 364 | 10,115 | 13,836 | 8,311 | 22,148 | - | - | 754 | 1,023 | - | 57 | 1,834 | (22,148) | -100% | - | The $22.15 million decrease in capital additions for 2019 as compared to the 2019 Decision is due to a delay in the timing of the project as a result of the application review and approval process taking longer than forecasted. |
| 22 | Aerial Transmission Line Reconfigurations and Life Cycle Replacement | 1 | 771 | 719 | 2 | 54 | - | 345 | 345 | - | - | - | 473 | 472 | 0 | 1 | 374 | 108% | 247 | The $0.37 million increase in capital additions from 2019 Decision to 2019 Actual reflects the difference between the 2019 Decision capital addition amount calculated using the Commission-approved forecasting method (calculated based on the "normalized" three-year historical average of EDTI's 2015-2017 Actual results) versus the cost of the capital work EDTI carried out in 2019. This increase was primarily due to the following which are not reflected in the historical average: (1) increase in 72 kV pole replacements mainly due to the replacement of the 72 kV pole, cross-arm and associated hardware at Cloverbar, along with additional onsite coordination and consultation with stakeholders and (2) replacement and upgrading of a higher volume of insulation on EDTI's 240 kV lines. |
| 23 | Business Systems Upgrades | - | 686 | 367 | 10 | 329 | - | 190 | 190 | - | - | 46 | 572 | 619 | 0 | - | 176 | 93% | (252) | |
| 24 | Capital Tools and Instruments Life Cycle Replacements | - | 328 | 317 | 0 | 11 | - | 315 | 315 | - | - | - | 317 | 317 | - | - | 3 | 1% | 0 | |
| 25 | Circuit Breaker Life Cycle Replacement | 27 | 1,133 | 1,151 | 1 | 9 | - | 910 | 910 | - | - | 58 | 1,197 | 1,230 | 1 | 27 | 242 | 27% | (78) | |
| 26 | Communication System Life Cycle Replacements and Improvements | 1,197 | 2,123 | 2,443 | 66 | 943 | 558 | 1,560 | 1,594 | 34 | 558 | 1,604 | 1,570 | 2,016 | 38 | 1,197 | 849 | 53% | 428 | The $0.85 million increase in capital additions for 2019 as compared to the 2019 Decision is primarily related to delays in the installation of the Garneau to Strathcona Fibre Optic Cable which was carried over from 2018 due to delays in obtaining a right-of-way access agreement and permits from the City of Edmonton in order to utilize existing infrastructure with respect to the river crossing. |
| 27 | Instrument Transformer and Disconnect Switch Life Cycle Replacement | 39 | 619 | 639 | 2 | 21 | - | 687 | 687 | - | - | 6 | 557 | 526 | 1 | 39 | (48) | -7% | 113 | |
| 28 | IT Hardware Lifecycle Replacements and Additions | 24 | 126 | 151 | 1 | - | - | 147 | 147 | - | - | - | 154 | 131 | 1 | 24 | 4 | 3% | 20 | |
| 29 | Life Cycle Replacement of 72 kV Transmission Cable Splices, Terminations and Cable Sections | 730 | 740 | 1,461 | 24 | 33 | - | 182 | 182 | | | - | 1,057 | 349 | 22 | 730 | 1,279 | 701% | 1,112 | The $1.28 million increase in capital additions from 2019 Decision to 2019 Actual reflects the difference between the 2019 Decision capital addition amount calculated using the Commission-approved forecasting method (calculated based on the "normalized" three-year historical average of EDTI's 2015-2017 Actual results) versus the cost of the capital work EDTI carried out in 2019. The increase in capital additions for 2019 as compared to the 2019 Decision reflects work completed related to the termination failure on 72CN10 at Namao substation, which resulted in EDTI being unable to place the 72CN10 splice into service in 2018. The 72CN10 splice work was placed into service in April 2019, following the replacement of the failed cable terminations at the Namao terminus of circuit 72CN10. The increase in capital additions also reflects an amount to address the replacement of the 72KN23 cable terminations located at Kennedale substation. |
| 30 | Miscellaneous Underground Transmission Cable Life Cycle Replacement | 288 | 2,597 | 2,893 | 9 | 0 | 1,101 | 1,927 | 2,907 | 39 | 160 | - | 490 | 211 | 9 | 288 | (14) | 0% | 2,683 | |
| 31 | Medium Voltage Switchgear Additions - Rossdale | 4,327 | 1,778 | 4,770 | 181 | 1,517 | - | - | - | - | - | 3,380 | 8,482 | 7,670 | 136 | 4,327 | 4,770 | 100% | (2,901) | The $4.26 million increase (net of contributions) in 2019 Actual capital additions as compared to the 2019 Decision is due to EDTI being unable to complete the installation and place in service the MV switchgear and associated protective relaying and control equipment in 2018 as originally forecast primarily due to the delayed delivery of the switchgear as a result of a labour strike. This increase is partially offset by a $0.50 million decrease related to the contribution received from EDTI Distribution for the network feeder duct bank installed in 2018. |
| 32 | Medium Voltage Switchgear Additions - Rossdale - Contributions | - | (510) | (510) | - | - | - | - | - | - | - | - | - | - | - | - | (510) | 100% | (510) | |
| 33 | Power Transformer Replacement | 852 | 4,754 | 5,032 | 45 | 619 | 113 | 7,149 | 7,050 | 10 | 221 | 159 | 5,448 | 4,781 | 26 | 852 | (2,018) | -29% | 251 | The $2.02 million decrease in capital additions from 2019 Decision to 2019 Actual is primarily related to lower than forecast material costs associated with the replacement of the Namao substation TX3 power transformer, a delay in the installation of the containment pit for the TX3 power transformer at the Namao substation, and lower than forecast material costs associated with the replacement of the Hardisty substation TX3 power transformer. These decreases are partially offset by an increase in costs associated with the Petrolia TX2 On-load TAP Changer Replacement project. |
| 34 | Protective Relay & Control System Life Cycle Replacements and Improvements | 2,279 | 4,667 | 4,609 | 147 | 2,484 | 2,456 | 3,951 | 4,030 | 154 | 2,532 | 1,395 | 5,987 | 5,174 | 71 | 2,279 | 580 | 14% | (564) | The $0.58 million increase in capital additions from 2019 Decision to 2019 Actual is primarily related to the completion of the Clover Bar 72kV switchyard auxiliary contact additions, which was originally forecast to be completed and placed into service in 2018. EDTI was unable to complete the project in 2018 as originally planned because of switching restrictions related to the associated connections to the Capital Power generating station at Clover Bar. |
| 35 | Rossdale Substation Capacitor Bank Additions | - | 8 | - | 0 | 9 | - | 209 | - | 7 | 216 | | - | | | | - | | - | |
| 36 | SCADA System Life Cycle Replacements and Improvements | 153 | 685 | 839 | 5 | 4 | - | 1,049 | 833 | 7 | 223 | 167 | 1,195 | 1,215 | 5 | 153 | 6 | 1% | (376) | |
| 37 | Substation Ancillary System Life Cycle Replacements | 387 | 1,060 | 1,297 | 17 | 168 | 168 | 499 | 472 | 11 | 206 | 115 | 1,176 | 915 | 12 | 387 | 825 | 175% | 382 | The $0.83 million increase in capital additions from 2019 Decision to 2019 Actual relates primarily to (1) $0.41 million incurred to replace substation switchyard grounding systems, work which was not known at the time the 2019 forecast was prepared (2) $0.13 million related to the installation of insulating cover-up material at Rossdale to mitigate the impact of future wildlife contacts so that they will not result in downtime or equipment damage after a 2019 wildlife contact resulted in a large impact outage (3) an additional $0.10 million for substation battery and battery charger life cycle replacements (2019 Decision assumed the replacement of one substation battery in 2019 while EDTI was actually required to replace two batteries and one battery charger) and (4) $0.07 million for water ingress mitigation at Rossdale which was not known at the time the 2019 forecast was prepared. |
| 38 | Substation Building Life Cycle Replacements | - | 539 | 531 | 0 | 8 | - | 425 | 425 | - | - | - | 335 | 335 | - | - | 106 | 25% | 196 | |
| 39 | Substation Failed Equipment Capitalized Replacements | 0 | 494 | 493 | 0 | 1 | - | 455 | 455 | - | - | - | 356 | 355 | 0 | 0 | 38 | 8% | 137 | |
| 40 | Transformer Monitoring and Bushing Life Cycle Replacements | 15 | 688 | 673 | 1 | 32 | - | 620 | 620 | - | - | 67 | 535 | 587 | 1 | 15 | 53 | 9% | 86 | |
| 41 | Vehicles and Equipment | - | 263 | 263 | - | - | - | 283 | 283 | - | - | - | 123 | 123 | | | (20) | -7% | 140 | |
| 42 | Other (eg., 72kV Aerial Relocation 50th St., Life Cycle Replacement of 240 kV Cable Sections, Splices and Terminations, Medium Voltage Switchgear Additions - Victoria, Medium Voltage Switchgear Replacements) | - | 73 | 24 | 2 | 51 | - | - | - | - | - | 18 | 770 | 788 | 0 | - | 24 | 100% | (765) | |
| 43 | Sub Total | 12,153 | 31,539 | 28,163 | 878 | 16,408 | 18,232 | 29,215 | 43,595 | 263 | 4,116 | 7,770 | 31,817 | 27,814 | 381 | 12,153 | (15,432) | -35% | 349 | |
| 44 | | | | | | | | | | | | | | | | | | | | |
| 45 | Performance Improvement | | | | | | | | | | | | | | | | | | | |
| 46 | Communications Systems Upgrade | 139 | 44 | 38 | 9 | 154 | - | - | - | - | - | 31 | 153 | 50 | 4 | 139 | 38 | 100% | (13) | |
| 47 | Engineering and Design Software Modifications | - | 78 | 78 | | - | - | - | - | - | - | 30 | 515 | 545 | 0 | - | 78 | 100% | (466) | |
| 48 | Transmission Substation Security Upgrades | 105 | 108 | 216 | 3 | - | 59 | 99 | 159 | 2 | - | 95 | 6 | - | 3 | 105 | 57 | 36% | 216 | |
| 49 | Work Management Systems Upgrade | - | 17 | 17 | - | - | - | 114 | 114 | - | - | 40 | 128 | 168 | 0 | - | (98) | -85% | (152) | |
| 50 | Other (eg., CIP Compliance, SCADA MTU System Security Upgrade, Genstar Substation Bus Bar Addition) | 27 | (34) | (7) | - | - | 18 | - | - | 1 | 20 | 172 | 257 | 403 | 1 | 27 | (7) | 100% | (410) | |
| 51 | Sub Total | 271 | 213 | 342 | 12 | 154 | 77 | 213 | 274 | 3 | 20 | 369 | 1,060 | 1,167 | 8.702 | 271 | 68 | 25% | (824) | |
| 52 | | | | | | | | | | | | | | | | | | | | |
| 53 | **Grand Total** | 19,269 | 40,431 | 30,767 | 1,487 | 30,420 | 41,855 | 28,374 | 59,691 | 2,249 | 12,788 | 14,507 | 31,864 | 27,637 | 534 | 19,269 | (28,924) | -48% | 3,130 | |

