

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

SCHEDULE 1

Line No.	Description	Cross-Reference	2019 Actual	2018 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Revenues						
2	Distribution Access System Tariff	Sch 6	222,460	208,195	14,265	6.9%	
3	Transmission System Access Tariff	Sch 10	0	0	0	0.0%	
4	Franchise Fee	Sch 10	61,951	61,120	831	1.4%	
5	Deferral Accounts		0	0	0	0.0%	
6	Payment from Balancing Pool		0	0	0	0.0%	
7	Total Revenues		<u>284,411</u>	<u>269,316</u>	<u>15,096</u>	<u>6.9%</u>	
8	Costs						
9	Costs of Sales	Sch 10	0	0	0	0.0%	
10	Operating Costs	Sch 3 + Sch 10	136,885	134,742	2,143	1.6%	
11	Depreciation	Sch 4 + Sch 10	57,265	54,484	2,781	5.1%	
12	Return on Rate Base	Sch 2 + Sch 10	94,627	87,473	7,153	8.2%	
13	Income Tax Expense	Sch 5 + Sch 10	0	0	0	0.0%	
14	Revenue Offsets	Sch 10	(5,816)	(7,988)	2,172	-27.2%	
15	Deferral Accounts	Sch 9 + Sch 10	1,450	604	846	140.0%	
16	Total Costs		<u>284,411</u>	<u>269,316</u>	<u>15,096</u>	<u>5.6%</u>	
17	DAS Tariff Revenues	Sch 10	222,460	208,195	15,096	6.9%	

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

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

SCHEDULE 2

2019 Actual

Line No.	Description	Cross-Reference	2019 Prescribed		Prorated Rate Base	Cost Rate %	Return \$	Var. Actual to Prior Year		Actual to Prior Year Explanation Reference
			Mid-Year Capital	Ratio				Year	Var %	
1	Cost of Debt	Sch 2.1	1,312,055	63.00%	826,595	4.62%	38,185	332	0.88%	
2	Return on Equity	Sch 2.1	1,312,055	37.00%	485,461	11.63%	56,442	6,821	13.75%	Note 1
3	Mid-Year Net Rate Base (Capital Invested)	Sch 2.1	<u>1,312,055</u>	<u>100.00%</u>	<u>1,312,055</u>	<u>7.21%</u>				
4	Return on Rate Base						<u>94,627</u>			

2018 Actual

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

Note 1: The return on equity is higher in 2019 Actual versus 2018 Actual due to an increase in DAS revenues partially offset by higher operating costs.

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF MID-YEAR RATE BASE
FOR THE YEAR ENDED DECEMBER 31, 2019
(S000s)

SCHEDULE 2.1

Line No.	Description	Cross-Reference			Var. Actual to		Actual to Prior Year Explanation Reference
			2019 Actual	2018 Actual	Prior Year	Var %	
<u>Gross Utility Plant in Service</u>							
1	Opening Balance		1,930,438	1,806,971	123,467	6.8%	
2	Closing Balance		2,047,975	1,930,438	117,536	6.1%	
3	Mid-Year Gross Utility Plant in Service		<u>1,989,206</u>	<u>1,868,705</u>	<u>120,502</u>	<u>6.4%</u>	
<u>Accumulated Depreciation - Utility</u>							
4	Opening Balance		(484,530)	(434,648)	(49,881)	11.5%	
5	Closing Balance		(530,124)	(484,530)	(45,595)	9.4%	
6	Mid-Year Accumulated Depreciation - Utility		<u>(507,327)</u>	<u>(459,589)</u>	<u>(47,738)</u>	<u>10.4%</u>	
<u>Contributions in Aid of Construction</u>							
7	Opening Balance		232,161	216,719	15,442	7.1%	
8	Closing Balance		249,145	232,161	16,985	7.3%	
9	Mid-Year Utility Contributions in Aid of Construction		<u>240,653</u>	<u>224,440</u>	<u>16,213</u>	<u>7.2%</u>	
<u>Amortization of Contributions</u>							
10	Opening Balance		(70,975)	(66,430)	(4,545)	6.8%	
11	Closing Balance		(75,595)	(70,975)	(4,620)	6.5%	
12	Mid-Year Utility Amortization of Contributions		<u>(73,285)</u>	<u>(68,702)</u>	<u>(4,582)</u>	<u>6.7%</u>	
13	Mid-Year Net Utility Plant in Service		<u>1,314,511</u>	<u>1,253,378</u>	<u>61,133</u>	<u>4.9%</u>	Note 1
14	Necessary Working Capital		(2,456)	(12,935)	10,479	-81.0%	Note 2
15	Other No Cost Capital						
16	Mid-Year Net Rate Base (Capital Invested)	Sch 2	<u>1,312,055</u>	<u>1,240,443</u>	<u>71,612</u>	<u>5.8%</u>	
Reconciliation of Mid-Year Net Rate Base (Capital Invested) to Schedule 4.1							
<u>Gross Utility Plant in Service (Net of Contributions)</u>							
17	Opening Balance (Line 1 - Line 7)	Sch 4.1	1,698,278	1,590,252	108,025	6.8%	
18	Closing Balance (Line 2 - Line 8)	Sch 4.1	1,798,829	1,698,278	100,552	5.9%	
19	Mid-Year Gross Utility Plant in Service (Line 17 + Line 18)/2		<u>1,748,553</u>	<u>1,644,265</u>	<u>104,288</u>	<u>6.3%</u>	
<u>Accumulated Depreciation - Utility (Net of Contributions)</u>							
20	Opening Balance (Line 4 - Line 10)	Sch 4.1	(413,555)	(368,219)	(45,336)	12.3%	
21	Closing Balance (Line 5 - Line 11)	Sch 4.1	(454,530)	(413,555)	(40,975)	9.9%	
22	Mid-Year Utility Amortization (Line 19 + Line 20)/2		<u>(434,042)</u>	<u>(390,887)</u>	<u>(43,156)</u>	<u>11.0%</u>	
23	Mid-Year Net Utility Plant in Service (Line 19 + Line 21)	Line 13	<u>1,314,511</u>	<u>1,253,378</u>	<u>61,133</u>	<u>4.9%</u>	

Note 1: The Mid-Year Net Utility Plant in Service is higher in 2019 versus 2018 due to the half year impact of 2019 additions to rate base of \$116.94 million, and due to the full year impact of 2018 additions to rate base of \$117.17 million. See Schedule 4.2 for details of Distribution's capital additions.

Note 2: Working Capital variance of \$10.48 million increase for 2019 Actuals compared to 2018 Actuals is primarily due to the following:
- A \$8.77 million increase in mid-year deferral and reserve accounts primarily from the increase in the mid-year Transmission charge deferral account balance, the mid-year Property, Business and Linear tax deferral account balance, and in the mid-year AESO Load Settlement charge deferral account.
- A \$2.12 million increase due to a change in inventory working capital.
These increases have been partially offset by the following decreases:
- A \$0.41 million decrease in operating expenses primarily from higher Transmission system access service costs.

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF MID-YEAR CAPITAL STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2019
(S000s)

SCHEDULE 2.2

Line No.	Description	Cross-Reference	Current Year-End	Previous Year-End	2019 Actual Mid-Year Capital	2019 Actual Capital Ratio	2018 Actual Mid-Year Capital	2018 Actual Capital Ratio	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Short-term debt	Sch 2.3	23,224	32,398	27,811	2.1%	16,199	1.3%	11,612	41.8%	Note 1
2	Long-term debt	Sch 2.3	816,635	775,765	796,200	60.4%	780,061	62.3%	16,139	2.0%	Note 2
3	Preferred shares	Sch 2.4	0	0	0	0.0%	0	0.0%	0	0.0%	
4	Common equity	Sch 11	518,662	470,163	494,413	37.5%	455,807	36.4%	38,606	7.8%	Note 3
5	Total Mid-Year Invested Capital		<u>1,358,520</u>	<u>1,278,326</u>	<u>1,318,423</u>	<u>100.0%</u>	<u>1,252,067</u>	<u>100.0%</u>	<u>66,356</u>	<u>5.0%</u>	

Note 1: The change in mid-year short-term debt in 2019 compared to 2018 is due to capital spending and the 2019 conversion of short term debt into long term debt.

Note 2: The increase in mid-year long-term debt is primarily due to EDTI issuing intercompany debt on July 2, 2019 for \$110 million @ 3.19% with no additional debt issued in 2018.

Note 3: The increase in common equity reflects a \$48.50 million increase in retained earnings in 2019.

