

APPENDIX F-3**EPCOR UTILITIES INC.
CORPORATE SERVICE CHARGES
ALLOCATION METHODOLOGY****1.0 CORPORATE SERVICE COSTS****1.1 Overview**

1. EPCOR Water Services Inc. (“EWSI”) obtains corporate service from its parent corporation, EPCOR Utilities Inc. (“EUI” or “EPCOR”). Corporate services are comprised of activities that are centrally managed within the EPCOR group due to their nature and/or for the purpose of realizing economies and greater effectiveness. The amounts paid by EWSI in respect of these services include Corporate Service Charges. The Corporate Service Charges are determined on a cost recovery basis in accordance with EPCOR’s Inter-Affiliate Code of Conduct and are reflected in a Service Agreement between the parties.

2. This section describes the corporate services received from EUI and the allocation process used by EUI to EWSI as well as the allocation process from EWSI to EWR. As much as possible the same allocation methodology was used by EWSI to allocate costs to EWR as those used by EUI; however, in certain cases, the methodology was changed to better reflect the cost drivers. The process used to develop the forecast of Corporate Service Charges is described in section 1.1.1. The process used to allocate Corporate Service costs to the business units is described in section 1.1.2 below.

3. Appendix F-2 describes the services and associated costs related to shared services that are provided from EWSI to EWW. These services are provided by functional groups that are part of the EWSI business unit. For some functional categories, such as Human Resources, Supply Chain and Public and Government Affairs, services are provided from both EUI and EWSI. In these instances, the services provided by EUI tend to be limited to governance, oversight and broad policy considerations, while the services provided by EWSI are more tactical and are specifically driven by the business needs of EWSI. In the case of Information Services, the EUI cost allocation is generally related to corporate applications such as the financial and human resources systems while EWSI Information Services costs are generally related to applications and technical infrastructure unique to EWSI, such as the geographic information system (GIS).

1.1.1 Corporate Cost Forecast Process

4. The forecast Corporate Service Charges for the 2015 test year are based on EUI's 2015 budget, which was prepared in Q2, 2014. In developing its budget, EUI used a "bottom up" approach to forecast expenditures based on the best available information with respect to expected work activity and cost levels.

1.1.2 Corporate Cost Allocation Process

5. Consistent with its approach in previous years, EUI allocates Corporate Service costs to the EPCOR business units using the following five step process:

- i) Categorize Corporate Service costs as directly assignable or allocable.
- ii) Assign directly assignable costs to the appropriate business unit.
- iii) Review/develop/modify allocation method for allocable costs.
- iv) Apply allocation method to allocable costs.
- v) Conduct a final review for reasonableness.

Step 1 - Categorize Corporate Service costs as either directly assignable or allocable.

6. The first step in developing Corporate Service Charges was to review the components of Corporate Service costs and categorize them into two defined groups:

- Directly assignable costs
- Allocable costs

7. Directly assignable costs are those costs that are directly associated with a particular business unit's activity or operation. Allocable costs are those costs that provide benefits to EUI business units but by their nature cannot be directly assigned and are charged to business units using an appropriate cost allocator.

8. The corporate directly assignable costs include the following:

- Information system operating costs that can be directly attributable to the business units such as support of Information System Applications;
- Information system operating costs that can be directly attributable to employees working within the business units such as support of desktop computers, printers, and the network;

- Space Rent costs for office space in the EPCOR corporate office used directly by the business units;
- Security costs incurred directly on behalf of business units.

Step 2 - Assign directly assignable costs to Business Units

9. Once the directly assignable costs are identified and determined they are charged directly to each business unit. Details on the forecasts of directly assignable costs are provided in section 1.2. Directly assignable costs are included in the budgets of the business units and are not included in the budgets of the respective Corporate Service departments.

Step 3 - Review/develop allocation method for allocable costs

10. EPCOR's cost allocation process is designed to ensure that the allocation of Corporate Service costs among business units is appropriate, fair and reasonable, cost-effective, predictable, reflects the benefit received by function or cost causation and provides for consistency with the transfer pricing principles in EPCOR's Inter-Affiliate Code of Conduct.

11. EUI's approach to determining its allocation methods is as follows.

12. The costs associated with a Corporate Services department are allocated on one of two bases: (i) using a "functional cost causation allocator", or (ii) using a "composite cost allocator".

13. A functional cost causation allocator has been used where the costs can be logically allocated using an identified cost causation driver, such as headcount. The composite cost allocator has been used where the costs cannot be allocated using a particular functional cost causation allocator. The latter types of costs tend to be related to Corporate Services that are of a governance nature, and it is appropriate that these types of costs be allocated based on a composite cost allocator which factors in the business unit's share of EPCOR's group revenues, assets, and headcount. EWSI also utilizes a composite cost allocator which factors in the business unit's share of EWSI's revenues, assets, headcount and capital expenditures.

14. The allocation methods applicable to EUI's allocable Corporate Service costs for 2015 to 2017 are summarized in Table D-3-1 below.

**Table D-3-1
Cost Allocators 2015-2017**

Department and Function	EUI – EWSI Allocators	EWSI – EWR Allocators
Board Costs		
All Costs	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Executive and Executive Assistants		
Executive & Executive Assistants	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Corporate Finance		
Corporate Accounting	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Accounting Standards	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Audit Fees	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Accounts Payable	Functional Cost Causation – Invoice Lines	Functional Cost Causation – Invoice Lines
Payroll	Functional Cost Causation – Canadian Headcount	Functional Cost Causation – Headcount
Consolidated Reporting & Analysis	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Financial Management Trainee Program	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Taxation	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Treasury		
Insurance & Physical Risk Management	Property, Plant, and Equipment (PPE)	Property, Plant and Equipment (PPE)
Treasurer - Corporate Finance	40% PPE, 30% Capital Expenditures, 30% Acquisitions	Composite – EWSI Revenue, Assets, Headcount
Treasury Operations	50% of (Net Income + Depreciation), 50% Debt	50% of (Net Income + Depreciation), 50% Debt
Risk Assurance & Advisory Services		
All Functions	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Human Resources		
All Functions	Functional Cost Causation – Canadian Headcount	Functional Cost Causation – Headcount
Information Services		
Application Services	Functional Cost Causation - Headcount	Functional Cost Causation – Total Assets
Infrastructure Operations	Functional Cost Causation - Direct IS Costs	Functional Cost Causation – PC Count
Major Capital Projects	Functional Cost Causation - Headcount	Functional Cost Causation – Total Assets
Supply Chain Management		
Corporate procurement	Functional Cost Causation - Purchase Order Lines	Composite – EWSI Revenue, Assets, Headcount
Real Estate/Facilities	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Mailroom	Functional Cost Causation – Canadian Headcount	Functional Cost Causation - Headcount
Security	Functional Cost Causation – Canadian Headcount	Functional Cost Causation – Headcount
SCM Corporate Services - Tower Rent, Maintenance, Security	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Disaster Recovery Planning	Functional Cost Causation - Direct IS Costs - Canadian	Functional Cost Causation – PC Count
Public and Government Affairs (“P&GA”)		