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF UTILITY INCOME TAX**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 5**

| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Current Tax | | | | | | | | | Note 1 |
| 2 | Federal Income Tax | | | | | | | | | |
| 3 | Federal Taxable Income | | - | - | - | | | | | |
| 4 | Income Tax Rate | | 0% | 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% | 0% | | | | | |
| 12 | **Total Provincal Income Tax** | | - | - | - | | | | | |
| 13 | **Total Current Tax** | | - | - | - | | | | | |
| 14 | Future Tax | | | | | | | | | |
| 15 | Temporary Differences | | - | - | - | | | | | |
| 16 | Income Tax Rate | | 0% | 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 Transmission function of EDTI is not a taxable entity.

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF CUSTOMERS, ENERGY AND REVENUE**
**FOR YEAR ENDED DECEMBER 31, 2019**
**($000s)**



| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Transmission Revenues | Sch 10 | 102,652 | 102,652 | 99,192 | (0) | 0.00% | 3,460 | 3.49% | |
| 2 | Interim to Final Rate True-Up | Sch 10 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | |
| 3 | **Total Utility Reserves** | Sch 1 | 102,652 | 102,652 | 99,192 | (0) | 0.00% | 3,460 | 3.49% | |

**EPCOR Distribution & Transmission Inc. (Transmission)**
**EXPLANATION OF TRANSACTIONS WITH AFFILIATED COMPANIES**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 7**

| Line No. | Affiliate | Nature of Service | 2019 Actual | 2019 Decision | 2018 Actual | Transactions In To Transmission | Transactions Out From Transmission | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | EDTI (Distribution) | | | | | | | | | | | |
| 2 | (accts 5810/5349) | Asset Usage Fee | 3,869 | 3,536 | 3,689 | | Administrative | 334 | 9.05% | 180 | 4.88% | |
| 3 | | Contributions | (976) | (1,803) | (976) | | Depreciation | 827 | -84.79% | 0 | 0.00% | Note 1 |
| 4 | | | 3,869 | 3,536 | 3,689 | | | 1,161 | 31.47% | 180 | 4.88% | |
| 5 | | | | | | | | | | | | |
| | EPCOR Technologies Inc. | | | | | | | | | | | |
| 6 | (ETECH) (35) | Scada MTU | (153) | (14) | (216) | Revenues | | (138) | 63.96% | 64 | -29.45% | |
| 7 | | Executive Oversight | (41) | (40) | | Revenues | | (0) | 100.00% | (41) | 100.00% | |
| 8 | | Financial Oversight | (18) | (18) | | Revenues | | 0 | 100.00% | (18) | 100.00% | |
| 9 | | Operational Communications - Management Oversight & Administrative Support | (14) | | | Revenues | | (14) | 100.00% | (14) | 100.00% | |
| 10 | | Process Improvement Oversight | (10) | | | Revenues | | (10) | 100.00% | (10) | 100.00% | |
| 11 | | Fleet Services | (30) | | | Revenues | | (30) | 100.00% | (30) | 100.00% | |
| 12 | | Facilities | (0) | | | Revenues | | (0) | 100.00% | (0) | 100.00% | |
| 13 | | Fiber Pulls and Testing | (6) | | | Revenues | | (6) | 100.00% | (6) | 100.00% | |
| 14 | | Jobbing | 1 | | | | Maintenance | 1 | 100.00% | 1 | 100.00% | |
| 15 | | Transmission Cable Repairs and Maintenance | 203 | | 55 | | Maintenance | 203 | 368.34% | 148 | 268.34% | |
| 16 | | | (68) | (72) | (161) | | | 5 | -2.80% | 93 | -57.88% | |
| 17 | | | | | | | | | | | | |
| | EPCOR Utilities Inc. (EUI) | | | | | | | | | | | |
| 18 | (40/71) | Shared Services | (2) | | | Revenues | | (2) | 100.00% | (2) | 100.00% | |
| 19 | | DBA Christmas Tree Installation & Decorating | (21) | | | Revenues | | (21) | 100.00% | (21) | 100.00% | |
| 20 | | Information Technology Services | 468 | 476 | 354 | | Administrative & Capital | (8) | -2.16% | 114 | 32.05% | |
| 21 | | Interest and Financing Charges | 21,999 | 21,030 | 22,638 | | Financing Exp. | 969 | 4.28% | (639) | -2.82% | |
| 22 | | Asset Usage Fee (acct 6203) | 946 | 1,065 | 901 | | Administrative | (119) | -13.22% | 45 | 5.02% | |
| 23 | | Shared Services Management Fee (net of disallowances) | 3,104 | 3,060 | 2,924 | | Administrative | 44 | 1.49% | 180 | 6.16% | |
| 24 | | EPCOR Tower Rent (net of disallowances) | 27 | 27 | 14 | | Administrative | 0 | 0.00% | 13 | 90.96% | |
| 25 | | Transmission Fiber Optic Cable | (278) | (95) | | Revenues | | (183) | 100.00% | (278) | 100.00% | |
| 26 | | | 26,243 | 25,563 | 26,832 | | | 679 | 2.53% | (589) | -2.19% | |
| 27 | | | | | | | | | | | | |
| | EPCOR Water Services Inc. | | | | | | | | | | | |
| 28 | (EWSI) (80) | Customer Jobbing | (42) | | (39) | Revenues | | (42) | 108.37% | (3) | 8.37% | |
| 29 | | Repairs & Maintenance | 3 | | | | Operations | 3 | 100.00% | 3 | 100.00% | |
| 30 | | UIS | 6 | | | | Operations | 6 | 100.00% | 6 | 100.00% | |
| 31 | | | (34) | 0 | (39) | | | (34) | 87.06% | 5 | -12.94% | |
| 32 | | | | | | | | | | | | |
| | EPCOR Energy Alberta (EEA) | | | | | | | | | | | |
| 33 | (75) | Supply Chain Management: Procurement & Strategic Sourcing | (15) | (15) | (13) | Revenues | Administrative | (0) | 0.58% | (2) | 15.17% | |
| 34 | | Operational Communication Management Oversight & Administrative Support | (30) | (68) | (26) | Revenues | | 38 | -145.82% | (4) | 17.08% | |
| 35 | | Utilities for Substations & Service Centres | 62 | | 114 | | Operations | 62 | 54.30% | (52) | -45.70% | |
| 36 | | Internal Communications | | | (4) | Revenues | | 0 | 0.00% | 4 | -100.00% | |
| 37 | | Streamline Executive Escalations Fees for Service | 17 | | 14 | | Administrative | 17 | 117.15% | 2 | 17.15% | |
| 38 | | | 34 | (82) | 86 | | | 116 | 135.66% | (52) | -60.54% | |
| 39 | | | | | | | | | | | | |
| 40 | EPCOR Drainage | Real Estate Consulting | | | (6) | Revenues | | 0 | 0.00% | 6 | -100.00% | |
| 41 | | UIS | 60 | | | | Operations | 60 | 100.00% | 60 | 100.00% | |
| 42 | | | 60 | 0 | (6) | | | 60 | -1030.04% | 66 | -1130.04% | |
| 43 | | | | | | | | | | | | |
| 44 | **TOTAL** | | 30,104 | 28,944 | 30,401 | | | 1,987 | 6.54% | (297) | -0.98% | |