EPCOR Distribution & Transmission Inc. (Distribution)
SCHEDULE OF DEBT CAPITAL EMPLOYED
FOR THE YEAR ENDED DECEMBER 31, 2019
(S000s)

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		EDI0001		06/28/99	06/28/19	7.30%	60,000	-	60,000	0.00%	0	0	0.00%	2,142	
2		EDI0002		10/31/03	10/31/23	6.65%	70,000	-	70,000	7.46%	22,085	1,648	7.46%	1,648	
3		EDI0003		12/31/04	12/31/24	6.07%	35,000	-	35,000	6.83%	12,966	885	6.83%	885	
4		EDI0004		01/03/06	12/31/25	5.27%	40,000	-	40,000	5.82%	16,583	964	5.82%	964	
5		EDI0005		12/28/06	12/28/26	5.37%	30,000	-	30,000	5.37%	30,000	1,611	5.37%	1,611	
6		EDI0006		12/28/07	12/28/27	6.08%	20,000	-	20,000	6.08%	20,000	1,216	6.08%	1,216	
7		EDI0007		12/30/08	12/30/28	8.17%	35,000	-	35,000	8.17%	35,000	2,860	8.17%	2,859	
8		EDI0008		12/30/09	12/30/39	6.10%	10,000	-	10,000	6.10%	10,000	610	6.10%	610	
9		EDI0009		12/01/11	12/01/41	4.37%	75,000	-	75,000	4.37%	75,000	3,278	4.37%	3,278	
10		EDI0010		07/03/12	07/03/42	4.08%	35,000	-	35,000	4.08%	35,000	1,428	4.08%	1,428	
11		EDI0011		11/25/13	11/25/43	4.74%	50,000	-	50,000	4.74%	50,000	2,370	4.74%	2,369	
12		EDI0012		11/21/14	11/21/44	4.19%	75,000	-	75,000	4.19%	75,000	3,143	4.19%	3,141	
13		EDI0013		07/22/15	07/22/44	4.16%	75,000	-	75,000	4.16%	75,000	3,120	4.16%	3,120	
14		EDI0014		12/01/16	12/01/46	4.09%	110,000	-	110,000	4.09%	110,000	4,499	4.09%	4,497	
15		EDI0015		07/04/17	07/04/47	3.62%	50,000	-	50,000	3.58%	50,000	1,790	3.58%	1,810	
16		EDI0016		11/01/17	11/01/47	3.75%	90,000	-	90,000	3.70%	90,000	3,330	3.70%	3,372	
17		EDI0017		07/02/19	07/02/49	3.19%	110,000	-	110,000	3.19%	110,000	3,509	3.19%	1,745	
18	Sch 2.2	Current Year-End Balance Long Term Debt						970,000	-	970,000		816,635	36,260	4.44%	36,692
19	Sch 2.2	Current Year-End Balances Short Term Debt						23,224	-	23,224		23,224	917		1,539
20		Total Current Year-End Balance Debt Outstanding						993,224	-	993,224		839,859	37,177	4.43%	38,231
21		Prior Year-End Balance Debt Outstanding										808,163	38,953	4.82%	
22		Mid-Year Balance Debt Outstanding										824,011	38,065	4.62%	

2018 Actual

Line No.	Cross-Reference	Description	Series	Issue Date	Maturity Date	Coupon Rate	Principal Amount	Unamortized Issue Costs & Deb Prelim.	Total Amount	Effective Cost Rate %	Principal Outstanding at Year-End	Annualized Carrying Cost	Average Embedded Cost Rate	Interest Expense	
1		EDI0001		06/28/99	06/28/19	7.30%	60,000	-	60,000	7.30%	60,000	4,380,000	7.30%	4,380	
2		EDI0002		10/31/03	10/31/23	6.65%	70,000	-	70,000	7.28%	26,761	1,948,848	7.28%	1,949	
3		EDI0003		12/31/04	12/31/24	6.07%	35,000	-	35,000	6.68%	15,126	1,010,541	6.68%	1,011	
4		EDI0004		01/03/06	12/31/25	5.27%	40,000	-	40,000	5.72%	18,878	1,080,711	5.72%	1,081	
5		EDI0005		12/28/06	12/28/26	5.37%	30,000	-	30,000	5.37%	30,000	1,611,000	5.37%	1,611	
6		EDI0006		12/28/07	12/28/27	6.08%	20,000	-	20,000	6.08%	20,000	1,216,000	6.08%	1,216	
7		EDI0007		12/30/08	12/30/28	8.17%	35,000	-	35,000	8.17%	35,000	2,859,500	8.17%	2,860	
8		EDI0008		12/30/09	12/30/39	6.10%	10,000	-	10,000	6.10%	10,000	610,000	6.10%	610	
9		EDI0009		12/01/11	12/01/41	4.37%	75,000	-	75,000	4.37%	75,000	3,277,500	4.37%	3,278	
10		EDI0010		07/03/12	07/03/42	4.08%	35,000	-	35,000	4.08%	35,000	1,428,000	4.08%	1,428	
11		EDI0011		11/25/13	11/25/43	4.74%	50,000	-	50,000	4.74%	50,000	2,370,000	4.74%	2,370	
12		EDI0012		11/21/14	11/21/44	4.19%	75,000	-	75,000	4.19%	75,000	3,142,500	4.19%	3,143	
13		EDI0013		07/22/15	07/22/44	4.16%	75,000	-	75,000	4.16%	75,000	3,120,000	4.16%	3,120	
14		EDI0014		12/01/16	12/01/46	4.09%	110,000	-	110,000	4.09%	110,000	4,499,000	4.09%	4,499	
15		EDI0015		07/04/17	07/04/47	3.62%	50,000	-	50,000	3.58%	50,000	1,790,000	3.58%	1,810	
16		EDI0016		01/11/17	11/01/47	3.75%	90,000	-	90,000	3.70%	90,000	3,330,000	3.70%	3,375	
17		Current Year-End Balance Long Term Debt						860,000	-	860,000		775,765	37,674	4.86%	37,739
18		Current Year-End Balances Short Term Debt						32,398	-	32,398		32,398	1,280		473
19		Total Current Year-End Balance Debt Outstanding						892,398	-	892,398		808,163	38,953	4.82%	38,212
20		Prior Year-End Balance Debt Outstanding										784,358	38,183	4.87%	
21	Sch 2.2	Mid-Year Balance Debt Outstanding										796,260	38,568	4.84%	

Note 1 : The interest rate on EDI0015 & EDI0016 has been adjusted as directed in Decision 23571-D01-2019, para. 355.
Note 2: EDTI added actual interest expense (Column O) in response to Decision 22570-D01-2018, Direction 4.

EPCOR Distribution & Transmission Inc. (Distribution)
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 Prior Year Explanation Reference
1		A		0.0%	-	-	-	-		-	0.0%	
2		B		0.0%	-	-	-	-		-	0.0%	
3		C		0.0%	-	-	-	-		-	0.0%	
4		D		0.0%	-	-	-	-		-	0.0%	
5		Current Year-End Balance			<u>-</u>	<u>-</u>	-	-	0.0%	-	0.0%	
6		Prior Year-End Balance					-	-	0.0%	-	0.0%	
7	Sch 2.2	Mid-Year Balance					<u>-</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	

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

2018 Actual

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

EPCOR Distribution & Transmission Inc. (Distribution)
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	2018 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1		Distribution Expenses Operation and Maintenance						
2	580	Supervision and engineering		20,668	20,338	330	1.6%	
3	581	Control centre operations		3,530	3,197	332	10.4%	
4	582	Station equipment expenses		1,443	1,320	123	9.3%	
5	583	Overhead line expenses		869	771	99	12.8%	
6	584	Underground line expenses		4,503	3,350	1,153	34.4%	Note 1
7	585	Street lighting and signal system expenses		0	0	0	0.0%	
8	586	Meter expenses		2,023	2,005	18	0.9%	
9	587	Customer installations expenses		4,397	4,449	(52)	-1.2%	
10	588	Miscellaneous distribution expenses		11,854	11,473	381	3.3%	
11	593.1	Vegetation management		1,385	1,153	231	20.0%	
12	595	Line transformers		242	263	(21)	-8.0%	
13	599	IT support		1,604	1,481	123	8.3%	
14		Total		52,517	49,800	2,718	5.5%	
15		Customer Accounting						
16	901	Supervision		578	583	(5)	-0.8%	
17	902	Meter Reading Expenses		711	677	33	4.9%	
18	903	Customer records and collection expenses		964	1,093	(129)	-11.8%	
19	905.1	IT customer service		2,168	2,005	164	8.2%	
20		Total		4,421	4,358	63	1.5%	
21		Total Direct Operations and Maintenance		56,938	54,158	2,781	5.1%	
22		Allocated Share of General Operation and Maintenance						
23	935	Maintenance of General Plant: Building Facility Operations and Security		3,389	3,419	(30)	-0.9%	
24		G&A and Common Operations (net of disallowances)						
25	920	Administrative and general salaries		6,160	8,130	(1,970)	-24.2%	Note 2
26	921	Office supplies and expenses		1,091	850	240	28.3%	
27	922	Administrative expenses transferred - Credit		(14,062)	(12,613)	(1,450)	11.5%	Note 3
28	923	Outside services employed		708	1,013	(305)	-30.1%	
29	924	Insurance Premiums		537	458	79	17.1%	
30	931	Rents		0	0	0	0.0%	
31	930.2	Asset Usage Fee (EDTI Functions)		(3,869)	(3,689)	(180)	4.9%	
32	930.2	Other Regulatory Adjustments		0	0	0	0.0%	
33	934	IT G&A Expenses		1,404	1,338	67	5.0%	
34	941	Less Disallowed/Non-Utility Costs		108	(776)	883	-113.9%	Note 4
35		Total G&A and Common Costs (Net of Disallowances)		(7,924)	(5,289)	(2,636)	49.8%	
36		Total Administrative and General Expenses		(4,535)	(1,870)	(2,665)	142.5%	
37		Allocated Corporate G&A (net of disallowances)						
38	930.2	Miscellaneous general expenses		7,849	7,191	657	9.1%	
39	931.1	Head office rent		1,130	1,048	81	7.8%	
40	934	IT G&A expense		1,869	2,168	(299)	-13.8%	
41	930.2	Asset Usage Fee (Allocated Dep'n & Return)		3,555	3,475	80	2.3%	
42	941	Less Disallowed/Non-Utility Costs		(1,453)	(1,466)	13	-0.9%	
43		Total Corporate G&A allocated to Distribution		12,950	12,417	533	4.3%	
44		Taxes Other than Income Taxes						
45	408.1	Franchise Fee		61,951	61,120	831	1.4%	
46	408.1	Property Tax		9,581	8,917	664	7.4%	
47				71,532	70,037	1,495	2.1%	
48		Total Distribution Operating Costs		136,885	134,742	2,143	1.6%	