Department and Function	EUI – EWSI Allocators	EWSI – EWR Allocators
Community Relations	Functional Cost Causation - Net Income	Revenue: Regulated Business Units
Corporate Communications	Functional Cost Causation - Net Income	Revenue: Regulated Business Units
Government Relations	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Director Corporate Communications	Functional Cost Causation - Weighted Average of Costs for P&GA	Functional Cost Causation - Weighted Average of Costs for P&GA
Legal Services		
All functions	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Health, Safety and Environment		
All Functions	Functional Cost Causation - Headcount	Functional Cost Causation - Headcount
Strategic Planning and Development		
All Functions	Composite - EUI Revenue, Assets, Headcount	Composite – EWSI Revenue, Assets, Headcount
Incentive Compensation		
All Costs	Average Corporate Cost Allocation	Average Corporate Cost Allocation
Asset Usage Fees		
Disaster Recovery Leasehold	Proportional Sq. Ft.	Composite – Revenue, Assets, Headcount
Equipment – EPCOR Tower	Proportional Sq. Ft.	Composite – Revenue, Assets, Headcount
Furniture and Fixtures	Proportional Corporate Costs	Composite – Revenue, Assets, Headcount
Human Resource System	Functional Cost Causation - Headcount	Functional Cost Causation – Headcount
Information Systems	Proportional I.S. Operating Costs	Functional Cost Causation – Headcount
Leasehold Improvement – EPCOR Tower	Proportional Sq. Ft.	Composite – Revenue, Assets, Headcount
Oracle General Ledger System	Proportional Finance & Purchasing Cost	Composite – Revenue, Assets, Headcount
Vehicles	Proportional Cost	Composite – Revenue, Assets, Headcount

Step 4 – Apply allocation methods to allocable costs

15. Once the allocation methods were determined, they were applied against final budgeted costs to arrive at the amounts charged to each business unit.

Step 5 - Final review of Corporate Service Charges for reasonableness

16. All of the resulting Corporate Service Charges were reviewed by EUI and EWSI management for reasonableness prior to being finalized.

1.2 Direct Assigned Corporate Costs

17. Certain costs are directly assigned from EUI to its business units. These direct assigned costs include information services (“IS”) application support, IS infrastructure support (i.e., desktops, servers, network, databases, printers, etc.), space rent at EPCOR Tower, and corporate security.

1.3 Allocated Corporate Costs

18. Further details respecting the allocated corporate costs are provided for each Corporate Service department in the subsections that follow.

1.3.1 Board Costs

19. EUI's Board of Directors (the "Board") provides corporate governance functions to EWSI and other EPCOR subsidiaries. The governance functions include:

- Establishing the strategic objectives and direction of the EPCOR group;
- Maintaining and enforcing articles and corporate bylaws;
- Electing and appointing corporate officers;
- Delegating special authorities to management;
- Reviewing and approving corporate policies;
- Providing direction and oversight to safeguard and maintain the long-term value of corporate assets;
- Reviewing and approving significant financial matters;
- Making recommendations to the shareholder;
- Participating in the strategic planning process for the EPCOR group;
- Approving capital and operating budgets to meet the objectives established in the EPCOR group's strategic plan;
- Approving compensation policies and programs for employees;
- Evaluating and assessing corporate performance against strategic, operating and capital plans;
- Understanding and monitoring corporate business risks;
- Approving and monitoring compliance with all significant corporate policies and procedures; and
- Directing management to ensure compliance with legal requirements.

20. Board costs include Director's fees, Director and Officer insurance costs, travel expenses, legal fees incurred at the Board level and other related expenses.

21. The Board is comprised of members that are independent from EPCOR, which ensures that there is an appropriate segregation of duties and responsibilities between the Board and CEO. This independence in oversight is a best practice in governance and is necessary to ensure that EUI and its subsidiaries meet their obligations and responsibilities free from conflicts of interest.

22. The Board members are not members of management and have no direct or indirect material relationships with EPCOR; as such, the Board members provide a third party service to EUI and its subsidiaries. Board members are appointed by the City of Edmonton in its role as shareholder of EUI, and are compensated for their services. Director compensation is regularly reviewed by the Corporate Governance & Nominating Committee, which receives independent advice from a third party compensation expert, and makes recommendations to the City of Edmonton to determine Directors' compensation.

Allocation Method

23. Board costs are allocated based on EUI's composite cost causation allocator described in section 1.1.2.

1.3.2 Executive and Executive Assistants

24. Executives provide governance and leadership services to EWSI and other EUI subsidiaries. These activities include:

- Establishing and recommending broad corporate policies for approval by the Board of Directors;
- Reviewing and recommending significant financial matters/decisions for approval by the Board of Directors;
- Developing corporate-level strategy and plans for approval by the Board of Directors;
- Carrying out the special authorities delegated by the Board of Directors;
- Establishing and maintaining an adequate control framework in relation to internal controls over financial reporting and disclosure controls and procedures, conducive to fulfilling compliance with National Instrument 52-109, the Canadian legislation equivalent to the United States Sarbanes–Oxley Act (commonly referred to as “CSOx”); and

- Establishing appropriate processes, procedures and controls to ensure the EPCOR group fulfills its statutory obligations to provide utility services and contractual obligations to service its commercial customers.

25. The costs are made up of salaries and related costs for three senior EUI Executives and their respective Executive Assistants (“EAs”). The three senior Executives include:

- President and Chief Executive Officer (“CEO”)
- Senior Vice President and Chief Financial Officer (“CFO”)
- Senior Vice President Corporate Services

26. Three EAs provide administrative support for the three Executives’ activities.

27. The salaries and related costs of the EUI Executives and their EAs are included in the corporate shared services areas that they oversee.

28. Executive leadership and related support is needed to provide corporate governance and oversight over EPCOR group business operations; to develop policies and provide strategic direction for EUI and its subsidiaries; to make strategic-level decisions on significant financial matters; to manage the enterprise risk of EUI and its subsidiaries; and to ensure that the EPCOR group has the overall resources necessary to enable it to meet the group’s duties and obligations.

Allocation Method

29. Executive and Executive Assistants costs are allocated using the composite cost causation allocator described in Section 1.1.2.

1.3.3 Corporate Finance

30. The Corporate Finance department provides services to EWSI and other EUI subsidiaries in the areas of:

- Payroll Processing
- Accounts Payable
- Taxation Services
- Corporate Accounting
- Consolidated Reporting and Analysis

- Financial Management Training Program
- Audit Fees

1.3.3.1 Payroll Processing

31. The payroll processing function performs the following activities in connection with paying employees' wages:

- Maintains the employee master files, which form the foundation for all human resources and payroll functions including new-hire, life event changes, transfers, promotions, termination, and wage rate changes;
- Performs pension administration;
- Performs full payroll services, including bi-weekly payroll processing, preparation of all statutory filings and source deduction and other remittances including workers compensation remittances; and
- Develops and maintains appropriate payroll policies, procedures and controls for all EPCOR subsidiaries and assists in developing employee benefit policies.