Note 1: The $0.83 million increase from 2019 Decision to Actual for the amortization of Distribution contributions to Transmission was primarily due to delays in the West Edmonton Transmission Upgrade and Riverview POD projects.

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF PAYROLL AND MANPOWER STATISTICS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 8**

**SALARIES, WAGES AND EMPLOYEE BENEFITS**

| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross Salaries, Wages, Stat and Vacation (Excluding Overtime) | | | | | | | | | |
| 1 | Transmission Operating | | 12,084 | 12,252 | 12,859 | (168) | -1% | (775) | -6% | |
| 2 | Transmission Capital | | 6,473 | 5,416 | 5,558 | 1,056 | 20% | 915 | 16% | Note 1 |
| 3 | **Salaries and Wages Charged to Utility Operations** | | 18,557 | 17,669 | 18,417 | 888 | 5% | 140 | 1% | |
| 4 | Employee Benefits | | | | | | | | | |
| 5 | Transmission Operating | | 1,902 | 2,835 | 2,518 | (933) | -33% | (616) | -24% | Note 2 |
| 6 | Transmission Capital | | 2,591 | 2,384 | 2,439 | 206 | 9% | 152 | 6% | |
| 7 | **Benefits Charged to Utility Operations** | | 4,493 | 5,219 | 4,957 | (726) | -14% | (464) | -9% | |

| Line No. | Description | Cross-Reference | 2019 Actual | 2019 Decision | 2018 Actual | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|
| | Manpower Statistics | | | | | | | | | |
| 8 | Total Regular & Temporary Employees (FTEs) | | 164.1 | 159.3 | 163.1 | 4.8 | 3% | 1.0 | 1% | |
| 9 | **Total Manpower** | | 164.1 | 159.3 | 163.1 | 4.8 | 3% | 1.0 | 1% | |
| | Less: | | | | | | | | | |
| 10 | Allocated to Non-Regulated | | 0.0 | 0.0 | 0.0 | 0.0 | 0% | 0 | 0% | |
| 11 | **Total Manpower - Utility Operations** | | 164.1 | 159.3 | 163.1 | 4.8 | 3% | 0 | 1% | |

Note 1: The $1.06 million increase from 2019 Decision to Actual was primarily due to an increase in capital work in substations and engineering.

Note 2: The $0.93 million decrease from 2019 Decision to Actual was primarily due to more burden being transferred to capital from operating as a result of an increase in capital work in substations and engineering .

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SUMMARY OF RESERVE/DEFERRAL ACCOUNTS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**($000s)**

**SCHEDULE 9**

**2019 Actuals**

| Line No. | Description | Cross-Reference | Opening Balance | Adds | Amort. & Drawdowns | Provisions | Refunds & Recoveries | Reclass | Ending Balance |
|---|---|---|---|---|---|---|---|---|---|
| | List of Deferral Accounts | | | | | | | | |
| 1 | Hearing Costs Reserve (proj 115077, 115219, 115232, 115236, 115246, 115255, 115256, 115265, 115266) | | 386 | 429 | (424) | | | | 392 |
| 2 | Self Insurance Reserve (Proj 0, 850500) | | 0 | | | | | | 0 |
| 3 | AESO Directed Projects Deferral Account (Proj 115116) | | 0 | | | | | | 0 |
| 4 | Property, Business & Linear Tax Deferral Account (Proj 115205) | | 0 | | | 303 | | | 303 |
| 5 | | | 386 | 429 | (424) | 303 | 0 | 0 | 695 |
| 6 | Interim Rate Deferral | | 0 | | | | | | |
| 7 | **Total Deferred Assets** | Sch 13 | 386 | 429 | (424) | 303 | 0 | 0 | 695 |
| 8 | Hearing Costs Reserve (proj 115077, 115219, 115232, 115236, 115246, 115255, 115256, 115265, 115266) | | (0) | | | | | | (0) |
| 9 | Self Insurance Reserve | | 0 | | | | | | 0 |
| 10 | Short Term Incentive Deferral | | 0 | | | | | | 0 |
| 11 | AESO Directed Projects Deferral Account (Proj 115116) | | (234) | | | (531) | | | (765) |
| 12 | Property, Business & Linear Tax Deferral Account (Proj 115205) | | (235) | | | 39 | | | (196) |
| 13 | | | (469) | 0 | 0 | (492) | 0 | 0 | (961) |
| 14 | Interim Rate Deferral | | 0 | | | | | | 0 |
| 15 | **Total Deferred Liabilities** | Sch 13 | (469) | 0 | 0 | (492) | 0 | 0 | (961) |
| 16 | **Impact on Income Statement:** | | | | | | | | |
| 17 | Amortization of Deferral Accounts | | | | 424 | | | | 424 |
| 18 | Provision for refund/collection (Interim Rate Deferral) | | | | | | | | 0 |
| 19 | Provision for refund/collection (Deferral Accounts) | Sch 1 | | | | 189 | | | 189 |
| 20 | **Total** | | | | 424 | 189 | 0 | 0 | 613 |

**2019 Decision**

| Line No. | Description | Opening Balance | Adds | Amort. & Drawdowns | Refunds & Recoveries | Ending Balance |
|---|---|---|---|---|---|---|
| 1 | Hearing Costs Reserve (proj 115077, 115219, 115232, 115236, 115246, 115255, 115256, 115265, 115266) | 424 | 409 | (424) | | 409 |
| 2 | Self Insurance Reserve (Proj 0, 850500) | 0 | | | | 0 |
| 3 | AESO Directed Projects Deferral Account (Proj 115116) | 0 | | | | 0 |
| 4 | Property, Business & Linear Tax Deferral Account (Proj 115205) | 0 | | | | 0 |
| 5 | | 424 | 409 | (424) | 0 | 409 |
| 6 | Interim Rate Deferral | 0 | | | | 0 |
| 7 | **Total Deferred Assets** | 424 | 409 | (424) | 0 | 409 |
| 8 | Hearing Costs Reserve (proj 115077, 115219, 115232, 115236, 115246, 115255, 115256, 115265, 115266) | (0) | | | | (0) |
| 9 | Self Insurance Reserve | 0 | | | | 0 |
| 10 | Short Term Incentive Deferral | 0 | | | | 0 |
| 11 | AESO Directed Projects Deferral Account (Proj 115116) | 0 | | | | 0 |
| 12 | Property, Business & Linear Tax Deferral Account (Proj 115205) | 0 | | | | 0 |
| 13 | | 0 | 0 | 0 | 0 | 0 |
| 14 | Interim Rate Deferral | 0 | | | | |
| 15 | **Total Deferred Liabilities** | 0 | 0 | 0 | 0 | 0 |
| 16 | **Impact on Income Statement:** | | | | | |
| 17 | Amortization of Deferral Accounts | | | 424 | | 424 |
| 18 | Provision for refund/collection (Interim Rate Deferral) | | | | | 0 |
| 19 | Provision for refund/collection (Deferral Accounts) | | | | | 0 |
| 20 | **Total** | | | 424 | 0 | 424 |