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

- Note 1 The \$1.15 million increase relating to Underground line expenses from 2018 Actual to 2019 Actual was primarily due to the following:
A \$0.30 million increase primarily due to the asset painting program resuming in 2019. The program was temporarily suspended in 2018.
A \$0.28 million increase primarily due to an increase in faulted secondary services and maintenance work.
A \$0.22 million increase primarily due to an increase in the amount of inspections performed on network vaults and manholes.
A \$0.15 million increase primarily due to an increase in the number of transformers sampled and tested for PCB compared to 2018.
A \$0.11 million increase primarily due to an increase in network protector maintenance and testing completed.
A \$0.09 million increase primarily due to an increase in cable segments tested compared to 2018.
- Note 2 The \$1.97 million decrease relating to Administrative and general salaries from 2018 Actual to 2019 Actual was primarily due to lower benefit costs.
- Note 3 The \$1.45 million decrease relating to Administrative expenses transferred - Credit from 2018 Actual to 2019 Actual was primarily due to the following:
A \$0.99 million decrease primarily due to an increase in administrative credits received from ETECH relating to Fleet Services provided by EDTI. Additionally, affiliate services related to Procurement / Contract Management and Operational Communication were moved to USA Account 922 from the affiliate revenue accounts in 2019.
A \$0.46 million decrease primarily due to additional capital overhead recoveries in 2019.
- Note 4 The \$0.88 million increase for Disallowed/Non-Utility Costs from 2018 Actual to 2019 Actual was primarily due to a decrease in disallowances related to EDTI actuarial liabilities for its post-employment benefit plan.

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

SCHEDULE 4

Line No.	Description	Cross-Reference	2019 Actual	2018 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	Distribution		47,905	45,071	2,834	6%	
2	Direct General PP&E		15,446	15,113	333	2%	
3	Contribution		(6,086)	(5,700)	(386)	7%	
4	Total Utility Depreciation Expense	Sch 1 + Sch 10	57,265	54,484	2,781	5%	Note 1

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

Note 1: 2019 Actual to 2018 Actual variance is primarily due to the impact of half-year depreciation on 2019 capital additions of \$116.94 million combined with the additional half-year depreciation on 2018 capital additions of \$117.17 million.

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

SCHEDULE 4.1

Gross Utility Plant in Service

Line No.	USA Account	ATS	Property Group	Cross-Reference	Balance at 01/01/2019	2019 Additions	2019 Retirements	2019 Transfers	2019 Adjustments	2019 AFUDC	Balance at 12/31/2019	Explanation Reference
<u>Distribution</u>												
1	358	23123, 23153	Underground conduit, conductors and devices		0						0	
2	360	23761	Substation Land		178						178	
3	360.1	23129	Land Rights		339						339	
	361	23762, 23762.01 to 23762.14	Structures and Improvements									
4					766	48					814	
5	362	23763, 23764, 23765, 23767, 23768	Station equipment		4,474						4,474	
6	362.1	23766, 23769	Substation SCADA		2,234	2,540					4,774	
7	364	23130, 23131, 1031, 1032, 1048	Poles, towers and fixtures		222,510	16,968	(1,597)				237,880	
8	365	23142, 1127, 1128, 1129	Overhead conductors and devices		116,291	3,151					119,442	
	367	23132, 23133, 23134, 23135, 23145, 23149, 23173, 1023	Underground conduit, conductors and devices		997,923	79,547	(6,930)		1,432		1,071,972	
10	368	23136, 23137	Line transformers		181,805	13,070	(383)				194,491	
11	370	23139, 23140, 1056, 1057	Conventional Meters		28,992	69	(1,059,076)				28,002	
12	371	1056	Automatic Meters		87,764	4,462					92,227	
13	373	23184, 23185	Street lighting and signal systems		9,019	503	(189)				9,333	
14		Reserve Imbalance	Reserve Imbalance		0						0	
15		Total Distribution			1,652,295	120,359	(10,158)	0	1,432	0	1,763,927	
<u>Direct General PP&E</u>												
16	303	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168, DCT23169, DCA	Distribution Contributed Asset to Transmission		36,721						36,721	
17			General Plant Land		4,457						4,457	
18	389	23181	Structures and Improvements		131,327	1,192	(14)				132,505	
19	390	23182.1 to 23182.4	Office furniture and equipment		10,035	136	(177)				9,994	
20	391	23841	Computer hardware and voice & data network equipment		7,733	647	(5,363)				3,017	
21	391.1	23127	Computer software and applications		43,597	9,822	(536)				52,884	
22	391.2	23202, 23203, 23500, 23786, 23852	Load settlement software applications		3,625	81					3,707	
23	391.3	23207	Transportation equipment, fleet vehicles		29,327	608	(1,218)				28,717	
24	392	23188	Tools, shop, stores, garage and laboratory equipment		10,808	1,170	(444)				11,534	
25	394	23186, 23190, 23200, 23201	Wireless Communications Console/Handsets		513						513	
26	397	23750.1, 23750.2	Leasehold Improvements		(0)						(0)	
27	399.2	23842										
28		Total Direct General PP&E			278,143	13,656	(7,751)	0	0	0	284,048	
29	111.1	23130.1	Aerial Customer Services		(10,761)	(454)					(11,215)	
30	111.1	23131.1	Aerial Distribution Contributed		(42,576)	(4,109)					(46,686)	
31	111.1	23132.1	Underground Ducts and Vaults		(4,349)	(3,047)					(7,396)	
32	111.1	23133.1	Power Cable		(10,949)	(6,936)					(17,885)	
33	111.1	23134.1	URD Distribution		(21,789)	(981)	884				(21,886)	
34	111.1	23135.1	URD Feeder System Contributed		(90,080)	0			(1,426)		(91,506)	
35	111.1	23136.1	Pole Mounted Transformers		(250)	(92)					(342)	
36	111.1	23137.1	Padmount Transformers Contributed		(19,704)	(1,393)	98				(20,999)	
37	111.1	23139.1	Meters		(21)	0					(21)	
38	111.1	23145.1	UID System		(6,327)	0					(6,327)	
39	111.1	23149.1	Underground Services		(21,835)	0	579				(21,256)	
40	111.1	23173.1	Network Distribution System		(920)	(47)	10				(957)	
41	111.1	23185.1	Security Lighting		(127)	(15)					(142)	
42	111.1	23763.1	Substation Switchgear		(171)	0					(171)	
43	111.1	23766.1	Substation Communications Contributed		(37)	0					(37)	
44	111.1	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168, DCT23169	Distribution Contribution to Transmission		(2,265)	0	(56)				(2,321)	
45		Total Contribution			(232,161)	(17,074)	1,515,338	0	(1,426)	0	(249,145)	
46		Subtotal			1,698,278	116,940	(16,394)	0	6	0	1,798,829	
47		Capital Work in Progress (CWIP)			20,027	42,609	-	-	-	2,249	62,638	
48		Total Utility			1,718,304	159,549	(16,394)	0	6	2	1,861,467	