32. Payroll Processing services are required to enable EWSI to provide utility services to customers. EWSI carries out its obligation as a utility service provider through their employees, and those employees must be paid for the work performed. In addition, the payroll processing group is responsible for addressing all pension administration and payroll-related compliance requirements.

Allocation Method

33. Payroll Processing costs are allocated based on Canadian headcount. Headcount is an appropriate allocation method for Payroll Processing costs because the number of staff employed in each business unit drives the level of payroll processing costs.

1.3.3.2 Accounts Payable

34. The Accounts Payable function maintains vendor master files that are used for various purchasing, contract management and vendor payment functions. In addition, the Accounts Payable department is responsible for the management of procurement cards and processes all vendor invoices, credit notes and adjustments for payment on a periodic basis. The Accounts Payable function also develops and maintains all of the accounts payable related forms, policies, procedures and controls to be applied by all EPCOR's activities.

35. Accounts Payable is necessary for EWSI and other EUI subsidiaries to provide utility service as each utility incurs costs from external parties related to utility service and these costs require payment. Accounts payable classifies costs for management reporting and analysis purposes and ensures that invoices are paid on time. In doing so, Accounts Payable can take advantage of cash discount terms where appropriate.

Allocation Method

36. Accounts Payable costs are allocated using number of invoice lines. This is an appropriate allocation method for Accounts Payable costs because it is reflective of the data entry work completed by the data entry clerks on behalf of the business units to process invoices. There is a direct link between the costs incurred and the activities undertaken to process an invoice.

1.3.3.3 Taxation Services

37. Taxation services include all reporting and compliance related to taxes, inclusive of property taxes and linear taxes related to business unit property and utility assets, Goods and Services Taxes (“GST”) related to business unit operations, Provincial Sales Taxes (“PST”) related to business unit operations, Harmonized Sales Taxes (“HST”), Canadian and U.S. federal, provincial and state income taxes in relation to taxable business units, non-resident withholding taxes (“NRWT”) on services performed on behalf of the business units by non-resident corporations, contractors and consultants, and customs duties related to materials and equipment imported by the business units.

38. The activities performed by the Taxation group include:

- Preparing and filing returns and remittances related to GST, HST, PST, income taxes, property and linear taxes, and NRWT;
- Reviewing the appropriateness and accuracy of assessments and reassessments issued by tax authorities in relation to all forms of tax, including the preparation and filing of any required notices of objection;
- Performing research and generally maintaining a current level of knowledge related to all present and proposed forms of tax to ensure compliance with related rules and regulations conducive to minimizing interest and penalties on assessment and reassessment;
- Planning and executing system and process changes required to implement new and revised taxes and tax rates (e.g. changes in HST and GST rates);

- Performing employee training sessions on the various forms of tax to ensure compliance at the business unit level;
- Providing advice to Corporate and business unit management on the development of policies and procedures that may be affected by any form of tax;
- Performing acquisition due diligence;
- Liaising with federal, provincial, state, municipal and county auditors on behalf of the business units in relation to audits performed of any form of tax; and
- Providing tax planning services to minimize tax expenses.

39. The Taxation group ensures that EWSI is compliant with all tax legislation. This group also devises tax strategies to ensure that EWSI has minimized its GST, PST, and NRWT, property tax, linear tax and income tax liabilities.

Allocation Method

40. Taxation services costs are allocated using the composite cost causation allocator described in Section 1.1.2.

1.3.3.4 Corporate Accounting and Accounting Standards

41. The Corporate Accounting function develops and maintains corporate accounting policies, procedures and internal controls, and provides advice and direction to EWSI with respect to these policies, procedures and internal controls. Corporate Accounting also includes accounting activities in support of the financing provided to EWSI, as well as calculating the allocation of corporate costs to each of the EPCOR subsidiaries and maintaining and reviewing the allocation methodologies applied to those corporate costs to ensure they are fair, reasonable and reflective of services provided. In connection with these activities, the Corporate Accounting group assists with the preparation of all regulatory related documentation and filings involving the allocation of corporate costs and manages the annual budgeting and quarterly re-forecasting processes for all of EPCOR including performing various ad hoc analyses as required by the EUI and its various subsidiaries.

Allocation Method

42. Corporate Accounting services costs are allocated using the composite cost causation allocator described in Section 1.1.2.

1.3.3.5 Consolidated Reporting and Analysis

43. The Consolidated Reporting and Analysis group is responsible for the preparation of consolidated financial statements and analysis and discussion of the results. More specifically, this includes:

- Ensuring appropriate accounting policies are developed and the relevant accounting standards are properly and consistently applied by all EPCOR subsidiaries;
- Ensuring appropriate internal controls over financial reporting are developed and consistently applied by all EPCOR subsidiaries to ensure that EUI interim and annual consolidated financial statements accurately and fairly present the financial results of the company;
- Preparing EUI interim and annual consolidated financial statements and management discussion and analysis as required under securities regulation;
- Preparing internal consolidated financial statements and analysis for executives;
- Reviewing audited financial statements prepared by EWSI and other EUI subsidiaries to ensure they are prepared in accordance with accounting standards and consistent presentation and disclosure with the audited consolidated financial statements of EUI;
- Providing the executive with profitability, cost-effectiveness and other analyses as required; and
- Developing performance metrics across EUI and working with subsidiaries to link their performance metrics with the enterprise-level performance metrics.

44. EWSI must prepare financial statements in accordance with International Financial Reporting Standards (IFRS) to comply with regulatory requirements. The Consolidated Reporting and Analysis function provides EWSI and other EUI subsidiaries with advice and guidance to ensure that utility financial statements comply with these standards. While Consolidated Reporting and Analysis also performs services that would not be required if EWSI was a stand-alone utility, the consolidated financial statements of EUI are required to fulfill securities regulations related to public debt issued by EUI on behalf of the utilities.

Allocation Method

45. Consolidated Reporting services costs are allocated using the composite cost causation allocator described in Section 1.1.2.

1.3.3.6 Financial Management Training Program

46. The Financial Management Training Program develops junior level finance, treasury, accounting and business management employees for mid-level roles across the EPCOR group. The program was designed to internally develop trainees in EPCOR's processes and its systems, policies and procedures with the aim of developing employees with greater familiarity with EPCOR businesses as an alternative to hiring external candidates to fill vacancies. The program increases the retention of talent, knowledge and the continuation of good practices and departmental policies. Finally, program trainees form a pool of resources to draw from as necessary as an alternative to using higher cost temporary workers and contractors to assist with special projects.

Allocation Method

47. Financial Management Training Program costs are allocated using the composite cost causation allocator described in Section 1.1.2.