**2018 Actuals**

| Line No. | Description | Opening Balance | Adds | Amort. & Drawdowns | Provisions | Refunds & Recoveries | Reclass | Ending Balance | Var. Actual to Decision | Var % | Var. Actual to Prior Year | Var % | Actual to Decision Explanation Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Hearing Costs Reserve (proj 115077, 115219, 115232, 115236, 115246, 115255, 115256, 115265, 115266) | 401 | 449 | (464) | | | | 386 | (17) | -4% | 6 | 1% | |
| 2 | Self Insurance Reserve (Proj 0, 850500) | 0 | | | | | | 0 | 0 | 100% | 0 | - | |
| 3 | AESO Directed Projects Deferral Account (Proj 115116) | (2,505) | | 2,505 | | | | 0 | 0 | 100% | 0 | 0% | |
| 4 | Property, Business & Linear Tax Deferral Account (Proj 115205) | 0 | | | | | | 0 | 303 | 100% | 303 | - | |
| 5 | | (2,104) | 449 | 2,041 | 0 | 0 | 0 | 386 | 286 | 70% | 309 | 80% | |
| 6 | Interim Rate Deferral | 0 | | | | | | 0 | 0 | - | | - | |
| 7 | **Total Deferred Assets** | (2,104) | 449 | 2,041 | 0 | 0 | 0 | 386 | 286 | 70% | 309 | 80% | |
| 8 | Hearing Costs Reserve (proj 115077, 115219, 115232, 115236, 115246, 115255, 115256, 115265, 115266) | (119) | | 119 | | | | (0) | 0 | 0% | 0 | 0% | |
| 9 | Self Insurance Reserve | 0 | | | | | | 0 | 0 | 100% | 0 | - | |
| 10 | Short Term Incentive Deferral | 0 | | | | | | 0 | 0 | 100% | 0 | - | |
| 11 | AESO Directed Projects Deferral Account (Proj 115116) | 0 | | | (234) | | | (234) | (765) | 100% | (531) | 227% | Note 1 |
| 12 | Property, Business & Linear Tax Deferral Account (Proj 115205) | (779) | | 779 | (235) | | | (235) | (196) | -150687115% | 39 | -17% | |
| 13 | | (899) | 0 | 899 | (469) | 0 | 0 | (469) | (961) | -1601566650% | (492) | 105% | |
| 14 | Interim Rate Deferral | 0 | | | | | | 0 | 0 | - | 0 | - | |
| 15 | **Total Deferred Liabilities** | (899) | 0 | 899 | (469) | 0 | 0 | (469) | (961) | -1601566650% | (492) | 105% | |
| 16 | **Impact on Income Statement:** | | | | | | | | | | | | |
| 17 | Amortization of Deferral Accounts | | | (2,940) | | | | (2,940) | | | | | |
| 18 | Provision for refund/collection (Interim Rate Deferral) | | | | | | | 0 | | | | | |
| 19 | Provision for refund/collection (Deferral Accounts) | | | | 469 | | | 469 | | | | | |
| 20 | **Total** | | | (2,940) | 469 | 0 | 0 | (2,471) | | | | | |

Note 1: The $0.76 million decrease from 2019 Decision to Actual for the AESO deferral account was primarily due to a delay in the Riverview POD going into service (forecast to go into service in 2019).

**EPCOR Distribution & Transmission Inc. (Transmission)**
**SCHEDULE 10**
**RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO REGULATORY FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**BALANCE SHEET ITEMS**
**($000s)**

| Line No. | Description | Cross- Reference | Regulatory Financial Statements | Adjustments | Utility Total |
|---|---|---|---|---|---|
| 1 | **Revenues** | | | | |
| 2 | Transmission tariff | | 102,652 | | |
| 3 | Reclassification to Other adj. to Revenue Requirements | Sch 6 + Sch 9 | | | 102,652 |
| 4 | **Other Revenues** | | 861 | | |
| 5 | Reclassification to Revenue Offsets | | | (861) | 0 |
| 6 | | Sch 1 | 103,513 | (861) | 102,652 |
| 7 | | | | | |
| 8 | **Other raw materials and operating charges** | | 5,775 | | 5,775 |
| 9 | **Staff costs and employee benefits expense** | | 12,608 | | 12,608 |
| 10 | **Other administrative expenses** | | 12,535 | | 12,535 |
| 11 | Reclassification of Revenues to Revenue Offsets | | | (618) | (618) |
| 12 | Reclassification of amortization of deferral accounts to Other adj. to Revenue Requirement | Sch 9 | | (613) | (613) |
| 13 | Reclassification of Non-Recoverable Expenses to Return | | | (836) | (836) |
| 14 | **Franchise fees and property taxes** | | | | 0 |
| 15 | Property taxes | | 8,167 | | 8,167 |
| 16 | | Sch 1 + Sch 3 | 39,083 | (2,066) | 37,017 |
| 17 | | | | | |
| 18 | **Depreciation and amortization** | | 20,710 | | |
| 19 | | Sch 1 + Sch 4 | 20,710 | 0 | 20,710 |
| 20 | | | | | |
| 21 | **Income Tax** | | 0 | | 0 |
| 22 | | Sch 1 + Sch 5 | 0 | 0 | 0 |
| 23 | | | | | |
| 24 | **Revenue Offsets** | | | | |
| 25 | Reclassification from Revenues and Operating Costs | | | (244) | |
| 26 | | Sch 1 | 0 | (244) | (244) |
| 27 | | | | | |
| 28 | **Other Adj. to Revenue Requirement** | | | | |
| 29 | Reclassification of Other Adjustments to Revenue Requirement | | | 613 | |
| 30 | | Sch 1 + Sch 9 | 0 | 613 | 613 |
| 31 | | | | | |
| 32 | **Return** | | | | |
| 33 | Return on Debt | | 20,512 | | |
| 34 | Reclass of non-recoverable financing expenses - AFUDC | | | 1,487 | |
| 35 | Adjustment due to use of deemed equity thickness and mid-year cost of debt | | | | |
| 36 | **Return on Debt after adjustments** | | 20,512 | 1,487 | 21,998 |
| 37 | | | | | |
| 38 | Return on Equity | | 23,208 | | |
| 39 | Non-Recoverable Expenses | | | (651) | |
| 40 | Adjustment due to use of deemed equity thickness and mid-year cost of debt | | | 0 | |
| 41 | **Return on Equity after adjustments** | Sch 2 | 23,208 | (651) | 22,558 |
| 42 | | | | | |
| 43 | | | | | |
| 44 | Return on Debt | | | | 21,998 |
| 45 | Return on Equity | | | | 22,558 |
| 46 | Total Return | Sch 1 | | | 44,556 |

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

**RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO REGULATORY STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**BALANCE SHEET ITEMS**

**($000s)**

| Line No. | Description | Cross-Reference | Regulatory Financial Statements | Adjustments | Total |
|---|---|---|---|---|---|
| 1 | **ASSETS** | | | | |
| 2 | Current Assets: | | | | |
| 3 | Trade and other receivables | | 10,733 | | 10,733 |
| 4 | Inventories | | 183 | | 183 |
| 5 | Prepaid expenses | | 274 | | 274 |
| 6 | Regulatory assets | Sch 9 | 695 | | 695 |
| 7 | | | 11,885 | | 11,885 |
| 8 | Non-Current Assets: | | | | |
| 9 | Property, plant and equipment | | 720,036 | | 720,036 |
| 10 | Intangible assets | | 13,520 | | 13,520 |
| 11 | Regulatory assets | Sch 9 | 0 | | 0 |
| 12 | | | 733,556 | | 733,556 |
| 13 | | | | | |
| 14 | **TOTAL ASSETS** | | 745,442 | | 745,442 |
| 15 | | | | | |
| 16 | **LIABILITIES AND EQUITY** | | | | |
| 17 | Current Liabilities: | | | | |
| 18 | Trade and other payables | | 15,215 | | 15,215 |
| 19 | Loans and borrowings | | 30,444 | | 30,444 |
| 20 | Provisions | | 1,349 | | 1,349 |
| 21 | Regulatory liabilities | Sch 9 | 961 | | 961 |
| 22 | | | 47,969 | | 47,969 |
| 23 | Non-Current Liabilities | | | | |
| 24 | Loans and borrowings | | 426,280 | | 426,280 |
| 25 | Provisions | | 676 | | 676 |
| 26 | Regulatory liabilities | Sch 9 | 0 | | 0 |
| 27 | | | 426,956 | | 426,956 |
| 28 | | | | | |
| 29 | Total Liabilities | | 474,925 | | 474,925 |
| 30 | | | | | |
| 31 | Equity attributable to the Owner of the Company: | | | | |
| 32 | Share capital | | 152,035 | | 152,035 |
| 33 | Retained earnings | | 118,482 | | 118,482 |
| 34 | Total Equity | Sch 2.2 | 270,516 | | 270,516 |
| 35 | | | | | |
| 36 | **TOTAL LIABILTIES AND EQUITY** | | 745,442 | | 745,442 |