Accumulated Depreciation - Utility

Line No.	USA Account	ATS	Property Group	Cross-Reference	Balance at 01/01/2019	2019 Depreciation	2019 Retirements	2019 Transfers	2019 Adjustments	2019 AFUDC	Balance at 12/31/2019	Explanation Reference
<u>Distribution</u>												
49	358	23123, 23153	Underground conduit, conductors and devices		0						0	
50	360	23761	Substation Land		0	(99)			99		0	
51	360.1	23129	Land Rights		103	7					110	
52	361	23762, 23762.01 to 23762.14	Structures and Improvements		96	4	0				100	
53	362	23763, 23764, 23765, 23767, 23768	Station equipment		1,680	105	0				1,785	
54	362.1	23766, 23769	Substation SCADA		284	234					517	
55	364	23130, 23131, 1031, 1032, 1048	Poles, towers and fixtures		66,198	5,483	(1,597)				70,084	
56	365	23142, 1127, 1128, 1129	Overhead conductors and devices		19,318	2,741	0				22,060	
57	367	23132, 23133, 23134, 23135, 23145, 23149, 23173, 1023	Underground conduit, conductors and devices		239,958	25,999	(6,930)		55		259,082	
58	368	23136, 23137	Line transformers		53,211	5,376	(383)				58,203	
59	370	23139, 23140, 1056, 1057	Conventional Meters		16,939	1,186	(1,059)				17,066	
60	371	1056	Automatic Meters		13,341	6,003	0				19,344	
61	373	23184, 23185	Street lighting and signal systems		3,382	481	(189)				3,675	
62	374	Reserve Imbalance	Reserve Imbalance		(3,797)	385					(3,411)	
63	Total Distribution				410,713	47,905,104	(10,158)	0	154	0	448,614	
64	<u>Direct General PP&E</u>											
65	303	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168, DCT23169, DCA	Distribution Contributed Asset to Transmission		8,103	950	0				9,052	
66	389	23181	General Plant Land		0		0				0	
67	390	23182.1 to 23182.4	Structures and Improvements		21,971	2,931	(14)				24,888	
68	391	23841	Office furniture and equipment		2,753	1,252	(177)				3,828	
69	391.1	23127	Computer hardware and voice & data network equipment		5,599	1,344	(5,363)				1,580	
70	391.2	23202, 23203, 23500, 23786, 23852	Computer software and applications		19,248	4,863	(536)				23,575	
71	391.3	23207	Load settlement software applications		651	367	0				1,018	
72	392	23188	Transportation equipment, fleet vehicles		10,614	2,597	(1,218)				11,993	
73	394	23186, 23190, 23200, 23201	Tools, shop, stores, garage and laboratory equipment		4,772	1,117	(444)				5,445	
74	397	23750.1, 23750.2	Wireless Communications Console/Handsets		106	25	0				131	
75	399.2	23842	Leasehold Improvements		(0)						(0)	
76	Total Direct General PP&E				73,816	15,445,847	(7,751)	0	0	0	81,511	
77												
78	111.1	23130.1	Aerial Customer Services		(2,609)	(288)	0				(2,898)	
79	111.1	23131.1	Aerial Distribution Contributed		(4,691)	(1,018)	0				(5,710)	
80	111.1	23132.1	Underground Ducts and Vaults		(1,776)	(121)	0				(1,897)	
81	111.1	23133.1	Power Cable		(4,296)	(385)	0				(4,682)	
82	111.1	23134.1	URD Distribution		(13,113)	(569)	884				(12,798)	
83	111.1	23135.1	URD Feeder System Contributed		(24,999)	(2,368)	0		(49)		(27,415)	
84	111.1	23136.1	Pole Mounted Transformers		(45)	(8)	0				(53)	
85	111.1	23137.1	Padmount Transformers Contributed		(8,572)	(581)	98				(9,055)	
86	111.1	23139.1	Meters		(20)	(1)	0				(20)	
87	111.1	23145.1	UID System		(3,432)	(166)	0				(3,598)	
88	111.1	23149.1	Underground Services		(6,889)	(539)	579				(6,848)	
89	111.1	23173.1	Network Distribution System		(292)	(27)	10				(309)	
90	111.1	23185.1	Security Lighting		(49)	(7)	0				(56)	
91	111.1	23763.1	Substation Switchgear		(61)	(4)	0				(65)	
92	111.1	23766.1	Substation Communications Contributed		(18)	(2)	0				(21)	
93	111.1	DCT1123, DCT23121, DCT23156, DCT 23157, DCT23158, DCT23166, DCT23167, DCT23168, DCT23169	Distribution Contribution to Transmission		(113)		(56)				(169)	
94	Total Contribution				(70,975)	(6,086)	1,515	0	(49)	0	(75,595)	
95	Subtotal				413,555	57,265	(16,394)	0	105	0	454,530	
96	Capital Work in Progress (CWIP)				0	0	0	0	0	0	0	
97	Total Utility				413,555	57,265	(16,394)	0	105	0	454,530	
98	Net Book Value				1,304,750	102,284	0	0	(99)	2	1,406,937	
99	Total Capital Assets										1,861,467	
100	Total Accumulated Depreciation										454,530	
101	Net Book Value										1,406,937	

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

EPCOR Distribution & Transmission Inc. (Distribution)
SUMMARY OF CAPITAL ADDITIONS
YEAR ENDED DECEMBER 31, 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	2018 A Opening CWIP	2018 A Cap Exp	2018 A Cap Adds	2018 A AFUDC	2018 A Ending CWIP	Var Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
<u>Life Cycle</u>														
1	Business Systems Upgrades	406	2,619	787	80	2,319	420	3,721	3,747	12	406	(2,960)	-78.99%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to one time projects occurring in 2018. The one time projects included the Field Tool Replacement project, CES Customer Portal project, and the AMI ADMS Integration project.
2	Capital Tools and Instrument Purchases	54	1,105	1,161	2	0	0	958	905	2	54	256	28.23%	
3	Capitalized Aerial System Damage	0	1,758	1,758	0	0	0	1,912	1,912	0	0	(153)	-8.03%	
4	Capitalized Underground System Damage	0	5,432	5,371	2	62	49	3,825	3,874	0	0	1,498	38.66%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to an increase in unexpected damage to underground equipment as a result of more events occurring in 2019. Additionally, a number of the 2019 events were higher impact when compared to 2018.
5	Distribution Pole and Aerial Line Life Cycle Replacements	17	1,881	1,489	13	422	92	1,222	1,297	1	17	192	14.82%	
6	Life Cycle Replacement and Extension of Underground Distribution Cable	1,038	8,020	7,275	86	1,869	1,168	10,439	10,601	32	1,038	(3,326)	-31.37%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI replacing more 1/0 aluminum cable and less 500/750 MCM cable in 2019. The smaller gauge aluminum cable has a significantly lower material cost than the larger 500/750 MCM cable.
7	Life Cycle Replacement of Oil Switches - Program	0	0	0	0	0	0	0	0	0	0	0	0	
8	Load Settlement System Code Changes	0	0	0	0	0	0	0	0	0	0	0	0	
9	Neighbourhood Renewal Program	0	34	0	1	35	0	0	0	0	0	0	0	
10	Network Transformer Lifecycle Replacement	1,017	3,499	4,455	34	95	1,142	3,069	3,225	31	1,017	1,230	38.13%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI completing one additional network transformer replacement in 2019 and rebuilding a network vault roof. The cost increase from 2018 to 2019 is partially offset by a reduction in network equipment commissioning work completed.
11	North and South Service Center Building Life Cycle Replacements	0	1,698	1,663	1	36	0	1,817	1,817	0	0	(153)	-8.44%	
12	Rebuild and/or Replace Civil Work for Downtown Vaults and Manholes	377	206	556	13	40	8	511	153	11	377	403	263.42%	
13	Replacement of Faulted Distribution PLC Cables	0	1,313	1,313	0	0	0	1,513	1,513	0	0	(201)	-13.25%	
14	Life Cycle Replacement of PLC Cable	92	2,476	2,545	4	28	48	2,441	2,400	3	92	145	6.04%	
15	Switching Cubicle Life Cycle Replacement	90	572	455	9	216	71	671	655	3	90	(200)	-30.53%	
16	Work Management System Upgrade	0	397	350	1	48	99	1,230	1,329	0	0	(979)	-73.64%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI completing the majority of its IVARA Upgrade project in 2018. These life cycle replacement projects occur approximately every 5 years in order to maintain vendor support. Additionally, EDTI completed a one time process improvement project related to work order accuracy in 2018.
17	Distribution Substation Life Cycle Replacement	0	0	0	0	0	0	0	0	0	0	0	0	
18	Remedial Pole Treatments	0	215	214	0	1	0	241	241	0	0	(27)	-11.29%	
19	Distribution Manhole Rebuilds	197	890	996	9	100	0	460	270	6	197	726	269.39%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to two factors (1) EDTI implemented a new program to test explosion mitigation lids on identified manholes and (2) system network vault and manhole replacement work being carried over from 2018 to 2019 due to resource constraints in 2018.
20	Interior Vault Life Cycle Replacement Conversion	10	102	30	3	85	0	106	97	0	10	(67)	-69.13%	
21	Aerial and UG Ground Replacements	27	1,539	1,486	3	83	26	1,479	1,479	1	27	7	0.46%	
22	PCB Transformer Change outs	0	0	0	0	0	0	0	0	0	0	0	0	
23	Furniture Life Cycle Replacements	0	136	136	0	0	0	246	246	0	0	(110)	-44.70%	
24	IT Hardware Lifecycle Replacement and Additions	0	311	311	0	0	0	560	560	0	0	(249)	-44.53%	
25	MDCPS Replacement	0	87	87	0	0	11	966	977	0	0	(890)	-91.05%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI completing a life cycle replacement for its AMI Head End and Meter Data Management Systems in 2018. Life cycle replacement projects occur approximately every 5 years in order to maintain vendor support.
26	STARS Upgrade	0	171	(8)	5	184	2	462	465	0	0	(472)	-101.68%	
27	Other (eg., 5 kV Substation Roof Replacements, Security Upgrades, Noise Mitigation and Battery Bank Replacements)	0	48	48	0	0	0	0	0	0	0	48	100%	
28	Sub Total	3,327	34,510	32,479	266	5,625	3,139	37,849	37,763	102	3,327	(5,284)	-13.99%	

