



January 3, 2008

Ontario Energy Board  
Attn: Kirsten Walli, Board Secretary  
PO Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli,

**Re: 2008 Electricity Distribution Rate Application  
Proposed Adjustment to Retail Transmission Rates  
EB-2007-0840**

As per the Board's direction issued on October 29, 2007, E.L.K. Energy Inc. is proposing an adjustment to our retail transmission rates and disposition of the associated variance account balances with our Incentive Rate Mechanism application.

In order to achieve this, an approach comparable to Sheet 8-6 of the EDR 2006 Model has been used. The result is the current approved rates are adjusted by an incremental amount that reflects the following:

- Determination of annual transmission expenditures based on the Ontario Energy Board issued EB-2007-0759 rate order.
- The annual transmission expenditures have been reduced by the variances as of December 31, 2006.
- The resulting revised annual transmission expenditure is then compared to the 2006 revenue to determine the cost/revenue ratio.

The cost/revenue ratio is then applied to current approved rates to result in the proposed adjustment to retail transmission rates. See attached spreadsheet for complete details and calculations.

In the Board's letter dated October 29, 2007, the Board indicates that wholesale transmission rates are expected to decrease by an average of approximately 12%. However this is not the case for E.L.K. Based on our analysis E.L.K. is expected to experience annual transmission expenditures of approximately \$1,987,537 compared to \$2,012,139 based on previous rates. This is the result of the number of points for which the connection transmission charges are subject to the transformation connection service rate which has increased from \$1.35/kW to \$1.61/kW.

The resulting proposed retail transmission rates are as follows:

	Current Rates		Proposed Rates	
	Network	Connection	Network	Connection
Residential – \$/kwh	\$0.0049	\$0.0045	\$0.0037	\$0.0025
General Service less than 50kW – \$/kwh	\$0.0045	\$0.0041	\$0.0034	\$0.0023
General Service 50 to 4,999 kW – \$/kW	\$1.8352	\$1.6224	\$1.3810	\$0.9147
General Service 50 to 4,999 kW – Time of use - \$/kW	\$1.9468	\$1.7942	\$1.4650	\$1.0116
Unmetered scattered load - \$/kWh	\$0.0045	\$0.0041	\$0.0034	\$0.0034
Sentinel lighting - \$/kW	\$1.3911	\$1.2813	\$1.0468	\$0.7224
Street lighting - \$/kW	\$1.3841	\$1.2550	\$1.0416	\$0.7076

The following documents are enclosed:

- ✓ Two (2) paper copies of the Manager's Summary and the Proposed Adjustment to Retail Transmission Rates Schedule
- ✓ One (1) electronic copy in Microsoft Excel format of the Proposed Adjustment to Retail Transmission Rates Schedule
- ✓ One(1) electronic copy in PDF format of the application.

Please do not hesitate to contact me if I can be of further assistance:

Sandra Slater  
172 Forest Ave  
Essex ON N8M 3E4  
Phone: 519-776-5291 x13  
Fax: 519-776-5640  
E-mail: sslater@elkenenergy.com

Regards,

Sandra Slater, CA  
Director of Finance



2008 Incentive Regulation Mechanism (2008 IRM) Rate Application  
Proposed Adjustment to Retail Transmission Rates

E.L.K. Energy Inc. ED-2003-0015

EB-2007-0840

	Retail Transmission Rate per kWh								
	Retail Transmission Rate \$/kWh			Increment \$/kWh			Adjusted Retail Transmission Rate \$/kWh		
	Network	Connection	Total	Network	Connection	Total	Network	Connection	Total
<b>RESIDENTIAL</b>	\$ 0.0049	\$ 0.0045	\$ 0.0094	\$ (0.0012)	\$ (0.0020)	\$ (0.0032)	\$ 0.0037	\$ 0.0025	\$ 0.0062
<b>GENERAL SERVICE</b>									
Less than 50 kW	\$ 0.0045	\$ 0.0041	\$ 0.0086	\$ (0.0011)	\$ (0.0018)	\$ (0.0029)	\$ 0.0034	\$ 0.0023	\$ 0.0057
50 to 4,999 kW									
50 to 4,999 kW - Time of Use									
Unmetered Scattered Load	\$ 0.0045	\$ 0.0041	\$ 0.0086	\$ (0.0011)	\$ (0.0018)	\$ (0.0029)	\$ 0.0034	\$ 0.0023	\$ 0.0057
Sentinel Lighting									
Street Lighting									

	Retail Transmission Rate per kW								
	Retail Transmission Rate \$/kW			Increment \$			Adjusted Retail Transmission Rate \$/kWh		
	Network	Connection	Total	Network	Connection	Total	Network	Connection	Total
	\$ 1.8352	\$ 1.6224	\$ 3.4576	\$ (0.4542)	\$ (0.7077)	\$ (1.1619)	\$ 1.3810	\$ 0.9147	\$ 2.2957
	\$ 1.9468	\$ 1.7942	\$ 3.7410	\$ (0.4818)	\$ (0.7826)	\$ (1.2644)	\$ 1.4650	\$ 1.0116	\$ 2.4766
	\$ 1.3911	\$ 1.2813	\$ 2.6724	\$ (0.3443)	\$ (0.5589)	\$ (0.9032)	\$ 1.0468	\$ 0.7224	\$ 1.7692
	\$ 1.3841	\$ 1.2550	\$ 2.6391	\$ (0.3425)	\$ (0.5474)	\$ (0.8900)	\$ 1.0416	\$ 0.7076	\$ 1.7491

	Network	Connection
Expense based on rates effective November 1, 2007 and 2006 readings	\$ 1,088,592.12	\$ 898,945.05
Variance as of December 31, 2006	\$ (271,559.05)	\$ (351,672.25)
<b>Revised expense</b>	<b>\$ 817,033.07</b>	<b>\$ 547,272.80</b>
<b>2006 Revenue</b>	<b>\$ 1,085,736.76</b>	<b>\$ 970,660.07</b>
<b>Variance</b>	<b>\$ (268,703.69)</b>	<b>\$ (423,387.27)</b>
<b>Cost/Revenue Ratio</b>	<b>75.25%</b>	<b>56.38%</b>