**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, 2019**
**($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 | | 61,951 | 0 | 0 | 61,951 | 0 | 0 | 0 | 0 | 61,951 | | |
| 3 | Transmission system access tariff | 1 | 0 | 21,095 | 0 | (21,095) | 0 | 0 | 0 | 0 | (21,095) | | |
| 4 | DAS revenue | 2 | 222,460 | 0 | 0 | 222,460 | 0 | 0 | 0 | 0 | 222,460 | | |
| 5 | Transmission tariff | 3 | 0 | 0 | 0 | 0 | 102,652 | (409) | 531 | 102,530 | 102,530 | | |
| 6 | Total energy sales | | 284,411 | 21,095 | 0 | 263,317 | 102,652 | (409) | | 102,530 | 365,847 | 365,847 | 0 |
| 7 | Other Income | 4 & 5 | 7,125 | 383 | (6,086) | 12,828 | 861 | 106 | (1,994) | 2,749 | 15,577 | 14,602 | 976 |
| 8 | | | 291,536 | 21,478 | (6,086) | 276,145 | 103,513 | (304) | (1,994) | 105,279 | 381,424 | 380,448 | 976 |
| 9 | Energy purchases and system access fees | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | Other raw materials and operating charges | | 11,939 | 2 | 0 | 11,937 | 5,775 | 0 | 0 | 5,775 | 17,711 | 17,711 | 0 |
| 11 | Staff costs and employee benefit expenses | | 37,261 | 0 | 0 | 37,261 | 12,608 | 0 | 0 | 12,608 | 49,869 | 49,869 | (0) |
| 12 | Depreciation and amortization | 5 & 6 | 57,265 | (465) | (6,086) | 63,816 | 20,710 | (2,751) | (1,994) | 25,455 | 89,271 | 88,295 | 976 |
| 13 | Franchise fees and property taxes | 7 | 71,440 | (92) | 0 | 71,532 | 8,167 | (342) | 0 | 8,509 | 80,041 | 80,041 | 0 |
| 14 | Other administrative expenses | 7 | 20,350 | (159) | 0 | 20,509 | 12,535 | 268 | 531 | 11,735 | 32,244 | 32,244 | 0 |
| 15 | | | 198,254 | (714) | (6,086) | 205,055 | 59,793 | (2,825) | (1,462) | 64,081 | 269,136 | 268,160 | 976 |
| 16 | Operating income | | 93,282 | 22,192 | 0 | 71,090 | 43,720 | 2,522 | (531) | 41,198 | 112,288 | 112,288 | 0 |
| 17 | Financing expenses | 8 | 35,784 | (1,052) | 0 | 36,835 | 20,512 | (73) | 0 | 20,585 | 57,421 | 57,421 | 0 |
| 18 | Total comprehensive income for the period - all attributable to the Owner of the Company | | 57,498 | 23,244 | | 34,255 | 23,208 | 2,595 | | 20,613 | 54,867 | 54,867 | 0 |
| 19 | Retained earnings, beginning of the year | | 234,944 | 8,451 | 0 | 226,493 | 111,274 | (1,918) | 0 | 113,192 | 339,685 | 339,685 | 0 |
| 20 | Dividends paid for the period | | (9,000) | | | (9,000) | (16,000) | | | (16,000) | (25,000) | (25,000) | 0 |
| 21 | Retained earnings, end of the year | | 283,442 | 31,694 | 0 | 251,748 | 118,482 | 677 | 0 | 117,805 | 369,552 | 369,552 | 0 |

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

Note 1: Under IFRS, revenues are recognized as they become billed or billable and there is no recognition of deferral accounts. In Regulatory Accounting, the Transmission System Access Tariff 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 2019.

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.

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, 2019**
**($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 | | 65,660 | 0 | 0 | 65,660 | 10,733 | 0 | 0 | 10,733 | 76,393 | 77,661 | (1,268) |
| 3 | Inventories | 1 | 27,731 | 0 | 26,125 | 1,606 | 183 | 0 | 0 | 183 | 1,790 | 1,790 | 0 |
| 4 | Prepaid expenses | | 443 | (0) | 0 | 443 | 274 | 0 | 0 | 274 | 717 | 717 | 0 |
| 5 | Regulatory assets | 2 | 15,910 | 15,910 | 0 | 0 | 695 | 695 | 0 | 0 | 0 | 0 | 0 |
| 6 | | | 109,744 | 15,910 | 26,125 | 67,709 | 11,885 | 695 | 0 | 11,190 | 78,899 | 80,167 | (1,268) |
| 7 | Non-Current Assets: | | | | | | | | | | | | |
| 8 | Property, plant and equipment | 3 & 4 | 1,374,546 | 22,785 | (198,449) | 1,550,210 | 720,036 | 1,546 | (86,010) | 804,500 | 2,354,711 | 2,305,060 | 49,650 |
| 9 | Intangible assets | 3 | 32,147 | (1,098) | 0 | 33,244 | 13,520 | (584) | 0 | 14,104 | 47,348 | 47,348 | 0 |
| 10 | Regulatory assets | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| 11 | | | 1,406,693 | 21,687 | (198,449) | 1,583,455 | 733,556 | 962 | (86,010) | 818,604 | 2,402,059 | 2,352,409 | 49,650 |
| 12 | **TOTAL ASSETS** | | 1,516,436 | 37,597 | (172,324) | 1,651,164 | 745,442 | 1,658 | (86,010) | 829,794 | 2,480,958 | 2,432,576 | 48,382 |
| 13 | **LIABILITIES AND EQUITY** | | | | | | | | | | | | |
| 14 | Current Liabilities: | | | | | | | | | | | | |
| 15 | Trade and other payables | | 95,474 | 6,362 | (6,364) | 95,476 | 15,215 | 885 | (961) | 15,291 | 110,767 | 112,006 | (1,239) |
| 16 | Loans and borrowings | | 81,935 | (460) | 0 | 82,395 | 30,444 | 462 | 0 | 29,982 | 112,377 | 112,406 | (29) |
| 17 | Provisions | | 4,026 | 0 | 0 | 4,026 | 1,349 | 0 | 0 | 1,349 | 5,376 | 5,376 | (0) |
| 18 | Regulatory liabilities | 2 | 6,364 | 0 | 6,364 | 0 | 961 | 0 | 961 | 0 | 0 | 0 | 0 |
| 19 | Deferred revenues | 4 | 0 | 0 | (6,060) | 6,060 | 0 | 0 | (1,344) | 1,344 | 7,403 | 7,403 | 0 |
| 20 | | | 187,800 | 5,902 | (6,060) | 187,957 | 47,969 | 1,347 | (1,344) | 47,966 | 235,923 | 237,191 | (1,268) |
| 21 | Non-Current Liabilities: | | | | | | | | | | | | |
| 22 | Loans and borrowings | | 806,933 | 0 | 0 | 806,933 | 426,280 | 0 | 0 | 426,280 | 1,233,213 | 1,233,580 | (366) |
| 23 | Provisions | | 3,042 | 0 | 0 | 3,042 | 676 | 0 | 0 | 676 | 3,718 | 3,718 | (0) |
| 24 | Deferred revenues | 4 & 5 | 0 | 0 | (166,264) | 166,264 | 0 | 0 | (84,667) | 84,667 | 250,931 | 201,281 | 49,650 |
| 25 | Regulatory liabilities | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26 | Other Liabilities | | 0 | 0 | | 0 | 0 | (366) | | 366 | 366 | 0 | 366 |
| 27 | | | 809,975 | 0 | (166,264) | 976,239 | 426,956 | (366) | (84,667) | 511,989 | 1,488,229 | 1,438,579 | 49,650 |
| 28 | Total Liabilities | | 997,775 | 5,902 | (172,324) | 1,164,197 | 474,925 | 981 | (86,010) | 559,955 | 1,724,152 | 1,675,770 | 48,382 |
| 29 | Equity attributable to the Owner of the Company: | | | | | | | | | | | | |
| 30 | Share capital | | 235,220 | 0 | 0 | 235,220 | 152,035 | 0 | 0 | 152,035 | 387,254 | 387,254 | (0) |
| 31 | Retained earnings | 2, 3 & 5 | 283,442 | 31,695 | 0 | 251,748 | 118,482 | 677 | 0 | 117,805 | 369,552 | 369,552 | (0) |
| 32 | Total Equity | | 518,662 | 31,695 | 0 | 486,967 | 270,516 | 677 | 0 | 269,839 | 756,806 | 756,806 | (0) |
| 33 | **TOTAL LIABILITIES AND EQUITY** | | 1,516,436 | 37,597 | (172,324) | 1,651,164 | 745,442 | 1,658 | (86,010) | 829,794 | 2,480,958 | 2,432,576 | 48,382 |