29	<u>Life Cycle and Growth</u>														
30	Aerial and Underground Distribution - Transformers New Services and Life Cycle Replacement	773	3,618	3,644	47	794	435	5,378	5,063	24	773	(1,419)	-28.03%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to no Aerial or Underground Transformer New Service material costs being included in this filing bucket for 2019. In 2019, EDTI stopped charging material costs in this project and started directly charging the capital projects under which the transformer is required for new services. (IE - New Underground and Aerial Service Connections for Commercial, Industrial, Multifamily and Misc. Customers). This direct charging process aligns transformer material cost with all other costs associated with installing the transformers (e.g., labour, vehicles, etc.). Beginning in 2019, only capital costs related to Aerial and Underground Life Cycle Replacements are included in this filing bucket.	
31	Transformer Capacity Upgrade	0	0	0	0	0	0	0	0	0	0	0	0		
32	Customer Revenue Metering - Growth & Life Cycle Replacements	0	4,462	4,462	0	0	56	4,518	4,574	0	0	(112)	-2.44%		
33	Street Light Service Connections and Security Lighting Addition and Capital Replacement	70	473	489	4	58	41	783	756	2	70	(267)	-35.36%		
34	Vehicles - Growth and Life Cycle Replacements	294	387	608	11	84	1,038	1,307	2,055	4	294	(1,447)	-70.40%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI replacing relatively fewer vehicles than in 2018. The cost of the types of vehicles that were replaced in 2019 was also significantly less in 2019 than in 2018. Depending on the type of replacements required, the cost of an individual vehicles can vary greatly (e.g. pickup truck vs. cube van).	
35	Sub Total	1,137	8,941	9,204	62	936	1,570	11,986	12,449	30	1,137	(3,245)	-26.07%		
36	<u>Life Cycle and Performance</u>														
37	Meter Reading Equipment	0	0	0	0	0	0	0	0	0	0	0	0		
38	Advanced Metering Infrastructure (AMI)	0	0	0	0	0	0	0	0	0	0	0	0		
39	GIS - Performance Improvement Project	3,512	5,402	9,020	106	0	77	3,330	0	106	3,512	9,020	100%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to the GIS Upgrade and Fieldsmart Replacement projects being finalized and put into service in 2019.	
40	OMS/DMS Life Cycle Replacement	0	0	0	0	0	0	0	0	0	0	0	0		
41	Sub Total	3,512	5,402	9,020	106	0	77	3,330	0	106	3,512	9,020	100%		
42	<u>Performance Improvement</u>														
43	Distribution System Aerial and Underground Fault Indicators and Fusing	48	1,187	1,193	3	46	374	579	907	2	48	285	31.47%		
44	Installation of Automated Switches on Selected 25KV Circuits Program	0	1,292	931	11	371	0	24	24	0	0	907	3774.69%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI resuming the program in 2019. Specifically, EDTI deployed distribution automated switches on 1 circuit in 2019. EDTI notes the program was temporarily suspended in 2018 in order to reassess the scope of the Distribution Automation Program.	
45	Installation of Network Current Limiting Fuse Program	0	0	0	0	0	0	0	0	0	0	0	0		
46	Land Purchase for Slurry Placement	0	0	0	0	0	0	0	0	0	0	0	0		
47	Engineering and Design Software Modifications	40	37	2	4	78	96	126	184	1	40	(181)	-98.85%		
48	Sub Total	88	2,516	2,126	17	495	470	730	1,115	3	88	1,011	90.72%		
49	<u>Growth</u>														
50	Data Analytics	0	138	0	4	142	0	0	0	0	0	0	0		
51	Franchise Agreement Driven Relocations and Conversions/Third Party Driven Relocation (QEII; Walterdale Bridge)	711	5,703	6,255	27	186	263	6,375	5,948	22	711	307	5%		
52	Garneau (Customer) Expansion	0	2,076	0	63	2,139	0	0	0	0	0	0	0		
53	NLRT Distribution System Relocations	0	0	0	0	0	0	0	0	0	0	0	0		
54	New 15kV and 25kV Circuit Additions	3,452	24,852	4,126	840	25,017	1,241	6,761	4,655	105	3,452	(528)	-11.35%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI completing fewer circuit additions in 2019. This decrease was due in part to EDTI's resources being prioritized to work on constructing two new Riverview substation feeders, which did not have any associated capital additions in 2019.	
55	New UG Cable and Aerial Line Reconfigurations and Extensions to Meet Customer Growth	2,530	8,357	10,517	90	460	1,978	15,803	15,329	77	2,530	(4,812)	-31.39%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to a decrease in requested third party telecommunication work when compared to 2018.	
56	New Underground and Aerial Service Connections for Commercial, Industrial, Multifamily and Misc. Customers	1,921	13,625	14,118	103	1,531	1,131	12,366	11,634	59	1,921	2,484	21.35%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to EDTI completing more customer connection work in 2019 than 2018. This is due in part to an increased amount of carry forward work being completed in 2019, when compared to 2018.	
57	Work Centre Redevelopment	0	(463)	(463)	0	0	0	1,281	1,281	0	0	(1,744)	-136%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to the completion of the Work Centre Redevelopment project in 2018. In 2019, EDTI received several credits in regards to the settlement of change orders and final billing occurring with a number of contractors.	
58	Underground Industrial Distribution (UID) Servicing - Rebates, Acceptance Inspections & Terminations	0	2,097	2,097	0	0	4	1,536	1,540	0	0	558	36.23%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to an increase in the number of Underground Industrial Distribution (UID) projects being energized as a result of increased customer demand. Additionally, a portion of this increase was due to a deferred 2018 project being completed in 2019.	
59	Underground Residential Distribution (URD) Servicing - Rebates, Acceptance Inspections & Terminations	0	14,591	14,591	0	0	161	20,137	20,298	0	0	(5,707)	-28.12%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to a decrease in Underground Residential Distribution (URD) lots being energized as a result of decreased customer demand and delayed construction as a result of weather constraints occurring in the summer of 2019.	
60	Riverview POD	9	22,208	433	660	22,444	0	9	0	0	9	433	100%		
61	Network Reconfigurations	1,990	5,826	6,714	96	1,197	929	2,761	1,760	60	1,990	4,953	281.36%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to 2017 / 2018 installation and construction work being delayed until 2019. This delay was primarily a result of developing complex custom equipment designs, manufacturer production delays, and completing specific training related to these complex equipment designs.	
62	LRT Distribution System Relocation	488	1,751	1,269	45	1,016	1,655	2,220	3,403	16	488	(2,135)	-62.72%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to less construction activities compared to prior years as a result of the southeast LRT relocation project being largely finalized in 2019.	
63	WLRT Distribution System Relocation	862	4,974	4,455	69	1,449	388	448	0	26	862	4,455	100%	The 2019 Actual to 2018 Actual Capital Additions variance is primarily due to the WLRT relocation project commencing construction in 2019.	
64	Voltage Regulator Additions	0	0	0	0	0	0	0	0	0	0	0	0		
65	Sub Total	11,963	105,733	64,112	1,997	55,582	7,749	69,696	65,847	365	11,963	(1,736)	74.38%		
66	Grand Total	20,027	157,102	116,940	2,449	62,638	13,004	123,590	117,173	605	20,027	(233)	-0.20%		

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

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

SCHEDULE 5

Line No.	Description	Cross-Reference	2019 Actual	2018 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
1	<u>Current Tax</u>						
2	Federal Income Tax						
3	Federal Taxable Income		-	-			
4	Income Tax Rate		0%	0%			
5	Total Federal Income Tax		<u>-</u>	<u>-</u>			
6	Provincial Income Tax						
7	Federal Taxable Income		-	-			
8	Add: CCA Federal Flow Through		-	-			
9	Less: CCA Provincial Flow Through		-	-			
10	Provincial Taxable Income		-	-			
11	Income Tax Rate		0%	0%			
12	Total Provincial Income Tax		<u>-</u>	<u>-</u>			
13	Total Current Tax		<u>-</u>	<u>-</u>			
14	<u>Future Tax</u>						
15	Temporary Differences		-	-			
16	Income Tax Rate		0%	0%			
17			-	-			
18	Other		-	-			
19	Total Future Tax		<u>-</u>	<u>-</u>			
20	<u>Other Items</u>						
21	Large Corporations Tax		-	-			
22	Preferred Dividend Tax		-	-			
23	Other		-	-			
24	Total Other Items	Sch 1 + Sch 10	<u>-</u>	<u>-</u>			
25	Total Utility Income Tax	Sch 1 + Sch 10	<u>-</u>	<u>-</u>			