1.3.3.7 Audit Fees

48. Audit Fees relate to the outsourced function of performing audits and quarterly reviews of EUI's annual and quarterly interim consolidated financial statements.

49. External financial statement audit services are necessary for EWSI to provide utility service. In order to access capital, EWSI relies on EUI to meet the financial reporting requirements set by creditors. If EUI's financial statements are not audited, access to capital could be restricted, which could in turn limit the utilities' ability to make infrastructure investments.

50. By statute, financial statement audits can only be provided by chartered accounting firms. Therefore, the Audit fees function is solely comprised of external resources.

Allocation Method

51. Audit Fees are allocated using the composite cost causation allocator described in section 1.1.2.

1.3.4 Treasury

52. The Treasury department provides the following services to EWSI and other EUI subsidiaries:

- Insurance and Physical Risk Management
- Treasurer – Corporate Finance
- Treasury Operations

1.3.4.1 Insurance and Physical Risk Management

53. Insurance and Physical Risk Management manages EWSI's and other EPCOR subsidiaries' insurance requirements and has overall responsibility for EPCOR's corporate insurance program. This includes coverage determination, negotiation and placement of insurance contracts as well as surety bonds, facilitating insurer loss control activities, negotiating and settling insured losses and insurance contract/legal review including risk identification.

Allocation Method

54. Insurance and Physical Risk Management costs are allocated using the relative proportion of property, plant and equipment (PPE) to total PPE amounts. This is an appropriate allocator as it is indicative of the work required to manage insurance requirements and mitigate risks associated with each business units' assets.

1.3.4.2 Treasurer – Corporate Finance

55. The Treasurer – Corporate Finance function performs the services associated with raising capital, primarily through the issuance of debt, necessary to finance EWSI's and other EPCOR subsidiaries' capital expenditures and working capital requirements. The activities within this service include:

- Arranging and maintaining operating credit facilities with lenders;
- Preparing prospectuses for EUI's issuance of public debt for the benefit of EWSI and other EPCOR subsidiaries;
- Meeting with credit rating agencies and providing the information required by the rating agencies to provide credit ratings;
- Preparing short-term and long-term loan arrangements between EUI and the subsidiaries;

- Providing subsidiaries with financing and capital structuring advice for capital projects and acquisitions;
- Managing the strategic planning process and developing EUI's corporate strategy and annually refreshing its five year long-term plan; assisting EUI subsidiaries in developing their long-term plans; developing and maintaining the EPCOR groups' long-term planning model; providing financial and analytical support to EUI subsidiaries in relation to long-term planning; and completing an annual valuation of EUI and its subsidiaries; and
- Providing financial projections that underlie the strategic plan and preparing other long range financial forecasts.

56. The Treasurer – Corporate Finance function's activities are necessary for EWSI to provide utility service. The ability to raise capital is fundamental to the sustainability of utility operations and the Treasurer – Corporate Finance function lowers costs by optimizing borrowings and negotiating cost-effective terms and conditions.

Allocation Method

57. The Treasurer – Corporate Finance costs are allocated from EUI to EWSI using a weighting of three financial drivers: PPE, Acquisitions and Capital Expenditures. This is an appropriate allocator because each of the drivers is directly related to the amount of work that is required to obtain financing and service a business unit's share of funding, for either maintenance of existing assets or new growth by means of capital expenditures or acquisitions.

58. The Treasurer – Corporate Finance costs are allocated by EWSI to its business units based on EUI's composite cost causation allocator described in section 1.1.2 because the 30% acquisition portion of the EUI-EWSI allocation is not applicable to EWW. For this reason, the composite cost causation allocator was selected.

1.3.4.3 Treasury Operations

59. Treasury Operations provides banking and cash management services to EWSI and other EPCOR subsidiaries. The activities within this service include:

- Opening and closing bank accounts;
- Cash forecasting and processing;
- Accounting for all of the treasury transactions and loans between EPCOR entities; and

- Managing exposure to foreign currency and interest rate fluctuations on behalf of all EPCOR entities.

60. Treasury Operations services are activities that are necessary for EWSI to provide utility service. This function ensures that the EPCOR group's short-term working capital requirements are met and that there is an availability of cash on a day-to-day basis.

Allocation Method

61. Treasury Operations costs are allocated using a composite of net income, depreciation and debt. This is an appropriate allocator as it reflects the activities and level of effort required to manage cash flow in each business unit.

1.3.5 Risk, Assurance and Advisory

62. The Risk, Assurance and Advisory Services ("RAAS") department provides services to EWSI and other EUI subsidiaries in the administration of the EPCOR group's internal program that ensures compliance with CSOx, including:

- Providing administration, oversight, advisory and testing services to assist management in meeting its reporting obligations with respect to Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICoFR");
- Coordinating quarterly CSOx sub-certifications with internal business process owners on the design and effectiveness of the key controls mitigating financial reporting risk; and
- In addition, RAAS continues to improve and align internal processes with the external auditor to effectively meet the objectives of this program.

Allocation Method

63. RAAS costs are allocated using the composite cost causation allocator described in section 1.1.2.

1.3.6 Human Resources Services

64. The functions in the HR department include the administration and management of employee compensation and benefits programs, support of recruitment efforts, job and organizational design, coaching and conflict resolution, succession and workforce planning and performance management for corporate shared service departments and the continued delivery of professional development courses. The Human Resources (“HR”) department provides the following services to EWSI and other EUI business units:

- Total Rewards
- Human Resources Consulting
- Talent Management

1.3.6.1 Total Rewards

65. Total Rewards provides services related to the design and administration of the EPCOR groups’ compensation and benefits to attract, retain and engage employees. These services include wellness programs, benefits and pensions for all employees and compensation for professional, management and executive positions.

66. Human Resources Information System (“HRIS”) support is also included in the Total Rewards area. This involves managing the development, ongoing enhancements and maintenance of the Oracle-based HRIS application. HRIS activities include data management and analysis, troubleshooting, and managing system enhancements.

67. The services provided by Total Rewards are required to enable EWSI to provide utility service to customers. Total Rewards provides EWSI and other EUI subsidiaries with compensation programs, benefit and retirement programs, and maintains employee records. Total Rewards performs a key strategic function in developing a compensation program that positions EWSI and other EUI subsidiaries to successfully attract and retain employees.

Allocation Method

68. Canadian headcount is an appropriate allocator for Total Rewards because this area provides service exclusively to Canadian operations, and the nature of the costs is driven by the number of staff that are employed in each of the business units.

1.3.6.2 Talent Management

69. Talent Management provides services related to the provision of programs and tools that support the attraction and development of highly qualified employees through the creation and

presentation of employee development and leadership courses. This area is also responsible for new employee orientations that contribute to the success of integrating new hires into EPCOR and training for managers as they move into more senior leadership positions. In addition, Talent Management also engages in position succession planning, employee engagement, as well as talent planning to meet the overall business needs within EUI and its subsidiaries.