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, 2019 and 2018

KPMG LLP
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Edmonton, AB  T5J 0H3
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# 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, 2019 and December 31, 2018
- 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, 2019 and December 31, 2018, 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

March 22, 2020

# EPCOR DISTRIBUTION & TRANSMISSION INC.

Statements of Comprehensive Income
(In thousands of Canadian dollars)

Years ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Revenues (note 5) | $ 380,448 | $ 377,920 |
| Operating expenses: | | |
| Other raw materials and operating charges | 17,711 | 16,258 |
| Staff costs and employee benefits expenses | 49,869 | 51,810 |
| Depreciation and amortization (note 6) | 88,295 | 83,839 |
| Franchise fees and property taxes | 80,041 | 77,887 |
| Other administrative expenses | 32,244 | 32,434 |
| | 268,160 | 262,228 |
| Operating income | 112,288 | 115,692 |
| Finance expenses (note 7) | (57,421) | (59,506) |
| Comprehensive income for the year - all attributable to the Owner of the Company | $ 54,867 | $ 56,186 |

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, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Trade and other receivables (note 8) | $ 77,661 | $ 72,917 |
| Inventories (note 9) | 1,790 | 1,853 |
| Prepaid expenses | 717 | 770 |
| | 80,168 | 75,540 |
| Non-current assets: | | |
| Property, plant and equipment (note 10) | 2,305,060 | 2,163,144 |
| Intangible assets (note 11) | 47,348 | 43,539 |
| | 2,352,408 | 2,206,683 |
| TOTAL ASSETS | $ 2,432,576 | $ 2,282,223 |
| | | |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Trade and other payables (note 12) | $ 112,006 | $ 93,890 |
| Loans and borrowings (note 13) | 112,406 | 166,477 |
| Deferred revenue (note 14) | 7,403 | 5,946 |
| Provisions (note 15) | 5,376 | 5,331 |
| | 237,191 | 271,644 |
| Non-current liabilities: | | |
| Loans and borrowings (note 13) | 1,233,580 | 1,097,036 |
| Deferred revenue (note 14) | 201,281 | 182,582 |
| Provisions (note 15) | 3,718 | 4,022 |
| | 1,438,579 | 1,283,640 |
| Total liabilities | 1,675,770 | 1,555,284 |
| Equity attributable to the Owner of the Company: | | |
| Share capital (note 16) | 387,254 | 387,254 |
| Retained earnings | 369,552 | 339,685 |
| Total equity – all attributable to the Owner of the Company | 756,806 | 726,939 |
| TOTAL LIABILITIES AND EQUITY | $ 2,432,576 | $ 2,282,223 |

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, 2019 and 2018

| | Share capital (note 16) | | | |
|---|---|---|---|---|
| | Common shares | Contributed surplus | Retained earnings | Equity attributable to the Owner of the Company |
| Equity at beginning of January 1, 2018 | $ 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 |
| Comprehensive income for the year | - | - | 54,867 | 54,867 |
| Dividends | - | - | (25,000) | (25,000) |
| Equity at December 31, 2019 | $ 191,254 | $ 196,000 | $ 369,552 | $ 756,806 |

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, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from (used in) operating activities: | | |
| Comprehensive income for the year | $ 54,867 | $ 56,186 |
| Reconciliation of comprehensive income for the year to cash from (used in) operating activities: | | |
| Interest paid | (55,209) | (59,293) |
| Finance expenses (note 7) | 57,421 | 59,506 |
| Depreciation and amortization (note 6) | 88,295 | 83,839 |
| Contributions received (note 14) | 23,618 | 11,696 |
| Deferred revenue recognized (note 14) | (6,615) | (6,279) |
| Change in employee benefits provisions (note 15) | (259) | 367 |
| Net cash flows from operating activities before non-cash operating working capital changes | 162,118 | 146,022 |
| Changes in non-cash operating working capital (note 17) | 18,645 | (7,701) |
| Net cash flows from operating activities | 180,763 | 138,321 |
| Cash flows from (used in) investing activities: | | |
| Acquisition or construction of property, plant and equipment[1] | (221,453) | (158,276) |
| Acquisition or development of intangible assets[2] | (9,898) | (10,726) |
| Proceeds on disposal of property, plant and equipment | 909 | 1,189 |
| Changes in non-cash investing working capital (note 17) | (7,369) | 1,357 |
| Net cash flows used in investing activities | (237,811) | (166,456) |
| Cash flows from (used in) financing activities: | | |
| Net proceeds from issuance of short-term loans and borrowings (note 18) | 45,059 | 19,327 |
| Proceeds from issuance of long-term loans and borrowings (note 18) | 150,000 | 50,000 |
| Repayments of long-term loans and borrowings (note 18) | (112,982) | (12,192) |
| Payments of lease liabilities | (29) | - |
| Dividends paid | (25,000) | (29,000) |
| Net cash flows from financing activities | 57,048 | 28,135 |
| Increase in cash | - | - |
| Cash, beginning of year | - | - |
| Cash, end of year | $ - | $ - |

1 Interest payments of $2,542 (2018 - $1,187) have been capitalized and included in acquisition or construction of property, plant and equipment (PP&E).

2 Interest payments of $269 (2018 - $159) have been capitalized and included in acquisition or development of intangible assets.

The accompanying notes are an integral part of these financial statements

## 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). These financial statements are approved by EPCOR's Board of Directors on behalf the Company in accordance with the terms of the shareholders agreement.

(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 March 22, 2020.

(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 *IFRS 16 – Leases* (IFRS 16) and amendments to various accounting standards effective January 1, 2019, using the modified retrospective approach. On initial recognition, the new standard requires that a lessee recognize a right-of-use (ROU) asset and lease liability at the commencement date of the lease contract. The Company has recorded these amounts within PP&E and loans and borrowings, respectively, on the statement of financial position. On implementation of IFRS 16, the Company reassessed all outstanding contracts to determine whether they meet the criteria for recognition as a lease. The adoption of IFRS 16 and amendments to various accounting standards did not have a significant impact on these financial statements or accounting policies.

(b) Revenue recognition

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 customers 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 revenue recognition, i.e. quantifiable services rendered to the customers.

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.

The Company has determined that it is acting as an agent when fulfilling the performance obligation for collection of provincial transmission system access service charges on behalf of Alberta Electric System Operator (AESO), as the Company does not obtain control of the service before it is transferred to the customers. Accordingly, the revenues from collection of provincial transmission system access service charges are recognized net of all related costs paid to the AESO.

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 services before transfer to the customer. The Company is acting as an agent when it is obliged to arrange for the provision of the 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.

(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 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 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. The cost of a group of PP&E acquired in a transaction, including those acquired in a business combination, is allocated to the individual assets acquired based on their fair value.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated 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 useful lives of assets requires judgment and is generally based on estimates of life characteristics of similar assets. The estimated useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

The ranges of estimated 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.

(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 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 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 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 useful lives and methods of amortization are reviewed annually with any changes adopted on a prospective basis.

The estimated 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.

(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. 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 useful life of the related asset.

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. The Company has developed an accounting policy for the initial recognition of such contributions and subsequent recognition of the related revenues. 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 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 finance 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 and financial liabilities of the Company are measured at amortized cost.

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.