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

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

SCHEDULE 6

Line No.	Description	Cross-Reference			Var. Actual to		Actual to Prior Year Explanation Reference
			2019 Actual	2018 Actual	Prior Year	Var %	
Residential							
1	Customers - Average		372,732	366,421	6	1.72%	
2	Energy Sales (MWh)		2,193,460	2,207,504	(14)	-0.64%	
3	Revenue		109,573	101,805	7,769	7.63%	
4	kWh per Customer		5,885	6,025	(0)	-2.32%	
5	Cents/kWh		5.00	4.61	0	8.32%	
Customer Specific							
6	Customers - Average		25	24	0	2.83%	
7	Energy Sales (MWh)		680,947	691,200	(10)	-1.48%	
8	Revenue		5,766	5,249	517	9.85%	
9	kWh per Customer		27,147,197	28,335,079	(1,188)	-4.19%	
10	Cents/kWh		0.85	0.76	0	11.50%	
Customer Specific - Totalized							
11	Customers - Average		1	1	0	0.00%	
12	Energy Sales (MWh)		171,767	258,003	(86)	-33.42%	
13	Revenue		155	145	9	6.29%	
14	kWh per Customer		171,766,808	258,003,278	(86,236)	-33.42%	
15	Cents/kWh		0.09	0.06	0	59.65%	
Small Commercial							
16	Customers - Average		29,173	28,831	0	1.19%	
17	Energy Sales (MWh)		698,404	720,143	(22)	-3.02%	
18	Revenue		21,703	20,892	810	3.88%	
19	kWh per Customer		23,940	24,978	(1)	-4.15%	
20	Cents/kWh		3.11	2.90	0	7.11%	
Medium Commercial							
21	Customers - Average		5,872	5,719	0	2.68%	
22	Energy Sales (MWh)		979,983	971,169	9	0.91%	
23	Revenue		24,531	22,745	1,786	7.85%	
24	kWh per Customer		166,890	169,816	(3)	-1.72%	
25	Cents/kWh		2.50	2.34	0	6.88%	
Time of Use							
26	Customers - Average		1,580	1,603	(0)	-1.42%	
27	Energy Sales (MWh)		1,708,054	1,794,403	(86)	-4.81%	
28	Revenue		40,559	39,290	1,270	3.23%	
29	kWh per Customer		1,081,028	1,119,542	(39)	-3.44%	
30	Cents/kWh		2.37	2.19	0	8.45%	
Time of Use Primary							
31	Customers - Average		155	152	0	2.46%	
32	Energy Sales (MWh)		637,425	641,498	(4)	-0.63%	
33	Revenue		11,990	11,280	711	6.30%	
34	kWh per Customer		4,100,531	4,228,306	(128)	-3.02%	
35	Cents/kWh		1.88	1.76	0	6.98%	
Direct Connects							
36	Customers - Average		6	6	0	0.00%	
37	Energy Sales (MWh)		318,588	383,354	(65)	-16.89%	
38	Revenue		21	20	1	6.29%	
39	kWh per Customer		53,097,961	63,892,328	(10,794)	-16.89%	
40	Cents/kWh		0.01	0.01	0	27.90%	
Street Lighting							
41	Customers - Average		1	1	0	0.00%	
42	Energy Sales (MWh)		58,286	61,488	(3)	-5.21%	
43	Revenue		1,900	1,880	20	1.08%	
44	kWh per Customer		58,286,172	61,488,370	(3,202)	-5.21%	
45	Cents/kWh		3.26	3.06	0	6.63%	
Traffic Lighting							
46	Customers - Average		1	1	0	0.00%	
47	Energy Sales (MWh)		3,970	3,994	(0)	-0.61%	
48	Revenue		76	72	4	5.80%	
49	kWh per Customer		3,969,584	3,993,854	(24)	-0.61%	
50	Cents/kWh		1.91	1.80	0	6.45%	
Lane Lighting							
51	Customers - Average		1	1	0	0.00%	
52	Energy Sales (MWh)		3,764	3,952	(0)	-4.76%	
53	Revenue		76	75	1	1.60%	
54	kWh per Customer		3,764,201	3,952,224	(188)	-4.76%	
55	Cents/kWh		2.01	1.89	0	6.67%	
Security Lighting							
56	Customers - Average		1,500	1,543	(0)	-2.82%	
57	Energy Sales (MWh)		4,904	5,107	(0)	-3.96%	
58	Revenue		1,530	1,502	28	1.89%	
59	kWh per Customer		3,271	3,309	(0)	-1.18%	
60	Cents/kWh		31.20	29.41	2	6.09%	
61	Other Revenues/Adjustments						
62	Subtotal Revenues		217,880	204,953	12,927	6.31%	Note 1
63	Provisions & Adjustments		4,580	3,242	1,338	41.27%	Note 2
64	Total Utility Revenue (\$000s)		222,460	208,195	14,265	6.85%	
65	Energy Sales (MWh)		7,459,552	7,741,814	(282)	-3.65%	

Note 1: January to March 2018 revenues based on approved 2017 DAS rates as per Decision 21979-D01-2016 (Errata).
April to December 2018 revenues based on approved 2018 DAS rates as per Decision 23355-D01-2018 (Errata).
January to December 2019 revenues based on approved 2019 DAS rates as per Decision 23896-D01-2018 (Errata).
Year over year increase in revenue is attributable to an increase in rates and customers.

Note 2: 2018 Actual includes a \$3.27 million collection from customers related to the 2016 Capital Tracker K-Factor true-up. The rider was approved in Decision 23316-D01-2018 and was collected during Q4 of 2018.

2019 Actual includes a \$4.75 million collection from customers related to the 2017 Capital Tracker Interim True-up. The rider was approved in Decision 24561-D01-2019 and was collected during Q4 of 2019.

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

SCHEDULE 7

Line No.	Affiliate	Nature of Service	2019 Actual		2018 Actual	Distribution In To Distribution	Distribution Out From Distribution	Var. Actual to Prior Year		Actual to Prior Year Explanation Reference
									Var %	
1	EDTI (Distribution)									
2	(accts 5810/5349)	Asset Usage Fee	(3,869)	(3,689)		Administration		(180)	4.88%	
3		Depreciation	976	976		Contributions		0	0.00%	
4			<u>(2,894)</u>	<u>(2,714)</u>				<u>(180)</u>	<u>6.64%</u>	
5	EPCOR Energy Alberta (EEA) (75)	Operational Communication Mgmt Oversight & Admin Support	(91)	(92)		Revenues		1	-1%	
6		Regulatory Affairs Mgmt Oversight & Admin Support	(25)	(24)		Revenues		(1)	3%	
7		Supply Chain Mgmt: Procurement & Strategic Sourcing	(61)	(62)		Revenues		1	-1%	
8		Service Requests & Late Payment Fees	(167)	(569)		Revenues		402	-71%	
9		Tariff Charges	(193,593)	(184,643)		Revenues		(8,950)	5%	Note 1
10		Trouble Dispatch	(13)			Revenues		(13)	100%	
11		Streamline Escalations	51	51			Operations	(0)	-1%	
12		Services Provided for Power Trouble Dispatch	967	5			Customer Service	962	19744%	Note 2
13		Internal Communications	0	(14)		Revenues	Capital	14	-100%	
14		Utility Information System Access	274	284			Operations	(10)	-4%	
15		IVR Asset Usage Fee	1	1			Customer Service	0	2%	
16		Utilities for Substations & Service Centers	1	53			Operations	(52)	-98%	
17		Shared Services	(1)			Revenues		(1)	100%	
18		CES My Account Enhancements	29				Customer Service	29	100%	
19		EEAI Employees working on EDTI Capital Projects	25				Capital	25	100%	
20			<u>(192,603)</u>	<u>(185,010)</u>				<u>(7,593)</u>	<u>4.10%</u>	
21	EPCOR Technologies Inc. (ETECH) (35)	High Load Escorts	(6)	0		Revenues		(6)	100.00%	
22		URD & Material Sales	(351)	(626)		Revenues		275	-43.89%	
23		System Control	(584)	(539)		Revenues		(44)	8.24%	
24		Emergency Dispatch Services	(85)	(265)		Revenues		180	-68.03%	
25		High Voltage Test Lab	(30)	(38)		Revenues		8	-20.87%	
26		Survey Services	(54)	(61)		Revenues		8	-12.40%	
27		Switching Cubicle and Transformer Acceptance Testing	(145)	(203)		Revenues		58	-28.75%	
28		Technical Training Services	(149)	(374)		Revenues		225	-60.11%	
29		Aerial Jobbing	(164)	(102)		Revenues		(62)	60.61%	
30		Trouble Services	(36)	(103)		Revenues		67	-65.07%	
31		Fiber Pulls and Testing	(136)	(240)		Revenues		103	-43.14%	
32		Damage Claim	(10)	(3)		Revenues		(7)	210.59%	
33		Customer Engineering		(14)		Revenues		14	-100.00%	
34		Health Safety and Loss Prevention	(49)	(54)		Revenues		6	-10.28%	
35		Space Rent	(70)	(25)		Revenues		(46)	187.07%	
36		Executive Oversight	(123)			Revenues		(123)	100.00%	
37		Financial Oversight	(53)			Revenues		(53)	100.00%	
38		Operational Communications - Mgmt Oversight and Admin Support	(43)			Revenues		(43)	100.00%	
39		Procurement & Strategic Sourcing	0			Revenues		0	100.00%	
40		Process Improvement Oversight	(31)			Revenues		(31)	100.00%	
41		Fleet Rental SLA	(87)			Revenues		(87)	100.00%	
42		Facilities	(1)			Revenues		(1)	100.00%	
43		Repair and maintenance, Security Lighting, Engineering Services, Hydrovacing & other Jobbing Services	9,783	8,925			Operations & Capital	858	9.62%	
44		Sale of Inventory to EDTI	211	172			Operations & Capital	39	22.88%	
45		Health Safety and Loss Prevention	(3)	60			Operations	(63)	-104.23%	
46			<u>7,786</u>	<u>6,511</u>				<u>1,275</u>	<u>19.59%</u>	