70. The services provided by Talent Management are required to enable EWSI to provide utility service to customers. Talent Management provides EWSI and other EUI subsidiaries with training and professional development opportunities to ensure their workforces are properly trained and engaged in their work. Talent Management provides vital leadership and assistance in developing well-trained, skilled and knowledgeable personnel, positioning EWSI to successfully operate and manage their businesses.

Allocation Method

71. Talent Management costs are allocated to each business unit based on the business unit's employee headcount relative to the total employee headcount in all EPCOR group business units, excluding corporate services. The majority of HR costs will be allocated to each Canadian business unit based on the business unit's employee headcount relative to the total employee headcount in Canada. The costs related to the SVP, HR & IS and the executive assistant will be allocated to each business unit based on the business unit's employee headcount relative to the total employee headcount in Canada and the US.

72. Canadian headcount is an appropriate allocator for Talent Management because this area provides service exclusively to Canadian operations, and the nature of the costs are driven by the number of staff that are employed in each of the business units.

1.3.7 Information Services

73. The IS department provides the following services to EWSI and other EUI subsidiaries:

74. Major Capital Projects

- Application Services
- Infrastructure Operations

1.3.7.1 Major Capital Projects

75. Major Capital Projects manages the implementation of major applications and the installation of major computer hardware devices. In addition, project management services may

extend to managing major projects of a non-IT nature for EPCOR subsidiaries, such as constructing leasehold improvements in the EPCOR Tower. Major Capital Projects services include:

- Planning and architecture services, including the creation and continuing maintenance of EPCOR's information services strategic plan, 5-year tactical business system plans (including 5-year and annual capital planning), IT architectural design services, as well as the elicitation and completion of all business requirements related to information technology projects;
- Development of business cases to support utilities' requirements and the regulatory process, as well as the post-implementation review process;
- Overall program and project execution management, including a governance and approval structure. Services include: management and oversight of all IT projects and project management services such as project integration, scope, time, cost, quality, human resource, communications, risk, and procurement management;
- Project planning and architecture services such as data analysis and database design to integrate data; and
- Project Management Office services, including progress reporting, cost forecasting, training, scheduling and continuous improvement.

76. Major Capital Project services are required for EWSI to provide utility service. EWSI is heavily dependent on IS infrastructure in providing utility services. The activities outlined above performed by the Major Capital Projects team are generally required by most major corporations that have a significant IS capital project budget. It is a prudent practice for organizations to take a hands-on role in large Capital IT projects and to have in place capital project processes and governance to manage both the delivery of and capital expenditures for each project.

Allocation Method

77. Major Capital Projects costs are allocated from EUI based on headcount. Headcount is an appropriate allocator because the levels of the costs are driven by the number of staff that are employed in each business units.

78. EWSI allocates Major Capital Projects costs received from EUI to its business units based on total assets. Continuing to use EUI's headcount allocation basis is not appropriate as EWR maintains only operational staff. The staff that support their major projects are located in Edmonton. Utilizing headcount would result in overcharging the Edmonton facilities for work completed on behalf of EWR. Therefore total assets is used as the allocator as it more accurately represents EWR's actual usage of Major Capital Projects.

1.3.7.2 Application Services

79. Application Services provides user support services related to shared business system applications such as the various Oracle modules (Financials, Human Resources Information System, Projects, Assets, Time and Labour) as well the various EWSI specific business systems such as the GIS systems, internet and intranet user support and database administration support.

80. Application Services are required for EWSI to provide utility services. EWSI is heavily dependent on IS infrastructure in providing utility services. The activities as outlined above, performed by the Application Services function are required to support the corporate Enterprise Resource Planning (“ERP”) application used by Corporate Services staff and staff within EWSI. These systems provide the core finance and HR system functions to the organization. These systems must be maintained, and occasionally upgraded to meet vendor and other stakeholder requirements (e.g., regulatory change).

81. In addition to the important role this team plays in supporting and maintaining the critical Finance and HR applications used by EWSI, the Application Services team provides both Database and Web design services. Both of these services increase the quality of the systems implemented at EUI and in the case of the Web designer team they also enhance the customer contact experience with EWSI.

Allocation Method

82. Application Services costs are allocated from EUI to EWSI based on headcount. Headcount is an appropriate allocator for Application Services because the levels of the costs are driven by the number of staff employed in each business unit. Application Services provides service to the US water utilities, and as such costs are allocated using total headcount from both Canadian and US operations, rather than Canadian headcount only.

83. As with Major Capital Projects, EWSI allocates Application Services received from EUI to its business units based on total assets. Continuing to use EUI’s headcount allocation basis is not appropriate as the EWR maintains only operational staff. The staff that provides EWR’s Application Services are located in Edmonton. Utilizing headcount would result in overcharging the Edmonton facilities for work completed on behalf of EWR. Therefore total assets is used as the allocators as it more accurately represents EWR’s actual usage of Application Services

1.3.7.3 Infrastructure Operations

84. Infrastructure Operations provides the following services:

85. Manages the operation and maintenance of the computer hardware platforms (i.e., servers, networks, etc.) and operating systems that shared applications (i.e., Oracle business system) and EDTI, EEAI and EWSI business unit specific systems applications (i.e., UIS retail utility billing and information system);

- Supports telecommunications services and desktop applications (i.e. all Microsoft applications including electronic mail) for EUI, EDTI, EEAI and EWSI;
- Conducts cyber security threat and risk analysis and delivers IT security planning and services. The group ensures that data which is stored cannot be compromised and provides mitigation plans for threats or vulnerabilities that may jeopardize the systems;
- Provides governance services such as oversight, management compliance monitoring of EPCOR's internal information services governance and control policies and procedures and oversight; and
- Manages EPCOR's internal system recovery for contingency planning testing such as disaster recovery and pandemic planning.

86. Infrastructure Operations services are required for EWSI to provide utility service. EWSI is heavily dependent on IS infrastructure in providing utility services. The Infrastructure Operations service is by nature a critical operational role, in that it provides oversight as well as strategic infrastructure and governance activities. This team provides governance and control services, including the development and maintenance of internal policies, procedures and controls for the outsourced services that provide the infrastructure backbone that EUI and its subsidiaries rely on. The infrastructure they support provides the base for the corporate and business specific applications and the communication network used by EWSI and is sourced through this group to external service providers. As such, this group relies heavily on third party service providers. Infrastructure Operations' use of third party service providers is appropriate and fiscally prudent.

Allocation Method

87. Infrastructure Operations costs are allocated based on direct IS costs. Direct IS costs are related to IS desktops, printers and network support that are tracked by business unit and the associated costs directly assigned based on that tracking. Direct IS costs are an appropriate allocator for Infrastructure Operations because Infrastructure operations is the management component of the desktops, printers, etc. and using that basis is reflective of the actual utilization of the services.

88. EWSI allocates Infrastructure Operations costs to its business units based on count of personal computers because PC Count is the central driver of the underlying infrastructure operations costs.

