



June 28, 2011

Ontario Energy Board  
Attn: Board Secretary's Office  
PO Box 2319  
27<sup>th</sup> Floor, 2300 Yonge Street  
Toronto ON M4P 1E4

**Re: E.L.K. Energy Inc.**  
**2012 Electricity Distribution rates**  
**Board File No. EB-2011-0099**

As per the instruction of the letter of direction dated June 17, 2011 with regards to the 2012 Electricity Distribution Rates Board File No. EB-2011-0099, we submit:

E.L.K.'s return on equity and return on rate base for both 2009 and 2010 on both actual and deemed capital structures.

The return levels are believed to be above the level that underpins E.L.K.'s rates. It is nonetheless appropriate for the Board to defer rebasing of E.L.K.'s rates due to the significant implementation of smart metering infrastructure and the associated time of use pricing mandated by September 2011. E.L.K. Energy is currently in the midst of full enrollment testing. In addition, the maternity leave of the Director of Finance and Regulatory Affairs who would be a key contributor to the rate rebasing application with over ten years experience in the industry would have a direct impact on the rate rebasing application.

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

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Mark Danelon, CA

Manager, Finance & Regulatory Affairs



**Calculation Made from the Audited Financial Statement for E.L.K. Energy Inc. as follows:**

	<b>2010</b>	<b>2009</b>
<b>Net Income after tax</b>	1,178,049	983,399
<b>Shareholder's Equity</b>	7,385,706	6,207,657
<b>Return on Equity</b>	16%	16%



Name of LDC: E.L.K. Energy Inc.  
 OEB Licence Number: ED-2003-0015

IRM Year One	2009
GDP-IPI	2.30%
Less Productivity	-1.00%
IRM Price Cap Adjustment	1.30%

Distributors Rate Base	2009 IRM Year Three Improvement
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<b>Average Net Fixed Assets</b>	
Average Gross Fixed Assets	\$ 8,259,194
Average Accumulated Depreciation	\$ -
<b>Average Net Fixed Assets</b>	<b>\$ 8,259,194</b>

<b>Working Capital Allowance</b>	
Working Capital Allowance Base	\$ 15,535,838
Working Capital Allowance Rate	15%
<b>Working Capital Allowance</b>	<b>\$ 2,330,376</b>

<b>Rate Base</b>	<b>\$ 10,589,570</b>
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Return on Rate Base
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Deemed ShortTerm Debt %	0.00%	\$ -
Deemed Long Term Debt %	56.70%	\$ 6,004,286
Deemed Equity %	43.30%	\$ 4,585,284
Short Term Interest	0.00%	\$ -
Long Term Interest	7.25%	\$ -



		435,311
Return on Equity	9.00%	\$ 412,676
Return on Rate Base		\$ 847,986

**OFF Ramp Test using ROE at time of rebasing**

Rate Base	\$ 10,589,570	
Deemed Equity %	43.30%	
Return on Equity ROE at time of rebasing	9.00%	
Off Ramp Dead Band - Upper +3.0%	12.00%	
Off Ramp Dead Band - Lower -3.0%	6.00%	
Maximum Allowed Return		\$ 550,234
Minimum Allowed Return		\$ 275,117

**OFF Ramp Test using ROE for 2009 COS**

Rate Base	\$ 10,589,570	
Deemed Equity %	43.30%	
Return on Equity ROE using ROE for 2009 COS	8.01%	
Off Ramp Dead Band - Upper +3.0%	11.01%	
Off Ramp Dead Band - Lower -3.0%	5.01%	
Maximum Allowed Return		\$ 504,840
Minimum Allowed Return		\$ 229,723



Name of LDC: E.L.K. Energy Inc.  
 OEB Licence Number: ED-2003-0015

IRM Year One	2010
GDP-IPI	1.30%
Less Productivity	-1.00%
IRM Price Cap Adjustment	0.30%

Distributors Rate Base	2010 IRM Year Four Improvement
<b>Average Net Fixed Assets</b>	
Average Gross Fixed Assets	\$ 8,283,972
Average Accumulated Depreciation	\$ -
<b>Average Net Fixed Assets</b>	<b>\$ 8,283,972</b>
<b>Working Capital Allowance</b>	
Working Capital Allowance Base	\$ 15,582,446
Working Capital Allowance Rate	15%
<b>Working Capital Allowance</b>	<b>\$ 2,337,367</b>
<b>Rate Base</b>	<b>\$ 10,621,339</b>

Return on Rate Base		
Deemed ShortTerm Debt %	0.00%	\$ -
Deemed Long Term Debt %	60.00%	\$ 6,372,803
Deemed Equity %	40.00%	\$ 4,248,535
Short Term Interest	0.00%	\$ -
Long Term Interest	7.25%	\$ 462,028
Return on Equity	9.00%	\$ 382,368
<b>Return on Rate Base</b>		<b>\$ 844,396</b>

OFF Ramp Test using ROE at time of rebasing	
Rate Base	\$ 10,621,339
Deemed Equity %	40.00%
Return on Equity ROE at time of rebasing	9.00%
Off Ramp Dead Band - Upper +3.0%	12.00%
Off Ramp Dead Band - Lower -3.0%	6.00%



Maximum Allowed Return

\$  
509,824

Minimum Allowed Return

\$  
254,912

**OFF Ramp Test using ROE for 2010 COS**

Rate Base

\$  
10,621,339

Deemed Equity %

40.00%

Return on Equity ROE using ROE for 2010 COS

**9.85%**

Off Ramp Dead Band - Upper +3.0%

12.85%

Off Ramp Dead Band - Lower -3.0%

6.85%

Maximum Allowed Return

\$  
545,937

Minimum Allowed Return

\$  
291,025