*Recognition and measurement*

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 are recognized on the date at which the Company becomes a party to the contractual arrangement.

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 method.

*Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

(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, which is based on the Company's historical credit loss experience, current market conditions and forward looking information, 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.

(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 an after 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 tested as CGU. CGUs are 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.

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 comprehensive income. Impairment losses recognized in respect of CGUs are allocated to the carrying amount of the assets in the unit or 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 of standards 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, 2020. The Company does not expect the implementation of these new accounting pronouncements to have any significant impact on its accounting policies.

(In thousands of Canadian dollars unless otherwise indicated)

## 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.

## 5. Revenues

| | 2019 | 2018 |
|---|---|---|
| Provision of electricity services | $ 365,847 | $ 362,748 |
| Other services | 7,986 | 8,893 |
| Deferred revenue recognized | 6,615 | 6,279 |
| | $ 380,448 | $ 377,920 |

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:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and thereafter | Total |
|---|---|---|---|---|---|---|---|
| Contract liabilities - contributions received from customers, developers [1] | $ 7,403 | $ 7,489 | $ 7,489 | $ 7,489 | $ 7,489 | $ 171,325 | $ 208,684 |

1. At December 31, 2019, the Company had deferred revenue recorded in the statements of financial position related to contributions received from customers and developers. 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.

(In thousands of Canadian dollars unless otherwise indicated)

## 6. Depreciation and amortization

| | 2019 | 2018 |
|---|---|---|
| Depreciation of property, plant and equipment | $ 81,211 | $ 77,642 |
| Amortization of intangible assets | 5,998 | 5,020 |
| Loss on disposals of property, plant and equipment | 1,086 | 1,177 |
| | $ 88,295 | $ 83,839 |

## 7. Finance expenses

| | 2019 | 2018 |
|---|---|---|
| Interest on loans and borrowings | $ 60,232 | $ 60,852 |
| Capitalized interest on property, plant and equipment (note 10) | (2,542) | (1,187) |
| Capitalized interest on intangible assets (note 11) | (269) | (159) |
| | $ 57,421 | $ 59,506 |

## 8. Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| Trade receivables | $ 23,561 | $ 22,498 |
| Accrued revenues | 54,351 | 50,576 |
| Gross accounts receivables | 77,912 | 73,074 |
| Expected credit loss allowance | (251) | (157) |
| | $ 77,661 | $ 72,917 |

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

| | 2019 | 2018 |
|---|---|---|
| General stock | $ 9,439 | $ 9,105 |
| Transformers | 4,677 | 4,048 |
| Cables and wires | 9,742 | 5,439 |
| Cubicles | 4,058 | 2,930 |
| | 27,916 | 21,522 |
| Less: capital inventory (note 10) | 26,126 | 19,669 |
| | $ 1,790 | $ 1,853 |

During the year ended December 31, 2019, inventory of $1,302 (2018 - $1,325) was expensed to other raw materials and operating charges.

During the year ended December 31, 2019, an inventory write-down of $122 (2018 - $197) was recognized. No reversals of previous write-downs were recorded in the years ended December 31, 2019 and 2018.

At December 31, 2019 and 2018, no inventories were pledged as security for liabilities.

(In thousands of Canadian dollars unless otherwise indicated)

### 10. Property, plant and equipment

| | Land | Capital inventory | Construction work in progress | Distribution | Transmission[1] | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of 2019 | $ 24,706 | $ 19,669 | $ 35,438 | $1,841,618 | $ 982,459 | $2,903,890 |
| Additions[2] | - | 28,251 | 193,230 | 3,125 | 425 | 225,031 |
| Transfers into service | - | (21,794) | (137,718) | 121,128 | 38,384 | - |
| Disposals and retirements | - | - | - | (3,021) | (1,380) | (4,401) |
| Balance, end of 2019 | 24,706 | 26,126 | 90,950 | 1,962,850 | 1,019,888 | 3,124,520 |
| **Accumulated depreciation** | | | | | | |
| Balance, beginning of 2019 | - | - | - | 471,780 | 268,966 | 740,746 |
| Depreciation | - | - | - | 57,005 | 24,206 | 81,211 |
| Disposals and retirements | - | - | - | (1,495) | (1,002) | (2,497) |
| Balance, end of 2019 | - | - | - | 527,290 | 292,170 | 819,460 |
| **Net book value**, end of 2019 | $ 24,706 | $ 26,126 | $ 90,950 | $1,435,560 | $ 727,718 | $ 2,305,060 |

| | 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[2] | - | 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 |

1 Additions include non-cash ROU assets recognized of $425.

2 Additions include non-cash contributed assets of $3,153 (2018 - $4,476) (note 14).

Borrowing costs capitalized during the year ended December 31, 2019, were $2,542 (2018 - $1,187) (note 7). The weighted average rate used to determine the borrowing costs eligible for capitalization was 4.64% (2018 - 4.94%).

There are no security charges over the Company's PP&E. Any gains or losses on disposed or retired PP&E are included within depreciation and amortization.

(In thousands of Canadian dollars unless otherwise indicated)

## 11. Intangible assets

| | Work in progress | Land right of ways | Software | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, beginning of 2019 | $ 3,611 | $ 13,312 | $ 51,120 | $ 68,043 |
| Investment in intangible assets | 9,834 | - | 64 | 9,898 |
| Transfers into service | (10,586) | - | 10,586 | - |
| Disposals and retirements | - | - | (109) | (109) |
| Balance, end of 2019 | 2,859 | 13,312 | 61,661 | 77,832 |
| **Accumulated amortization** | | | | |
| Balance, beginning of 2019 | - | 2,611 | 21,893 | 24,504 |
| Amortization | - | 266 | 5,732 | 5,998 |
| Disposals and retirements | - | - | (18) | (18) |
| Balance, end of 2019 | - | 2,877 | 27,607 | 30,484 |
| **Net book value**, end of 2019 | $ 2,859 | $ 10,435 | $ 34,054 | $ 47,348 |

| | 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 |

Borrowing costs capitalized on intangible assets during the year ended December 31, 2019, were $269 (2018 - $159) (note 7). The weighted average rate used to determine the borrowing costs eligible for capitalization was 4.64% (2018 - 4.94%).

There are no security charges over the Company's intangible assets. Any gains or losses on disposed or retired intangible assets are included within depreciation and amortization.

## 12. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| Trade payables | $ 37,208 | $ 47,130 |
| Accrued liabilities | 65,991 | 40,165 |
| Accrued interest | 8,807 | 6,595 |
| | $ 112,006 | $ 93,890 |

(In thousands of Canadian dollars unless otherwise indicated)

**13. Loans and borrowings**

| | 2019 | 2018 |
|---|---|---|
| **Short-term note payable to EPCOR**[1] | $ 98,554 | $ 53,495 |
| | | |
| **Long-term notes payable to EPCOR**[2] | | |
| At 7.30%, due in 2019 | - | 100,000 |
| At 7.30%, due in 2022 | 5,386 | 7,285 |
| At 6.65%, due in 2023 | 28,396 | 34,407 |
| At 6.07%, due in 2024 | 16,671 | 19,448 |
| At 5.27%, due in 2025 | 16,583 | 18,878 |
| 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 | 50,000 |
| At 3.19%, due in 2049 | 150,000 | - |
| | 1,247,036 | 1,210,018 |
| | 1,345,590 | 1,263,513 |
| Lease obligation | 396 | - |
| | 1,345,986 | 1,263,513 |
| Less: current portion | 112,406 | 166,477 |
| | $ 1,233,580 | $ 1,097,036 |

1 The short-term note payable to EPCOR is interest-bearing, 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 2026, 2027, 2028, 2039, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048 and 2049 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.

(In thousands of Canadian dollars unless otherwise indicated)

## 14. Deferred revenue

| | 2019 | 2018 |
|---|---|---|
| Balance, beginning of year | $ 188,528 | $ 178,635 |
| Contributions received | 26,771 | 16,172 |
| Revenue recognized | (6,615) | (6,279) |
| | 208,684 | 188,528 |
| Less: current portion | 7,403 | 5,946 |
| Balance, end of year | $ 201,281 | $ 182,582 |

Contributions received include non-cash contributions of $3,153 (2018 - $4,476) and cash contributions of $23,618 (2018 - $11,696).