1.3.8 Supply Chain Management Services

89. The services in Corporate Supply Chain Management are:

90. Mailroom

- Disaster Recovery Planning
- Corporate procurement - Strategic Sourcing
- Corporate security
- Facilities management – formerly Real Estate.
- Operations, maintenance and administration including space and rent – formerly SCM Corporate

1.3.8.1 Mailroom

91. Mailroom services are provided to EPCOR locations and include processing incoming and outgoing internal mail between all EPCOR locations as well as external mail through outsourced couriers and Canada Post.

Allocation Method

92. Mailroom costs are allocated based on the business unit's employee headcount relative to the total Canadian employee headcount in all EPCOR group business units, excluding corporate services.

1.3.8.2 Disaster Recovery Planning Facilities

93. Disaster Recovery Planning Facilities provides services for maintaining continuity of the critical information systems of EUI, EWSI, and other members of the EPCOR group in the event of a disaster, including the operation and maintenance of an off-site data centre for IT infrastructure.

94. Disaster Recovery Planning Facilities services are a core competency for a utility such as EWSI. It is vital to ensure that the information systems critical to the utility's operations are maintained without disruption in the event of a disaster. Given the vital role of this function, it would not be reasonable for EWSI to entrust this function to an outsource provider.

95. There is no equivalent headcount associated with this service. All costs are related to the operation and maintenance of the off-site facility.

Allocation Method

96. Disaster Recovery Planning Facilities costs are allocated from EUI to EWSI based on the IS costs directly assigned to the business unit relative to total directly assigned IS costs, excluding Corporate Services. Directly assigned IS cost is an appropriate allocator for this service because the level of service provided through Disaster Recovery Planning Facilities is reflective of the applications that are supported by the Infrastructure Operations group.

97. Disaster Recovery Planning Facilities costs are allocated from EWSI to its business units based on the personal computer count because PC count is the central driver of the underlying infrastructure that must be restored in a disaster recovery situation.

1.3.8.3 Procurement

98. The Corporate Procurement group works to maintain policy and procedures; ensure compliance with legislation; manage vendors; manage / develop vendor contract terms and conditions; provide training and support of procurement processes; and conduct vendor contract negotiations, ensuring standardization and mitigation of contract risk exposures as required by EUI's remaining Corporate Services departments. Procurement will perform market analysis, develop procurement strategies and manage the end to end procurement processes to ensure that Corporate Services departments obtain the best pricing available for their required goods and services.

Allocation Method

99. Procurement costs are allocated from EUI to EWSI based on the relative number of purchase order lines.

100. Procurement costs are allocated from EWSI to EWR based on the composite cost allocator described in Section 1.1.2, and capital expenditures because the relative number of purchase order lines for EWR does not reflect an appropriate cost driver for EWR. Therefore the composite allocator and CapEx were selected.

1.3.8.4 Real Estate/Facilities

101. The Real Estate department maintains and operates EPCOR's Corporate facilities including budgeting and administration; planning, design, space and project management and move coordination; and tenant services such as managing of landscaping and snow removal at

buildings. The services also include negotiating and managing facility leases; and paying the rent and operating costs associated with premises leased by members of the EPCOR group.

102. Real Estate services are required to ensure the staff and contractors operating within EWSI and other EUI subsidiaries have a safe, clean environment to work in, and that those facilities are leased or purchased at a reasonable price.

Allocation Method

103. Real Estate costs are allocated based on a composite cost causation allocator described in Section 1.1.2. The Real Estate department manages facilities for the EPCOR group and it is appropriate these costs be allocated based on a combination of the major factors that contribute to the operation of the business.

1.3.8.5 Security

104. Security provides continuous threat and risk analysis of all physical security respecting EPCOR's businesses and facilities, including those arising from criminals, terrorists and employees. Other services provided by this function include conducting training exercises, awareness sessions, and providing guidance to prepare EWSI and other EUI subsidiaries to prevent and minimize losses during an emergency or disaster. Security guard protection services are entirely outsourced across EPCOR.

Allocation Method

105. Security costs are allocated based on headcount for security services (i.e., the headcounts directly assigned to each business unit relative to EPCOR total). Headcount for security services is an appropriate allocator for this service because it reflects the amount of resources required to manage security services on behalf of each business unit.

1.3.8.6 SCM Corporate Services

106. SCM Corporate Services is comprised of space rent and security associated with EPCOR's Corporate Services departments and business units that are located in EPCOR Tower.

Allocation Method

107. SCM Corporate Services costs are allocated based on EUI's composite cost causation allocator described in Section 1.1.2. Costs associated with SCM Corporate Services are

governance in nature, in that they support corporate employees carrying out their functions on behalf of the business units.

1.3.9 Public and Government Affairs

108. Public and Government Affairs (“P&GA”) provides the following services to EWSI and other EUI subsidiaries:

- Director – Corporate Communications
- Corporate Communications
- Government Relations
- Community Relations

1.3.9.1 Corporate Communications and Director Corporate Communications

109. Corporate Communications provides services related to external communications, which includes corporate profile and reputation management, reporting of quarterly and annual financial results, issues management, and online communications for customers and the general public. Corporate Communications provides strategic advice in responding to customer or other issues that may arise in relation to the EPCOR group’s business activities, or broader industry developments. Corporate Communications also provides internal communication support services to the Corporate Services departments and manages issues of corporate wide interest and impact.

110. Corporate Communications services are required for EWSI and other EUI subsidiaries to provide utility services to customers through facilitating timely and relevant communications and providing access to information.

111. The Director Corporate Communications is the senior manager responsible for the Corporate Government and Public Affairs department. These costs are inclusive of salary and benefits and general administrative costs.

Allocation Method

112. Corporate Communications costs are allocated based on relative net income. Net income is an appropriate allocator for this service because it is representative of the services provided to EUI’s business units including the coordination of public notices, media relations and website design and content for customers and the general public. Corporate Communications provides service to the US Water utilities, and as such, costs are allocated using total net income from both Canadian and US operations, rather than Canadian net income alone.

113. EWSI allocates Corporate Communications costs to its business units based on the relative revenue of the regulated business units.

114. The Director Corporate Communications cost is allocated based on the weighted average costs of the various P&GA functions for which he is responsible.

1.3.9.2 Government Relations

115. Government Relations provides liaison services and briefing support in relation to all three levels of government (federal, provincial, and municipal), as well as government agencies and staff, with respect to existing or proposed policies and legislation. Government Relations also provides analysis and advice to EPCOR businesses respecting the impact of current or contemplated government policy and legislation.

116. Government Relations services are required to enable EWSI to provide utility services to customers by ensuring that government at all three levels are aware of issues that could impact EWSI and its customers. Government Relations staff work directly with elected officials and their key staff on behalf of EWSI on a regular basis to influence policy development and regulation change to minimize any potential negative impact on EWSI's customers.

Allocation Method

117. Government Relations costs are allocated based on EUI's composite cost causation allocator described in section 1.1.2.