Line No.	Affiliate	Nature of Service			Distribution In To Distribution	Distribution Out From Distribution	Var. Actual to		Actual to Prior Year Explanation Reference
			2019 Actual	2018 Actual			Prior Year	Var %	
47	EPCOR Water Services Inc. (EWSI) (80)	Survey Services	(216)	(252)	Revenues		36	-14.35%	
48		Technical Training Services	(224)	(804)	Revenues		580	-72.12%	Note 3
49		Soil & Water Dumping		(4)	Revenues		4	-100.00%	
50		Geo Data Services	(3)	(3)	Revenues		0	0.00%	
51		Customer Jobbing	(28)	(19)	Revenues		(9)	47.71%	
52		Repairs & Maintenance		(1)	Revenues		1	-100.00%	
53		Technical Training Services		27		Administration	(27)	-100.00%	
54		Utility Information System access	17			Operations	17	100.00%	
55		Meter Reading Services	28	21		Customer Service	7	32.41%	
56		Health & Safety	(2)	40	Revenues	Administration	(42)	-104.58%	
57		Repair & Maintenance	7			Operations	7	100.00%	
58		EWSI Employees Working on Capital Projects	32			Capital	32	100.00%	
59			<u>(389)</u>	<u>(994)</u>			<u>569</u>	<u>-57.24%</u>	
60	EPCOR Drainage (9K)	Technical Training Services	(218)	(774)	Revenue		556	-71.83%	Note 4
61		High Voltage Test Lab	(5)	(2)	Revenue		(3)	133.05%	
62		GEO Data Services	(3)	(7)	Revenue		4	-55.81%	
63		Fibre Pulls and Testing		2	Revenue		(2)	-100.00%	
64		Jobbing	(299)	(71)	Revenue		(229)	323.87%	
65		Real Estate Consulting		(21)	Revenue		21	-100.00%	
66		UIS	48			Operations	48	100.00%	
67		Repairs & Maintenance	4			Operations	4	100.00%	
68			<u>(474)</u>	<u>(872)</u>			<u>398</u>	<u>133.05%</u>	
69	EPCOR Utilities Inc. (EUI) (40/71)	Shared Services	(87)		Revenue		(87)	100.00%	
70		EUI employees working on EDI Capital Projects	2,224	4,920		Administration & Capital	(2,696)	-54.80%	Note 5
71		Information Technology Services	2,424	2,256		Operations	168	7.44%	
72		Asset Usage Fee	3,555	3,475		Financing Exp.	80	2.31%	
73		Shared Services Management Fee (net of disallowances)	9,395	8,942		Administration	453	5.06%	
74		EPCOR Tower Rent (net of disallowances)	80	72		Administration	8	11.39%	
75		Interest and Financing Charges	38,231	38,212		Administration	19	0.05%	
76		Duct Line Rentals	(95)	(95)		Financing Exp.	0	0.00%	
77			<u>55,727</u>	<u>57,782</u>			<u>(1,968)</u>	<u>-3.41%</u>	
78	ENCOR (28)	Service Requests & Late Payment Fees	(5)	(49)	Revenues		44	-89.16%	
79		Tariff Charges	(24,217)	(18,279)	Revenues		(5,938)	32.49%	Note 6
80			<u>(24,222)</u>	<u>(18,328)</u>			<u>(5,894)</u>	<u>-56.67%</u>	
81	TOTAL		<u><u>(157,069)</u></u>	<u><u>(143,625)</u></u>			<u><u>(13,393)</u></u>	<u><u>46.05%</u></u>	

Note 1: The variance is primarily due to higher DAS and SAS rates and increased volume in 2019.

Note 2: The variance is due to EDTI's Emergency Dispatch function moving to EPCOR Energy Alberta which is providing services for all of EPCOR.

Note 3: The variance is primarily due to Technical Training being centralized and provided by EPCOR's Corporate function. EDTI no longer provides these training services to EPCOR Water Services Inc.

Note 4: The variance is primarily due to Technical Training being centralized and provided by EPCOR's Corporate function. EDTI no longer provides these training services to EPCOR Drainage.

Note 5: The variance is primarily due to a decrease in EUI employees working on EDI Capital Projects.

Note 6: The variance is primarily due to higher DAS and SAS rates and increased volume in 2019.

EPCOR Distribution & Transmission Inc. (Distribution)
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	2018 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
<u>Gross Salaries, Wages, Stat and Vacation (Excluding Overtime)</u>							
1	Distribution Operating		38,483	36,956	1,527	4%	
2	Distribution Capital		19,344	19,272	71	0%	
3	Salaries and Wages Charged to Utility Operations		<u>57,827</u>	<u>56,228</u>	<u>1,599</u>	<u>3%</u>	
<u>Employee Benefits</u>							
5	Distribution Operating		5,469	6,769	(1,300)	-19%	Note 1
6	Distribution Capital		7,906	8,490	(584)	-7%	
7	Benefits Charged to Utility Operations		<u>13,375</u>	<u>15,258</u>	<u>(1,883)</u>	<u>-12%</u>	

Line No.	Description	Cross-Reference	2019 Actual	2018 Actual	Var. Actual to Prior Year	Var %	Actual to Prior Year Explanation Reference
<u>Manpower Statistics</u>							
8	Total Regular & Temporary Employees (FTEs)		551	554	(3.0)	-1%	
9	Total Manpower		<u>551</u>	<u>554</u>	<u>(3.0)</u>	<u>-1%</u>	
Less:							
10	Allocated to Non-Regulated		-	-	-	0%	
11	Total Manpower - Utility Operations		<u>551</u>	<u>554</u>	<u>(3.0)</u>	<u>-1%</u>	

Note 1: The \$1.30 million decrease from 2018 Actual to 2019 Actual was primarily due to lower employee benefit costs incurred in 2019.

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

SCHEDULE 9

Line No.	Description	Cross-Reference	2019 Actuals						2018 Actuals						Var. Actual to Prior Year		Actual to Prior Year Explanation Reference
			Opening Balance	Adds	Amort. & Drawdowns	Provisions	Refunds & Recoveries	Reclass	Ending Balance	Opening Balance	Adds	Amort. & Drawdowns	Provisions	Refunds & Recoveries	Reclass	Ending Balance	
<i>List of Deferral Accounts</i>																	
1	Transmission Charge Deferral Account		-						-							0	-
2	Hearing Costs		1	1,381	(1,368)			14	162	1,022	(1,183)				1	13	1494.73%
3	AESO Load Settlement Charges Deferral Account		6	179	(161)			23	(81)	165	81	(159)			6	17	286.77%
4	Property, Business & Linear Tax Deferral Account		502		(502)	595		595	0			502			502	92	18.37%
5	Tariff Bill Code (2013 Initiative)		38		(38)	44		44	32		(32)	38			38	6	16.51%
6			<u>547</u>	<u>1,560</u>	<u>(2,070)</u>	<u>639</u>	<u>0</u>	<u>676</u>	<u>114</u>	<u>1,187</u>	<u>(1,135)</u>	<u>381</u>	<u>0</u>	<u>0</u>	<u>547</u>	<u>129</u>	<u>24%</u>
7	Transmission Charge Deferral Account		(3,271)				3,271	0	(3,126)				(145)		(3,271)	3,271	-100.00%
8	Interim to Final Rider J		0				15,234	15,234	0						0	15,234	-
9	Total Deferred Assets	Sch 11	<u>(2,724)</u>	<u>1,560</u>	<u>(2,070)</u>	<u>639</u>	<u>18,505</u>	<u>0</u>	<u>(3,013)</u>	<u>1,187</u>	<u>(1,135)</u>	<u>381</u>	<u>(145)</u>	<u>0</u>	<u>(2,724)</u>	<u>15,363</u>	<u>-564%</u>
10	Hearing Costs		(50)		(0)			(50)	(0)			(50)			(50)	(0)	0.01%
11	Tariff Bill Code (2017-2012 Initiative)		0					0	0						0	0	0.00%
12	AESO Load Settlement Charges Deferral Account		(0)		(19)			(19)	(0)						(0)	(19)	475696.77%
13	Short Term Incentive Deferral Account		0					0	0						0	0	-
14	Asset Removal (Refund Dept'n & Return)		0					0	0						0	0	-
15	Property, Business & Linear Tax Deferral Account		(0)					(0)	(200)		200				(0)	0	0.00%
16			<u>(50)</u>	<u>0</u>	<u>(19)</u>	<u>0</u>	<u>0</u>	<u>(69)</u>	<u>(200)</u>	<u>0</u>	<u>200</u>	<u>(50)</u>	<u>0</u>	<u>0</u>	<u>(50)</u>	<u>(19)</u>	<u>38.48%</u>
17	Transmission Charge Deferral Account		(5,802)				5,802	0	(2,629)				(3,173)		(5,802)	5,802	-100.00%
18	Interim to Final Rider J		(3,082)				(3,213)	(6,295)	(12,281)			9,199			(3,082)	(3,213)	104.25%
19	Total Deferred Liabilities	Sch 11	<u>(8,934)</u>	<u>0</u>	<u>(19)</u>	<u>0</u>	<u>2,589</u>	<u>0</u>	<u>(15,110)</u>	<u>0</u>	<u>200</u>	<u>(50)</u>	<u>6,026</u>	<u>0</u>	<u>(8,934)</u>	<u>(3,232)</u>	<u>36.18%</u>
Impact on Income Statement:																	
21	Provision for Interim to Final DAS revenues							0							0		
22	Provision for DAS refund for Capital Trackers							0							0		
23	Amortization of Deferral Accounts				2,089			2,089			935				935		
24	Provision for refund/collection (Deferral Accounts)					(639)	0	(639)				(331)			(331)		
25	Total impact to Income Statement Sch 1				<u>2,089</u>	<u>(639)</u>	<u>0</u>	<u>1,450</u>			<u>935</u>	<u>(331)</u>	<u>0</u>	<u>0</u>	<u>604</u>		

Note 1: The Transmission Charge Deferral Account is true-up quarterly through Applications to the AUC. Both 2019 and 2018 actuals in the TCDA Deferral Account include provisions for Operating Reserve Charges and collection from customers through true-up riders.