## 15. Provisions

| | 2019 | 2018 |
|---|---|---|
| Employee benefits | $ 9,094 | $ 9,353 |
| Less: current portion | 5,376 | 5,331 |
| | $ 3,718 | $ 4,022 |

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 (2018 - 11,601).

| | 2019 | 2018 |
|---|---|---|
| Common shares | $ 191,254 | $ 191,254 |
| Contributed surplus | 196,000 | 196,000 |
| | $ 387,254 | $ 387,254 |

(In thousands of Canadian dollars unless otherwise indicated)

## 17. Changes in non-cash working capital

| | 2019 | 2018 |
|---|---|---|
| Trade and other receivables | $ (4,744) | $ (7,147) |
| Inventories | 63 | (670) |
| Prepaid expenses | 53 | (139) |
| Trade and other payables | 18,116 | 1,735 |
| | $ 13,488 | $ (6,221) |

| | 2019 | 2018 |
|---|---|---|
| Included in specific items on statements of cash flows: | | |
| Interest paid | $ 2,212 | $ 213 |
| Operating activities | 18,645 | (7,701) |
| Investing activities | (7,369) | 1,357 |
| Not included in specific items on statements of cash flows: | | |
| Adjustment on implementation of IFRS 9 in trade and other receivables | - | (90) |
| | $ 13,488 | $ (6,221) |

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

| | Short-term loans and borrowings | Long-term loans and borrowings |
|---|---|---|
| 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 |
| Issued | 678,591 | 150,000 |
| Redemptions or repayments | (633,532) | (112,982) |
| Balance at December 31, 2019 | $ 98,554 | $1,247,036 |

## 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:

| | 2019 | 2018 |
|---|---|---|
| **Statements of Comprehensive Income** | | |
| Revenues (a) | $ 222,971 | $ 216,780 |
| Other raw materials and operating charges (b) | 2,317 | 461 |
| Staff costs and employee benefits expenses (c) | 49,869 | 51,810 |
| Other administrative expenses (d) | 24,603 | 23,843 |
| Finance expenses (e) | 57,421 | 59,506 |

(In thousands of Canadian dollars unless otherwise indicated)

(a) Comprised of tariff revenue of $218,833 (2018 - $211,185) for electricity services provided to affiliated retailers and service revenue of $4,138 (2018 - $5,595) for the provision of maintenance, repair, construction and other services.

(b) Relates to expenditures for emergency contact services, 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 $24,346 (2018 - $23,550), and subsidiaries of EPCOR of $257 (2018 - $293).

(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:

| | 2019 | 2018 |
|---|---|---|
| **Statements of Financial Position** | | |
| Trade and other receivables (f) | $ 25,393 | $ 23,906 |
| Property, plant and equipment (g) | 75,473 | 73,685 |
| Trade and other payables (h) | 15,827 | 13,403 |
| Loans and borrowings (i) | 1,345,590 | 1,263,513 |
| Provisions (j) | 9,094 | 9,353 |

(f) Comprised of tariff receivables and tariff accruals for electricity services of $24,931 (2018 - $23,478) and other services receivables of $462 (2018 - $428).

(g) Relates to expenditures for construction services.

(h) Includes accrued interest on long-term notes payable to EPCOR of $8,807 (2018 - $6,595).

(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:

| | 2019 | 2018 |
|---|---|---|
| **Statements of Comprehensive Income** | | |
| Revenues (k) | $ 223 | $ 43 |
| Other raw materials and operating charges (l) | 3,574 | 3,972 |
| Franchise fees and property taxes (m) | 79,813 | 77,658 |
| Other administrative expenses (n) | 34 | 91 |

(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 $61,951 at 0.41 cents per kilowatt hour for direct connect customers and at 0.85 cents per kilowatt hour for all other customers (2018 - $61,120 at 0.39 cents per kilowatt hour for direct connect customers and 0.81 cents per kilowatt hour for all other customers) of electric distribution capacity and property taxes of $17,862 (2018 - $16,538) on property owned within the City municipal boundaries.

(n) Relates to MES administration.

(In thousands of Canadian dollars unless otherwise indicated)

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

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Statements of Financial Position** | | | | |
| Trade and other receivables (o) | $ | 436 | $ | 635 |
| Property, plant and equipment (p) | | 416 | | 1,062 |
| Trade and other payables (q) | | 1,044 | | 317 |
| Deferred revenue (r) | | 387 | | 385 |

(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.

The carrying amounts and fair values of the Company's remaining financial instruments measured at amortized cost are as follows:

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | Fair value hierarchy | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans and borrowings (note 13) | Level 2 | $ 1,345,590 | $ 1,581,467 | $ 1,263,513 | $1,368,448 |

*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, 2019 and 2018. 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 provides the Board of Directors of EPCOR with an enterprise risk assessment on a quarterly basis. 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 flows.

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 monitor compliance.

(In thousands of Canadian dollars unless otherwise indicated)

**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 financial 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, 2019 and 2018, 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.

*Maximum credit risk exposure*

The Company's maximum credit exposure related to the carrying value of trade and other receivables is $5,054 (2018 - $3,993).

*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, 2019 and 2018, was as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Investment grade or secured[1,2] | Unrated | Investment grade or secured[1,2] | Unrated |
| | % | % | % | % |
| **Trade and other receivables** | | | | |
| Regulated rate customers[3] | 46 | 46 | 47 | 46 |
| Non regulated rate customers | 6 | 2 | 5 | 2 |
| **Total trade and other receivables** | 52 | 48 | 52 | 48 |

[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 and other receivables 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

(In thousands of Canadian dollars unless otherwise indicated)

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 receivable. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is due or past due. The total ECL allowance calculated at December 31, 2019 was $251 (2018 - $157).

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

| December 31, 2019 | Gross accounts receivables | Expected credit loss allowance | Net accounts receivables |
|---|---|---|---|
| Current[1] | $ 75,547 | $ 36 | $ 75,511 |
| Outstanding 31 to 60 days | 208 | 31 | 177 |
| Outstanding 61 to 90 days | 1,089 | 66 | 1,023 |
| Outstanding more than 90 days | 1,068 | 118 | 950 |
| | $ 77,912 | $ 251 | $ 77,661 |

| 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 |

[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 $124 (2018 - $91) of ECL as an expense within comprehensive income relating to customer amounts that the Company determined may not be fully collectable. The 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 ECL allowance were as follows:

(In thousands of Canadian dollars unless otherwise indicated)

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 157 | $ | 112 |
| Additional allowances created | | 124 | | 91 |
| Recoveries of receivables | | 6 | | 14 |
| Receivables written off | | (36) | | (60) |
| Balance, end of year | $ | 251 | $ | 157 |

At December 31, 2019, the Company held $5,940 (2018 - $3,441) 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 financial 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, 2019 and 2018, 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, at December 31, 2019 were as follows:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and thereafter | Total contractual cash flows |
|---|---|---|---|---|---|---|---|
| Trade and other payables[1] | $ 103,199 | $ - | $ - | $ - | $ - | $ - | $ 103,199 |
| Loans and borrowings | 112,377 | 14,719 | 14,476 | 14,162 | 6,721 | 1,183,135 | 1,345,590 |
| Interest payments on loans and borrowings | 56,445 | 55,525 | 54,572 | 53,673 | 53,018 | 878,571 | 1,151,804 |
| Lease liability | 15 | 15 | 18 | 18 | 19 | 311 | 396 |
| Interest payments on lease liability | 14 | 14 | 14 | 13 | 12 | 79 | 146 |
| | $ 272,050 | $ 70,273 | $69,080 | $ 67,866 | $ 59,770 | $ 2,062,096 | $2,601,135 |

1 Excluding accrued interest on loans and borrowings of $8,807.

The Company's undiscounted cash flow requirements and contractual maturities in the next twelve months of $272,050 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 financial liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

(In thousands of Canadian dollars unless otherwise indicated)

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:

| | 2019 | 2018 |
|---|---|---|
| Loans and borrowings (including current portion) (note 13) | $ 1,345,590 | $ 1,263,513 |
| Total equity | 756,806 | 726,939 |
| Total capital | $ 2,102,396 | $ 1,990,452 |

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, 2019 and 2018, the Company complied with all externally imposed capital restrictions.

The return on equity (ROE) approved for the distribution and transmission businesses was 8.50% (2018 - 8.50%). The capital structure (equity ratio) was 37% (2018 - 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, 2019:

(a) Commitments for the purchase of general administrative and operation services from EPCOR and its subsidiaries are estimated at $27,503 (2018 - $27,973). 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 remaining cost of $63,359 (2018 - $105,403).

(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 for these legal claims.