1.3.9.3 Community Relations

118. Community Relations services utilizes community engagement tools, processes and investment strategies to support EPCOR's reputation and relationship objectives. This includes establishing the brand design and creative guidelines for all EPCOR communications productions, developing and delivering education programs such as public safety awareness and school electrical safety awareness and developing on-line educational materials about electricity, water and energy conservation. The Community Relations group is also responsible for advancing the achievement of EPCOR's long-term plans by implementing strategies that enhance the profile, reputation, and image of EPCOR with key audiences and providing strategic advice on the most effective means to interface with customers to ensure consistent, clear and proper messaging.

119. Services are also provided by this group to EPCOR Human Resources in support of employee recruiting, retention and engagement. This includes planning and delivering recruiting materials and planning and executing employee events.

120. Services provided by Community Relations are required to enable EWSI and other EUI subsidiaries to provide utility services to customers. Community Relations is EPCOR's face in the community and ensures customers are aware as to who is providing utility services. Community Relations also makes items such as conservation, customer service and safety matters accessible and understandable to the general public.

Allocation Method

121. Community Relations costs are allocated based on net income. Net Income is an appropriate allocator because it is representative of the nature and quantum of services provided by Community Relations to EUI's business units. Community Relations provides service to the US Water utilities and, as such, costs are allocated using total net income from both Canadian and US operations, rather than Canadian net income alone.

122. EWSI allocates Community Relations costs to its business units based on the relative revenue of the regulated business units.

1.3.10 Legal Services

123. Legal Services is responsible for providing legal, governance, corporate secretarial and compliance related activities to EWSI and other EUI business units and subsidiaries.

124. Legal Services include:

- Managing all claims and litigation affecting EUI and its business units and subsidiaries;
- Negotiating, drafting and monitoring material contracts and contractual matters with employees, vendors and other parties;
- Creating and updating EUI and its business units and subsidiaries' standard form contracts and other precedent documents to reflect changes in law or business context;
- Providing advice with respect to contracts entered into by EUI and its business units and subsidiaries with its suppliers and customers;
- Providing legal research, advice, drafting of various documents and agreements and services on capital projects, mergers and acquisitions and other transactions undertaken by EUI and its business units and subsidiaries;

- Analyzing legal risks and providing advice to project teams regarding all legal issues which may affect the viability of a business initiative and/or project;
- Providing legal research, advice and services on numerous other corporate/commercial, financing and securities matters; and
- Providing advice, research and assistance on regulatory law matters, including regulatory applications.

125. Governance oversight services include:

- Reporting all material claims and litigation affecting EUI and its business units and subsidiaries;
- Providing oversight, advice and reports on transactions undertaken by EUI and its business units and subsidiaries;
- Providing advice regarding corporate governance matters, including information on company structure, ownership and directors' and officers' information;
- Providing input into annual reports and filings as well as numerous corporate policies;
- Maintaining corporate records including registrations and preparation of supporting documentation of applications as it relates to changes to directors, officers and/or shareholders to comply with legislation; and
- Preparing corporate documentation including supporting annual resolutions for all subsidiary corporations in order to comply with legislation. For example, appointing or dispensing with an auditor is requirement of business corporation legislation.

126. Corporate Secretarial services include providing assistance with Board, Committee and Shareholder material submissions, preparing resolutions, attending and recording meeting minutes of all Board, Committee and Shareholder meetings.

127. Legal Services provides records management services, which include developing, implementing and overseeing hardcopy and electronic document retention policies and practices.

128. Legal Services also provides internal oversight, advice and corporate governance respecting: legal matters related to company structure and ownership; claims and litigation affecting EUI and its subsidiaries; compliance with statutes (e.g., privacy legislation); and administration and compliance with the Code of Conduct Regulation, EPCOR Inter-Affiliate Code of Conduct and EPCOR's Ethics Policy. Legal Services also includes corporate secretarial services required to assist the Board, Board Committees and EUI's shareholder. Performing these oversight, governance and corporate secretarial services internally ensures that there is an

appropriate level of control in EUI and its subsidiaries and is consistent with best practices in industry.

Allocation Method

129. Legal Services costs are allocated based on the composite cost causation allocator described in section 1.1.2.

1.3.11 Health, Safety and Environment

130. The Health, Safety and Environment (“HSE”) department functions include:

- Maintenance and ongoing implementation of the Integrated Health, Safety and Environment Management System, which conforms to ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) requirements and is implemented across all business units within EPCOR;
- Trend analysis, evaluation, and reporting for the EPCOR group to assist business units in ensuring that regulatory monitoring and reporting requirements are met.

131. EWSI has an obligation to ensure that its employees can perform their duties in a safe environment. Corporate HSE reduces potential costs associated with operational and litigation risk by creating corporate policies that minimize workplace and environmental incidents. These services are necessary to enable EWSI to provide utility service to its customers, and the costs of providing these services are reasonable.

Allocation Method

132. Health, Safety and Environment costs are allocated based on the business unit’s employee headcount relative to the total employee headcount in all EPCOR group business units, excluding corporate services. Headcount is an appropriate allocator because the level of the costs is driven by the number of staff employed in each of the business units.

1.3.12 Corporate Development

133. The Corporate Development department performs the following two functions:

- Financial Modeling – providing financial projections that are necessary to support corporate development activities, assisting with the development of EPCOR’s strategic plan, and preparing other long range financial forecasts; and
- Corporate Development – managing corporate development initiatives, including corporate acquisitions and divestitures

134. Services provided by the Corporate Development department involve development of growth strategies and opportunities conducive to ensuring the long-term sustainability of the EPCOR group's businesses in the face of changing business environments. Corporate Development enables EWSI to provide safe, reliable, and economic utility service by developing growth and diversification options to support the EPCOR group's larger strategic plan.

Allocation Method

135. Corporate Development costs are allocated based on the composite cost causation allocator described in section 1.1.2.

1.3.13 Incentive Compensation

136. Corporate incentive compensation is paid to Corporate Services employees based on individual performance ratings and EUI's overall annual corporate targets. The EPCOR groups' structure for compensating its non-union employees has four components: base compensation (annual salary), employer paid benefits, Short Term Incentive ("STI"), and Mid Term Incentive ("MTI") for participating Directors, VPs and Executives. EPCOR's structure for compensating unionized employees has three components: base compensation (hourly wages / annual salaries), employer paid benefits and STI. The compensation was designed to bring employee total compensation to a level which is at par with comparable positions in the market from which EPCOR must draw employees (i.e., to market value).

Allocation Method

137. Incentive Compensation for corporate employees has been allocated to each business unit based on the average corporate cost allocation. Incentive Compensation is allocated in direct proportion to the allocation of corporate employees' salaries and benefits using various allocators.