Note 2: Provision for 2018 Annual Transmission Access Charge Deferral Account True-up for \$15.23 million as per Decision 24816-D01-2019 in 2019.

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

SCHEDULE 10

Line No.	Description	Cross- Reference	Regulatory Financial Statements	Adjustments	Utility Total
1	Revenues				
2	Franchise Fee Revenue		61,951		61,951
3	Transmission System Access Tariff	Sch 6 + Sch 9	0		
4	Reclassification of SAS Volume Variance to Return Section				0
5	Distribution Access System		222,460		
6	Reclassification to Other Adj. to Revenue Requirement				222,460
7	Other Revenues		7,125		
8	Reclassification to Revenue Offsets			(7,125)	0
9		Sch 1	<u>291,536</u>	<u>(7,125)</u>	<u>284,411</u>
10					
11	Energy purchases and system access fees				
12	Energy Purchases		0		0
13	Inter-Utility Distribution Charges		0		0
14			<u>0</u>	<u>0</u>	<u>0</u>
15					
16	Other raw materials and operating charges		11,939		11,939
17	Staff costs and employee benefits expense		37,261		37,261
18	Other administrative expenses		20,350		20,350
19	Reclassification of Revenues to Revenue Offsets			(1,309)	(1,309)
20	Reclassification of amortization of deferral accounts to Other adj. to Revenue Requirement	Sch 9		(1,450)	(1,450)
21	Reclassification of Non-Recoverable Expenses to Return Section			(1,345)	(1,345)
22	Franchise fees and property taxes				0
23	Franchise Fees		61,951		61,951
24	Property Taxes		9,489		9,489
25		Sch 1 + Sch 3	<u>140,990</u>	<u>(4,104)</u>	<u>136,885</u>
26					
27	Depreciation and amortization		57,265		
28		Sch 1 + Sch 4	<u>57,265</u>	<u>0</u>	<u>57,265</u>
29					
30	Income Tax		0		0
31		Sch 1 + Sch 5	<u>0</u>	<u>0</u>	<u>0</u>
32					
33	Revenue Offsets				
34	Reclassification from Revenues and Operating Costs			(5,816)	
35		Sch 1	<u>0</u>	<u>(5,816)</u>	<u>(5,816)</u>
36					
37	Other Adj. to Revenue Requirement				
38	Reclassification of Other Adjustments to Revenue Requirement			1,450	
39		Sch 1 + Sch 9	<u>0</u>	<u>1,450</u>	<u>1,450</u>
40					
41	Return				
42	Return on Debt		35,784		35,784
43	Reclass of non-recoverable financing expenses - AFUDC			2	2
44	Adjustment due to use of deemed equity thickness and mid-year cost of debt			2,399	2,399
45	Return on Debt after adjustments	Sch 2	<u>35,784</u>	<u>2,401</u>	<u>38,185</u>
46					
47					
48	Return on Equity		57,498		
49	SAS Volume Variances			0	
50	Reclassification of Non-Recoverable Expenses			1,343	
51	Adjustment due to use of deemed equity thickness and mid-year cost of debt			(2,399)	
52	Return on Equity after adjustments	Sch 2	<u>57,498</u>	<u>(1,056)</u>	<u>56,442</u>
53					
54					
55	Return on Debt				38,185
56	Return on Equity				<u>56,442</u>
57	Total Return	Sch 1			<u><u>94,627</u></u>

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

SCHEDULE 11

Line No.	Description	Cross-Reference	Regulatory Financial Statements	Adjustments	Total
1	ASSETS				
2	Current Assets:				
3	Trade and other receivables		65,660		65,660
4	Inventories		27,731		27,731
5	Prepaid expenses		443		443
6	Regulatory assets	Sch 9	15,910		15,910
7			109,744		109,744
8	Non-Current Assets:				
9	Property, plant and equipment		1,374,546		1,374,546
10	Intangible assets		32,147		32,147
11	Regulatory assets	Sch 9	0		0
12			1,406,693		1,406,693
13					
14	TOTAL ASSETS		1,516,436		1,516,436
15					
16	LIABILITIES AND EQUITY				
17	Current Liabilities:				
18	Trade and other payables		95,474		95,474
19	Loans and borrowings		81,935		81,935
20	Provisions		4,026		4,026
21	Regulatory liabilities	Sch 9	6,364		6,364
22			187,800		187,800
23	Non-Current Liabilities				
24	Loans and borrowings		806,933		806,933
25	Provisions		3,042		3,042
26	Regulatory liabilities	Sch 9	0		0
27			809,975		809,975
28					
29	Total Liabilities		997,775		997,775
30					
31	Equity attributable to the Owner of the Company:				
32	Share capital		235,220		235,220
33	Retained earnings		283,442		283,442
34	Total Equity	Sch 2.2	518,662		518,662
35					
36	TOTAL LIABILITIES AND EQUITY		1,516,436		1,516,436

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)	Variance Note 9
1	Revenues											
2	Franchise fees	61,951	0	0	61,951	0	0	0	0	61,951		
3	Transmission system access tariff	0	21,095	0	(21,095)	0	0	0	0	(21,095)		
4	DAS revenue	222,460	0	0	222,460	0	0	0	0	222,460		
5	Transmission tariff	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	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	57,265	(465)	(6,086)	63,816	20,710	(2,751)	(1,994)	25,455	89,271	88,272	999
13	Franchise fees and property taxes	71,440	(92)	0	71,532	8,167	(342)	0	8,509	80,041	80,041	0
14	Other administrative expenses	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	268,136	999
16	Operating income	93,282	22,192	0	71,090	43,720	2,522	(531)	41,198	112,288	112,312	(24)
17	Financing expenses	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	54,891	(24)
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	369,576	(24)

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												
Current Assets:												
1												
2		65,660	0	0	65,660	10,733	0	0	10,733	76,393	77,661	(1,268)
3		27,731	0	26,125	1,606	183	0	0	183	1,790	1,790	0
4		443	(0)	0	443	274	0	0	274	717	717	0
5		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)
Non-Current Assets:												
8		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		32,147	(1,098)	0	33,244	13,520	(584)	0	14,104	47,348	47,348	0
10		0	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		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
LIABILITIES AND EQUITY												
Current Liabilities:												
15		95,474	6,362	(6,364)	95,476	15,215	885	(961)	15,291	110,767	112,006	(1,239)
16		81,935	(460)	0	82,395	30,444	462	0	29,982	112,377	112,406	(29)
17		4,026	0	0	4,026	1,349	0	0	1,349	5,376	5,376	(0)
18		6,364	0	6,364	0	961	0	961	0	0	0	0
19		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)
Non-Current Liabilities:												
22		806,933	0	0	806,933	426,280	0	0	426,280	1,233,213	1,233,580	(366)
23		3,042	0	0	3,042	676	0	0	676	3,718	3,718	(0)
24		0	0	(166,264)	166,264	0	0	(84,667)	84,667	250,931	201,281	49,650
25		0	0	0	0	0	0	0	0	0	0	0
26		0	0	0	0	0	(366)	366	0	366	366	0
27		809,975	0	(166,264)	976,239	426,956	(366)	(84,667)	511,989	1,488,229	1,438,579	49,650
28		997,775	5,902	(172,324)	1,164,197	474,925	981	(86,010)	559,955	1,724,152	1,675,770	48,382
Equity attributable to the Owner of the Company:												
30		235,220	0	0	235,220	152,035	0	0	152,035	387,254	387,254	(0)
31		283,442	31,695	0	251,748	118,482	677	0	117,805	369,552	369,552	(0)
32		518,662	31,695	0	486,967	270,516	677	0	269,839	756,806	756,806	(0)
33		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

Auditors' Report	1
-------------------------------	---

Financial Statements:

Statements of Comprehensive Income	4
Statements of Financial Position	5
Statements of Changes in Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8



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

INDEPENDENT AUDITORS' REPORT

To the Shareholder of EPCOR Distribution and Transmission Inc.

Opinion

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

- the statements of financial position as at December 31, 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
	<u>80,168</u>	<u>75,540</u>
Non-current assets:		
Property, plant and equipment (note 10)	2,305,060	2,163,144
Intangible assets (note 11)	47,348	43,539
	<u>2,352,408</u>	<u>2,206,683</u>
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
	<u>237,191</u>	<u>271,644</u>
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
	<u>1,438,579</u>	<u>1,283,640</u>
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

	<u>Share capital (note 16)</u>			Equity attributable to the Owner of the Company
	Common shares	Contributed surplus	Retained earnings	
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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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
	<u>\$ 380,448</u>	<u>\$ 377,920</u>

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

13. Loans and borrowings

	2019	2018
Short-term note payable to EPCOR¹	\$ 98,554	\$ 53,495
Long-term notes payable to EPCOR²		
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
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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

- (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.

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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:

	Fair value hierarchy	2019		2018	
		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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

procedures to help monitor compliance.

Market risk

Market risk is the risk of loss that results from changes in market factors such as electricity prices and interest rates. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and 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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

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:

	Gross accounts receivables	Expected credit loss allowance	Net accounts receivables
December 31, 2019			
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			
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:

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

	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

EPCOR DISTRIBUTION & TRANSMISSION INC.

Notes to the Financial Statements

(In thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2019 and 2018

financial assets and financial liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

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

	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.