1.4 Asset Usage Fees

1.4.1 Overview of Allocated Corporate Asset Usage Fees

138. EUI charges fees relating to general plant assets owned by EUI that are used in providing Corporate Services to EPCOR business units. These fees are referred to as Corporate Asset Usage Fees. The categories of assets for which Corporate Asset Usage Fees are charged include the following:

- Disaster Recovery Leasehold
- Equipment – EPCOR Tower

- Furniture and Fixtures
- Human Resources Information Systems
- Information System (“IS”) Infrastructure
- Leasehold Improvements – EPCOR Tower
- Oracle General Ledger System
- Vehicles

139. The forecast Asset Usage Fee for each category of corporate assets comprises “return of” capital (or depreciation expense) only.

1.4.2 Disaster Recovery Leasehold

140. An Information Systems Disaster Recovery Environment was created at an off-site location in 2002 and 2003 with subsequent improvements made to the Data Center in 2005, 2009 and 2012. These fees represent the costs of maintaining the off-site location.

141. The allocation methodology from EUI to EWSI consists of two steps. The first step is to determine the allocation percentage relating to the amount of space occupied by the business unit in EPCOR Tower, if applicable. This is determined by dividing the square footage occupied by the business unit in question by the total amount of space occupied by the EPCOR group within EPCOR Tower. The second step is to allocate the relative share of costs associated with the space occupied by EUI’s Corporate Services Departments among EPCOR business units on the basis of each business unit’s proportionate share of allocated Corporate Services costs. This percentage is determined by multiplying the Corporate Services Department’s share of space by each business unit’s proportionate share of Corporate Service costs. The total of the percentages determined in step 1 and step 2 is the final allocation percentage used as it represents both the business units share as well as that business unit’s share of the corporate services functions.

142. Disaster Recovery Leasehold costs are allocated from EWSI to EWR based on the composite cost causation allocator described in section 1.1.2. This is because square footage described above is not readily available for EWR, and there is no other direct cost driver for leasehold assets for EWR.

1.4.3 Equipment – EPCOR Tower

143. EPCOR Tower is utilized by a few different companies. The fees here represent EUI’s share of the costs of the entire security system for the entire tower.

144. The allocation methodology from EUI to EWSI consists of two steps. The first step is to determine the allocation percentage relating to the amount of space occupied by the business unit

in EPCOR Tower, if applicable. This is determined by dividing the square footage occupied by the business unit in question by the total amount of space occupied by the EPCOR group within EPCOR Tower. The second step is to allocate the relative share of costs associated with the space occupied by EUI's Corporate Services Departments among EPCOR business units on the basis of each business unit's proportionate share of allocated Corporate Services costs. This percentage is determined by multiplying the Corporate Services Department's share of space by each business unit's proportionate share of Corporate Service costs. The total of the percentages determined in step 1 and step 2 is the final allocation percentage used as it represents both the business units share as well as that business unit's share of the corporate services functions.

145. Equipment – EPCOR Tower costs are allocated from EWSI to EWR based on the composite cost causation allocator described in section 1.1.2. This is because square footage described above is not readily available, and there is no other direct cost driver for Equipment – EPCOR Tower assets for EWR.

1.4.4 Furniture and Fixtures

146. Corporate Furniture and Fixtures asset costs are allocated to EWSI and other EUI subsidiaries based on the business unit's allocated Corporate Services operating costs relative to total Corporate Services operating costs, reflecting the scope and quantum of the benefits received by the business unit from the Corporate Services departments that use those assets in providing services to the business unit. These asset costs represent furniture such as offices, workstations, chairs, tables, file cabinets and shelves used by employees in Corporate Services departments.

147. Corporate Furniture and Fixtures costs are allocated from EWSI to EWR based on EWR's relative share of allocated corporate services operating costs to total corporate service operating costs allocated to EWSI.

1.4.5 Human Resources Information System

148. The HRIS is a software application that is used by EUI's HR department to manage the employees of the EPCOR group, including such things as recruiting, hiring, managing and paying employees (including the calculation of pensions, CPP, UIC, income tax and other payroll deductions). HRIS asset costs are allocated based on each business unit's employee headcount relative to the total employee headcount.

149. HRIS costs are allocated from EWSI to EWR based on EWR's head relative to the total headcount in EWSI.

1.4.6 Information Systems Infrastructure

150. Corporate Information System (“IS”) infrastructure costs are allocated from EUI to EWSI on the basis of the amount of the business unit’s weighted average allocation of the I.S. operating costs . This allocation method is appropriate because the IS Infrastructure is an extension of the work that forms the basis for IS operating costs. The IS assets include servers, electronic storage devices, information system networks, desktops and IS Applications.

151. IS infrastructure costs are allocated from EWSI to EWR based on the relative share of EWR’s IS allocated costs to total EWSI allocated costs. .

1.4.7 Leasehold Improvements – EPCOR Tower

152. In order to meet EUI’s requirements at EPCOR Tower certain costs for construction of tenant space and structural components of the Information Systems Data Center were incurred. The fees charged to EWR represent an allocation of these costs.

153. The allocation methodology from EUI to EWSI consists of two steps. The first step is to determine the allocation percentage relating to the amount of space occupied by the business unit in EPCOR Tower, if applicable. This is determined by dividing the square footage occupied by the business unit in question by the total amount of space occupied by the EPCOR group within EPCOR Tower. The second step is to allocate the relative share of costs associated with the space occupied by EUI’s Corporate Services Departments among EPCOR business units on the basis of each business unit’s proportionate share of allocated Corporate Services costs. This percentage is determined by multiplying the Corporate Services Department’s share of space by each business unit’s proportionate share of Corporate Service costs. The total of the percentages determined in step 1 and step 2 is the final allocation percentage used as it represents both the business units share as well as that business unit’s share of the corporate services functions.

154. Leasehold Improvements – EPCOR Tower costs are allocated from EWSI to EWR based on the composite cost causation allocator described in section 1.1.2. This is because square footage described above is not readily available, and there is no other direct cost driver for EWR.

1.4.8 Oracle General Ledger System

155. Oracle General Ledger System asset costs have been allocated based on the weighted average of the cost allocators for two primary functions of the financial system: (i) the weighted average operating costs related to the finance function; and (ii) the weighted average number of the Purchase Order Lines by business unit. The Financial System costs represent the current financial application that is used to pay invoices, record and report financial information, prepare

financial statements, calculate depreciation, purchase goods and services and manage project costs. The software application, Oracle Financials, uses modules that include Accounts Payable, Accounts Receivable, General Ledger, Purchasing, Projects and Fixed Assets.

156. Oracle General Ledger System costs are allocated from EWSI to EWR based on the weighted average of the cost allocators for two primary functions of the financial system: (i) the weighted average operating costs related to the finance function; and (ii) the weighted average number of the Purchase Order Lines.

1.4.9 Vehicles

157. Vehicle assets are used for security and for employees at EPCOR Tower to travel to meetings at EUI sites. Vehicle asset costs are allocated to each business unit based on the business unit's share of allocated costs relative to total allocated cost.

158. Vehicle costs are allocated from EWSI to EWR based on the EWR's share of allocated costs relative to total EWSI allocated cost.